

Department of Agriculture and Rural Development

FINANCIAL STATEMENTS
Year Ended March 31, 2015

Independent Auditor's Report

Statement of Operations

Statement of Financial Position

Statement of Cash Flows

Notes to the Financial Statements

Schedule 1 – Revenues

Schedule 2 – Credit or Recovery

Schedule 3 – Expenses – Directly Incurred Detailed by Object

Schedule 4 – Budget Reconciliation

Schedule 5 – Lapse/Encumbrance

Schedule 6 – Lottery Fund Estimates

Schedule 7 – Salary and Benefits Disclosure

Schedule 8 – Related Party Transactions

Schedule 9 – Allocated Costs



Independent Auditor's Report

To the Minister of Agriculture and Forestry

Report on the Financial Statements

I have audited the accompanying financial statements of the Department of Agriculture and Rural Development, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Department of Agriculture and Rural Development as at March 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher, FCA]

Auditor General

June 2, 2015

Edmonton, Alberta

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2015

	2015	2015	2014
	Constructed	Actual	Actual
	Budget		(Restated)
	(Schedule 4)		
	(in thousands)		
Revenues (Schedule 1)			
Government Transfers			
Transfers from the Agriculture and Food Innovation Endowment Account	\$ 9,000	\$ 3,050	\$ -
Government of Alberta Grants	520	1,778	1,715
Federal Government Grants	50,460	43,637	36,277
Premiums, Fees and Licenses	1,344	1,192	1,497
Other Revenue	6,598	9,055	7,614
	67,922	58,712	47,103
Expenses - Directly Incurred (Note 2(b), Schedules 3, 5, and 8)			
Programs			
Ministry Support Services	18,248	16,143	17,240
Agriculture Policy and Economics	17,955	16,443	14,671
Agriculture Environment and Water	57,170	54,208	50,521
Food Safety and Animal Health	51,156	45,716	43,041
Industry Development	128,801	122,780	115,946
Livestock and Meat Strategy	29,060	23,936	22,333
2013 Alberta Flooding			
Non Disaster Recovery Program Expenses	17,283	630	114
Agriculture and Food Innovation Endowment Account	9,000	3,058	-
Agriculture Insurance and Lending Assistance			
Lending	17,667	17,667	16,290
Insurance	248,921	205,278	269,625
Wildlife	3,329	2,137	4,878
AgriStability	66,079	64,696	37,885
	664,669	572,692	592,544
Net Operating Results	\$ (596,747)	\$ (513,980)	\$ (545,441)

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

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2015

	2015	2014 (Restated)
	(in thousands)	
Assets		
Cash	\$ 504	\$ 408
Accounts Receivable (Note 4)	29,379	30,056
Tangible Capital Assets (Note 5)	29,313	30,128
	\$ 59,196	\$ 60,592
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 89,996	\$ 65,765
Deferred Revenue (Note 7)	5,808	5,431
	95,804	71,196
Net Liabilities		
Net Liabilities as adjusted at Beginning of Year	(10,604)	(80,690)
Adjustments to opening net liabilities	(66)	(43)
Net Operating Results	(513,980)	(545,441)
Net Financing Provided from General Revenues	488,042	615,570
Net Liabilities at End of Year	(36,608)	(10,604)
	\$ 59,196	\$ 60,592

Contingent Liabilities and Contractual Obligations (Notes 8 and 9)

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

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2015

	2015	2014 (Restated)
	(in thousands)	
Operating Transactions		
Net Operating Results	\$ (513,980)	\$ (545,441)
Non-cash Items Included in Net Operating Results		
Amortization (Note 5)	6,512	6,861
Deferred Capital Contribution recognized as Revenue (Note 7)	(324)	(280)
Loss on Disposal of Tangible Capital Assets	78	7
	(507,714)	(538,853)
Decrease in Accounts Receivable	677	940
Increase (Decrease) in Accounts Payable and Accrued Liabilities	24,231	(77,103)
Increase in Unearned Revenue	62	4,375
Cash Applied to Operating Transactions	(482,744)	(610,641)
Capital Transactions		
Acquisition of Tangible Capital Assets ⁽¹⁾ (Note 5)	(5,876)	(5,613)
Proceeds on Disposal of Tangible Capital Assets	35	45
Cash Applied to Capital Transactions	(5,841)	(5,568)
Financing Transactions		
Contributions Restricted for Capital	639	735
Net Financing Provided from General Revenues ⁽¹⁾	488,042	615,570
Cash Provided by Financing Transactions	488,681	616,305
Increase in Cash	96	96
Cash at Beginning of Year	408	312
Cash at End of Year	\$ 504	\$ 408

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

⁽¹⁾ Includes Capital Asset Transfer from Livestock and Meat Agency Ltd. of \$0 (2014 - \$3)

Notes to the Financial Statements for the Year Ended March 31, 2015

Note 1 Authority and Purpose

The Department of Agriculture and Rural Development 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. The Department is exempt from income taxes under the *Income Tax Act*.

Note 2 Summary of Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian public sector accounting standards.

(a) Reporting Entity

The reporting entity is the Department of Agriculture and Rural Development, which is part of the Ministry of Agriculture and Rural Development and for which the Minister of Agriculture and Rural Development is accountable. Other entities reporting to the Minister are Agriculture Financial Services Corporation and Alberta Livestock and Meat Agency Ltd. The activities of these organizations 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 President of Treasury Board and 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 Financing provided from General Revenues is the difference between all cash receipts and all cash disbursements made.

(b) Basis of Financial Reporting

Revenue

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 deferred revenue.

Government transfers - Transfers from the Government of Alberta, federal and other governments are referred to as government transfers.

Government transfers are recorded as deferred revenue if the terms for use of the transfer, or the stipulations together with the department's actions and communications as to the use of the transfers create a liability.

All other government transfers, without terms for the use of the transfer, are recorded as revenue when the transfer is authorized and the department meets the eligibility criteria (if any).

Capital Contributions - Restricted capital contributions are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired or constructed tangible capital assets.

Credit or Recovery - Credit or Recovery initiatives provide a basis for authorizing spending. Credits or Recoveries are shown 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 Credit or Recovery amounts exceed budget, the department may, with the approval of the Treasury Board Committee, use the excess to fund additional expenses of the program. Schedule 2 discloses information on the department's Credit or Recovery 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 are the cost of employer contributions for current service of employees during the year, and

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

- 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 not recognized and are disclosed in Schedule 8 and allocated to programs in Schedule 9.

Assets

Financial assets are assets that could be used to discharge existing liabilities or finance future operations and are not for consumption in the normal course of operations. 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 \$250,000 and the threshold for major system enhancements is \$100,000. The threshold for all other tangible capital assets is \$5,000. All land is capitalized.

Contributed tangible capital assets are recorded at their fair value at the time of contribution.

Amortization is only charged if the tangible capital asset is in use.

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.

Canadian public sector accounting standards require a "net debt" presentation for the statement of financial position in the summary financial statements of governments. Net debt presentation reports the difference between financial assets and liabilities as "net debt" or "net financial assets" as an indicator of the future revenues required to pay for past transactions and events. The department operates within the government reporting entity, and does not finance all its expenditures by independently raising revenues. Accordingly, these financial statements do not report a net debt indicator.

Measurement Uncertainty (in thousands)

Measurement uncertainty exists when there is a variance between the recognized or disclosed amount and another reasonably possible amount.

The department's contribution to Agriculture Financial Services Corporation for the department's share of program payments under the AgriInvest, AgriStability and AgriRecovery programs, recorded as \$64,696 (2014 – \$38,163) in these financial statements, is subject to measurement uncertainty. The department's contribution for these programs could change substantially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for AgriStability and AgriInvest program are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of \$47,127 to \$68,049.

Note 2 Summary of Significant Accounting Policies and Reporting Practices (continued)

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on potential payments for claims not yet 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, 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.

(c) Future Accounting Changes

PS 3450 Financial Instruments

In June 2011 the Public Sector Accounting Board issued this accounting standard and subsequently extended the effective date to April 1, 2016 from April 1, 2015.

The department has not yet adopted this standard and has the option of adopting it in fiscal year 2016-17 or earlier. Adoption of this standard requires corresponding adoption of: PS 2601, Foreign Currency Translation; PS 1201, Financial Statement Presentation; and PS 3041, Portfolio Investments in the same fiscal period. These standards provide guidance on: recognition, measurement, and disclosure of financial instruments; standards on how to account for and report transactions that are denominated in a foreign currency; general reporting principles and standards for the disclosure of information in financial statements; and how to account for and report portfolio investments. Management is currently assessing the impact of these standards on the financial statements.

PS 2200 Related party disclosures and PS 3420 Inter-entity transactions

In March 2015 the Public Sector Accounting Board issued PS 2200 – Related party disclosures and PS 3420 – Inter-entity transactions. These accounting standards are effective for fiscal years starting on or after April 1, 2017.

- PS 2200 – Related party disclosures defines a related party and identifies disclosures for related parties and related party transactions, including key management personnel and close family members.
- PS 3420 – Inter-entity transactions, establishes standards on how to account for and report transactions between public sector entities that comprise a government's reporting entity from both a provider and recipient perspective.

Management is currently assessing the impact of these new standards on the financial statements.

Note 3 Restatement of Prior Year Figures

(in thousands)

Effective April 1, 2014, responsibility for funding the public affairs officer positions was transferred from the Department of Public Affairs Bureau to the Department where they had previously been seconded.

Comparatives for 2014 have been restated as if the Department had always been assigned with its current responsibilities.

	As Previously Reported	Tangible Capital Asset Adjustment	Transfer from Public Affairs Bureau	As Restated
Net Liabilities at March 31, 2013	\$ (80,690)	\$ (34)	\$ (9)	\$ (80,733)
Net Operating Result	(545,334)	10	(117)	(545,441)
Net Financing provided from General Revenues	615,456	-	114	615,570
Net Liabilities at March 31, 2014	\$ (10,568)	\$ (24)	\$ (12)	\$ (10,604)

Comparatives have also been adjusted to reflect an adjustment for duplicate tangible capital assets previously recorded in the amount of \$34.

Note 4 Accounts Receivable

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	Gross Amount	2015 Allowance for Doubtful Accounts	Net Realizable Value	2014 Net Realizable Value
Accounts receivable	\$ 29,532	\$ 264	\$ 29,268	\$ 29,790
Refunds from suppliers	108	-	108	262
Loans and Advances	4	1	3	4
	<u>\$ 29,644</u>	<u>\$ 265</u>	<u>\$ 29,379</u>	<u>\$ 30,056</u>

Note 5 Tangible Capital Assets
(in thousands)

	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2015 Total	2014 Total (Restated)
Estimated Useful Life	40 years	5 - 10 years	3 - 5 years	35 years		
Historical Cost⁽¹⁾						
Beginning of Year	\$ 2,024	\$ 54,741	\$ 14,212	\$ 48,972	\$ 119,949	\$ 115,975
Additions ⁽²⁾	-	4,319	1,557	-	5,876	5,621
Disposals ⁽³⁾	(66)	(373)	(961)	(219)	(1,619)	(1,647)
	<u>1,958</u>	<u>58,687</u>	<u>14,808</u>	<u>48,753</u>	<u>124,206</u>	<u>119,949</u>
Accumulated Amortization						
Beginning of Year	575	36,335	6,602	46,309	89,821	84,547
Amortization Expense ⁽²⁾	49	3,535	1,533	1,395	6,512	6,869
Effect of Disposals	-	(337)	(893)	(210)	(1,440)	(1,595)
	<u>624</u>	<u>39,533</u>	<u>7,242</u>	<u>47,494</u>	<u>94,893</u>	<u>89,821</u>
Net Book Value at						
March 31, 2015	<u>\$ 1,334</u>	<u>\$ 19,154</u>	<u>\$ 7,566</u>	<u>\$ 1,259</u>	<u>\$ 29,313</u>	
March 31, 2014	<u>\$ 1,449</u>	<u>\$ 18,406</u>	<u>\$ 7,610</u>	<u>\$ 2,663</u>		<u>\$ 30,128</u>

(1) Historical cost includes work-in-progress at March 31, 2015 totaling \$4,822 comprised of: equipment \$972 (2014 - \$907) and computer hardware and software \$3,850 (2014 - \$3,172).

(2) Includes transfer of computer hardware from Alberta Livestock and Meat Agency Ltd. comprised of historical cost of \$0 (2014 - \$11) and accumulated amortization of \$0 (2014 - \$8).

(3) Includes transfer of buildings to Alberta Infrastructure comprised of historical cost of \$66 (2014 - \$0).

Note 6 Accounts Payable and Accrued Liabilities
(in thousands)

	2015	2014 (Restated)
Accounts Payable – General	\$ 176	\$ 186
Manpower	11,969	12,754
Grants	72,025	49,192
Supplies and Services and Capital Purchases	5,826	3,633
	<u>\$ 89,996</u>	<u>\$ 65,765</u>

Note 7 Deferred Revenue

(in thousands)

	2015	2014
Unearned Revenue	\$ 2,861	\$ 2,799
Unspent deferred capital contribution Liability (i)	1,176	1,194
Spent deferred capital contributions (ii)	1,771	1,438
	<u>\$ 5,808</u>	<u>\$ 5,431</u>

(i) Unspent deferred capital contribution liability

	2015				2014
	Government of Alberta	Federal Government	Non-government	Total	Total
Balance, beginning of year	\$ 87	\$ 1,107	\$ -	\$ 1,194	\$ 969
Cash contributions received/receivable during year	69	-	570	639	735
Transferred to spent deferred capital contributions	(87)	-	(570)	(657)	(510)
Balance, end of year	<u>\$ 69</u>	<u>\$ 1,107</u>	<u>\$ -</u>	<u>\$ 1,176</u>	<u>\$ 1,194</u>

(ii) Spent deferred capital contributions

	2015				2014
	Government of Alberta	Federal Government	Non-government	Total	Total
Balance, beginning of year	\$ 390	\$ 482	\$ 566	\$ 1,438	\$ 1,208
Transferred capital assets received/receivable	-	-	-	-	-
Transferred from unspent deferred capital contribution	87	-	570	657	510
Less amounts recognized as revenue	(63)	(184)	(77)	(324)	(280)
Balance, end of year	<u>\$ 414</u>	<u>\$ 298</u>	<u>\$ 1,059</u>	<u>\$ 1,771</u>	<u>\$ 1,438</u>

Note 8 Contingent Liabilities

(in thousands)

The department is involved in legal matters where damages are being sought. These matters may give rise to contingent liabilities.

The department has been named in one (2014: one) claim of which the outcome is not determinable. This claim has a specified amount totalling \$300 (2014: \$300). This claim is covered in whole by the Alberta Risk Management Fund. The resolution of indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Note 9 Contractual Obligations

(in thousands)

Contractual obligations are obligations of the department to others that will become liabilities in the future when the terms of those contracts or agreements are met.

	2015	2014
Obligations under Operating Leases, Contracts and Programs	\$ 41,993	\$ 23,759
	<u>\$ 41,993</u>	<u>\$ 23,759</u>

Estimated payment requirements for each of the next five years are as follows:

Obligations Under Operating Leases, Contracts and Programs

	Total
2015-16	\$ 25,232
2016-17	16,086
2017-18	562
2018-19	73
2019-20	40
	<u>\$ 41,993</u>

Note 10 Guarantees

(in thousands)

	2015	2014	Expiry Date
Feeder Associations	\$ 54,879	\$ 48,417	Ongoing
	<u>\$ 54,879</u>	<u>\$ 48,417</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). There are currently no outstanding guarantees under this act.

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.

Note 11 Trust Funds Under Administration

(in thousands)

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.

As at March 31, 2015 trust funds under administration were as follows:

	2015	2014
4-H General Trust	\$ 106	\$ 110
Claude Gallinger Memorial Trust Fund	21	21
	<u>\$ 127</u>	<u>\$ 131</u>

Note 12 2013 Alberta Flooding
(in thousands)

The full recovery from the June 2013 flood in southern Alberta will take a number of years. The Province's flood recovery initiatives, through its Disaster Recovery Program (DRP), provides financial assistance to impacted individuals, small businesses, municipalities, and government departments for uninsurable loss and damage. The DRP is administered and funded by the Alberta Emergency Management Agency of the Department of Municipal Affairs through the authority of the *Disaster Recovery Regulation*.

The Province's flood recovery initiatives include non-disaster recovery programs (non-DRP). Costs associated with non-disaster recovery programs are recognized as they are incurred. These costs are net of recoveries from insurance and other third parties.

Note 13 Benefit Plans
(in thousands)

The department participates in the multi-employer pension plans: Management Employees Pension Plan, Public Service Pension Plan and Supplementary Retirement Plan for Public Service Managers. The expense for these pension plans is equivalent to the annual contributions of \$11,592 for the year ended March 31, 2015 (2014 – \$10,842). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2014, the Management Employees Pension Plan reported a surplus of \$75,805 (2013 surplus - \$50,457), the Public Service Pension Plan reported a deficiency of \$803,299 (2013 deficiency - \$1,254,678) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$17,203 (2013 deficiency - \$12,384).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2015, the Bargaining Unit Plan reported an actuarial surplus of \$86,888 (2014 surplus - \$75,200) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$32,343 (2014 surplus - \$24,055). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 14 Subsequent Events

The following changes were made as a result of a new Cabinet announced on May 24, 2015 and Order in Council Number 121/2015 passed on May 25, 2015:

1. The name of the Department of Agriculture and Rural Development was changed to the Department of Agriculture and Forestry.
2. Certain Environment and Sustainable Resource Development programs were transferred from the Department of Environment and Parks to the newly renamed Department of Agriculture and Forestry or to their joint responsibilities. Concurrently responsibility for certain sections of the *Environmental Protection and Enhancement Act* was transferred to the common responsibility of the Department of Environment and Parks and the Department of Agriculture and Forestry.

A reasonable estimate of the impact on the results of operations of the Department of Agriculture and Forestry cannot be made at this stage.

Note 15 Comparative Figures

Certain 2014 figures have been reclassified to conform to the 2015 presentation.

Note 16 Approval of the Financial Statements

The financial statements were approved by the senior financial officer and the deputy minister.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSREVENUESYEAR ENDED MARCH 31, 2015

	2015		2014
	Constructed Budget	Actual (in thousands)	Actual
Government of Alberta Grants	<u>\$ 9,520</u>	<u>\$ 4,828</u>	<u>\$ 1,715</u>
Federal Government Grants			
BSE Surveillance	2,000	1,082	1,255
Growing Forward	48,460	42,316	34,019
AgriFlex	-	-	671
Other	<u>-</u>	<u>239</u>	<u>332</u>
	<u>50,460</u>	<u>43,637</u>	<u>36,277</u>
Premiums, Fees and Licenses			
Food Processing Centre Fees	870	700	939
Livestock Water Program	140	106	77
Meat Services	125	149	154
Other	<u>209</u>	<u>237</u>	<u>327</u>
	<u>1,344</u>	<u>1,192</u>	<u>1,497</u>
Other Revenue			
Project Contributions	4,252	4,520	3,473
Rail Hopper Car Revenue	1,500	1,999	844
Green Certificate and Home Study	400	750	297
Publications	225	309	242
Refunds of Expenditures Previous Years	-	686	1,691
Surplus Sales	-	17	72
Miscellaneous	<u>221</u>	<u>774</u>	<u>995</u>
	<u>6,598</u>	<u>9,055</u>	<u>7,614</u>
Total Revenues	<u>\$ 67,922</u>	<u>\$ 58,712</u>	<u>\$ 47,103</u>

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

CREDIT OR RECOVERY

YEAR ENDED MARCH 31, 2015

2015

	Authorized ⁽²⁾	Actual Revenue Recognized	Deferred Revenue (in thousands)	Actual Revenue Received/ Receivable	(Shortfall)/ Excess
Program Operating					
Ministry Support Services	\$ 250	\$ 324	\$ -	\$ 324	\$ 74
Agriculture Policy and Economics	3,178	2,440	-	2,440	(738)
Agriculture Environment and Water	9,762	11,514	-	11,514	1,752
Food Safety and Animal Health	14,583	9,985	-	9,985	(4,598)
Industry Development	27,434	27,082	-	27,082	(352)
	<u>\$ 55,207</u>	<u>\$ 51,345</u>	<u>\$ -</u>	<u>\$ 51,345</u>	<u>\$ (3,862) ⁽¹⁾</u>
Program Capital Investments					
Ministry Support Services	\$ -	\$ -	\$ -	\$ -	\$ -
Agriculture Policy and Economics	-	-	-	-	-
Agriculture Environment and Water	-	-	69	69	69
Food Safety and Animal Health	-	-	-	-	-
Industry Development	577	-	570	570	(7)
	<u>\$ 577</u>	<u>\$ -</u>	<u>\$ 639</u>	<u>\$ 639</u>	<u>\$ 62</u>

Ministry Support Services credit or recovery initiatives include fees for sale of publications (\$297) and farm implement dealers' licenses (\$27).

Agriculture Policy and Economics credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$2,264) and external contributions (\$176).

Agriculture Environment and Water credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$10,658), fees and contributions for Irrigation and Farm Water Program (\$232), contributions for Environmental Stewardship (\$624).

Food Safety and Animal Health credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$9,726), fees and contributions for Food Safety and Animal Health (\$259).

Industry Development credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$19,668), fees and contributions for Research and Extension (\$6,172), Food and Bio Processing (\$1,200) and external contributions to other projects and initiatives (\$42).

The revenue of each initiative is included in the Statement of Operations.

⁽¹⁾ Shortfall is deducted from current year's authorized budget, as disclosed in Schedule 5 to the financial statements.

⁽²⁾ Authorized budget includes credit or recovery increases approved by Treasury Board on October 16, 2014.

Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

Only expenditures are authorized.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSEXPENSES - DIRECTLY INCURRED DETAILED BY OBJECTYEAR ENDED MARCH 31, 2015

	2015		2014
	Constructed Budget	Actual	Actual (Restated)
	(in thousands)		
Salaries, Wages and Employee Benefits	\$ 97,600	\$ 101,414	\$ 98,335
Supplies and Services	36,368	28,721	28,200
Grants	523,701	435,879	459,049
Amortization of Tangible Capital Assets	7,000	6,512	6,861
Other	-	166	99
	\$ 664,669	\$ 572,692	\$ 592,544

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

BUDGET RECONCILIATION

YEAR ENDED MARCH 31, 2015

	2014-15 Estimate	Adjustment to Conform to Accounting Policy (in thousands)	2014-15 Constructed Budget
Revenues			
Transfers from the Agriculture and Food Innovation Endowment Account	\$ 9,000	\$ -	\$ 9,000
Government of Alberta Grants	520	-	520
Federal Government Grants	50,460	-	50,460
Premiums, Fees and Licenses	1,344	-	1,344
Other Revenue	6,498	100	6,598
	<u>67,822</u>	<u>100</u>	<u>67,922</u>
Expenses - Directly Incurred			
Programs			
Ministry Support Services	18,248	-	18,248
Agriculture Policy and Economics	17,955	-	17,955
Agriculture Environment and Water	36,170	21,000	57,170
Food Safety and Animal Health	51,156	-	51,156
Industry Development	124,901	3,900	128,801
Agriculture Insurance and Lending Assistance	335,996	-	335,996
Livestock and Meat Strategy	29,060	-	29,060
2013 Alberta Flooding	17,283	-	17,283
Agriculture and Food Innovation Endowment Account	9,000	-	9,000
	<u>639,769</u>	<u>24,900</u>	<u>664,669</u>
Net Operating Results	<u>\$ (571,947)</u>	<u>\$ (24,800)</u>	<u>\$ (596,747)</u>
Capital Spending	<u>\$ 28,196</u>	<u>\$ (24,900)</u>	<u>\$ 3,296</u>

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

LAPSE/ENCUMBRANCE

YEAR ENDED MARCH 31, 2015

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Adjusted Voted Estimate (in thousands)	Voted Actuals ⁽³⁾	Unexpended (Over Expended)
Program - Operational					
1 Ministry Support Services					
1.1 Minister's Office	\$ 704	-	\$ 704	\$ 681	\$ 23
1.2 Deputy Minister's Office	764	-	764	717	47
1.3 Farmers' Advocate	999	-	999	851	148
1.4 Corporate Services	12,474	(500)	11,974	10,491	1,483
1.5 Communications	401	-	401	477	(76)
1.6 Human Resources	1,976	-	1,976	1,933	43
	<u>17,318</u>	<u>(500)</u>	<u>16,818</u>	<u>15,150</u>	<u>1,668</u>
2 Agriculture Policy and Economics					
2.1 Alberta Grains Council	264	-	264	215	49
2.2 Marketing Council	873	-	873	907	(34)
2.3 Economics and Competitiveness	4,034	-	4,034	3,953	81
2.4 Policy, Strategy and Intergovernmental Affairs	6,443	(509)	5,934	5,505	429
2.5 International Marketing and Investment Attraction	4,791	-	4,791	4,266	525
	<u>16,405</u>	<u>(509)</u>	<u>15,896</u>	<u>14,846</u>	<u>1,050</u>
3 Agriculture Environment and Water					
3.1 Irrigation and Farm Water	13,788	-	13,788	11,367	2,421
3.2 Environmental Stewardship	21,662	(70)	21,592	21,354	238
	<u>35,450</u>	<u>(70)</u>	<u>35,380</u>	<u>32,721</u>	<u>2,659</u>
4 Food Safety and Animal Health					
4.1 Animal Health and Assurance	18,734	-	18,734	18,090	644
4.2 Food Safety and Animal Welfare	19,845	-	19,845	18,602	1,243

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over Expended)
4.3	5,213	-	5,213	3,914	1,299
4.4	5,824	-	5,824	3,647	2,177
	49,616	-	49,616	44,253	5,363
5					
5.1	41,141	(3,007)	38,134	33,279	4,855
5.2	27,892	(569)	27,323	28,438	(1,115)
5.3	9,748	(345)	9,403	9,336	67
5.4	22,140	-	22,140	22,140	-
5.5	11,600	-	11,600	11,585	15
5.6	8,670	-	8,670	8,670	-
5.7	1,450	-	1,450	1,450	-
	122,641	(3,921)	118,720	114,898	3,822
6					
	-	-	-	-	-
7					
7.1	17,667	-	17,667	17,667	-
7.2	248,921	-	248,921	205,278	43,643
7.3	3,329	-	3,329	2,137	1,192
7.4	66,079	-	66,079	64,696	1,383
	335,996	-	335,996	289,778	46,218
8					
	29,060	-	29,060	23,936	5,124
9					
9.1	17,283	-	17,283	630	16,653
9.2	-	-	-	-	-
	17,283	-	17,283	630	16,653
10					
	9,000	-	9,000	3,050	5,950
	-	(3,862)	(3,862)	-	(3,862)
Total	\$ 632,769	\$ (8,862)	\$ 623,907	\$ 539,262	\$ 84,645
Lapse/(Encumbrance)					\$ 84,645

	Voted Estimate ⁽¹⁾	Adjustments ⁽²⁾	Adjusted Voted Estimate	Voted Actuals ⁽³⁾	Unexpended (Over/Expended)
Program - Capital					
1					
1.3	\$ -	\$ -	\$ -	\$ 9	\$ (9)
1.4	1,600	500	2,100	1,218	882
1.6	-	-	-	27	(27)
2					
2.4	-	509	509	127	382
3					
3.1	200	-	200	403	(203)
3.2	-	70	70	279	(209)
3.3	21,000	-	21,000	21,000	-
4					
4.1	380	-	380	423	(43)
4.2	-	-	-	4	(4)
4.3	-	-	-	99	(99)
4.4	-	-	-	-	-
5					
5.1	3,900	1,507	5,407	5,509	(102)
5.2	600	1,847	2,447	2,343	104
5.3	516	1,175	1,691	932	759
5.4	-	-	-	-	-
Total	\$ 28,196	\$ 5,608	\$ 33,804	\$ 32,373	\$ 1,431
Lapse/(Encumbrance)					\$ 1,431

⁽¹⁾ As per "Operational Vote by Program" and "Voted Capital Vote by Program" page of 2014-15 Government Estimates

⁽²⁾ Adjustments include capital carry forward amounts and credit or recovery increases approved by Treasury Board and credit or recovery shortfalls. Capital carry forward amounts and Credit or recovery increases were approved on July 16 and October 16, 2014. Treasury Board approval is pursuant to Section 24 (2) of the *Financial Administration Act*.

⁽³⁾ Actuals exclude non-voted amounts such as amortization and valuation adjustments.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSLOTTERY FUND ESTIMATESYEAR ENDED MARCH 31, 2015

	2014-15 Lottery Fund Estimates	2014-15 Actual (in thousands)	Unexpended (Over Expended)
Major Fairs and Exhibitions	\$ 22,140	\$ 22,140	\$ -
Agricultural Service Boards	11,600	11,585	15
Agricultural Societies	8,670	8,670	-
Agriculture Initiatives	1,450	1,450	-
	<u>\$ 43,860</u>	<u>\$ 43,845</u>	<u>\$ 15</u>

The revenue of the Lottery Fund was transferred to the Department of Treasury Board and Finance on behalf of the General Revenue Fund in 2014-15. Having been transferred to the General Revenue Fund, these monies then become part of the department's supply vote. This table shows details of the initiatives within the department that are funded by the Lottery Fund and compares it to the actual results.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

SALARY AND BENEFITS DISCLOSURE

YEAR ENDED MARCH 31, 2015

	2015			2014	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Department					
Deputy Minister ⁽⁴⁾	\$ 280,662	8,696	63,539	\$ 352,897	\$ 343,217
Assistant Deputy Ministers					
Agriculture Policy and Economics	\$ 186,741	-	48,181	\$ 234,922	\$ 239,427
Industry Development ⁽⁵⁾	\$ 179,799	1,098	46,927	\$ 227,824	\$ 235,951
Food Safety and Animal Health	\$ 193,430	-	48,475	\$ 241,905	\$ 239,474
Executive Directors					
Human Resources	\$ 161,068	-	43,830	\$ 204,898	\$ 204,616
Senior Financial Officer	\$ 156,907	-	49,633	\$ 206,540	\$ 198,502
Strategy and Business Integration ⁽⁶⁾	\$ 141,346	13,241	39,057	\$ 193,644	\$ 80,744
Boards and Agencies					
Farmers' Advocate	\$ 201,335	-	7,291	\$ 208,626	\$ 206,356
General Manager, Agricultural					
Products Marketing Council ⁽⁷⁾	\$ 130,024	-	38,175	\$ 168,199	\$ 162,284

⁽¹⁾ Base salary includes regular salary and earnings such as acting pay.

⁽²⁾ Other cash benefits include vacation payouts, lump sum payments and automobile allowances.
There were no bonuses paid in 2015.

⁽³⁾ Other non-cash benefits include government's share of all employee benefits and contributions or payments made on behalf of employees including pension, supplementary retirement plans, health care, dental coverage, group life insurance, short and long term disability plans, tuition and professional memberships.

⁽⁴⁾ Automobile allowance provided through the year, included in Other Cash Benefits.

⁽⁵⁾ The position was occupied by two individuals at different times during the year.

⁽⁶⁾ The position was occupied by three individuals at different times during the year.

⁽⁷⁾ The incumbent also occupies the position of General Manager, Alberta Grains Council (20%). Full salary and benefits are disclosed in this schedule.

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

RELATED PARTY TRANSACTIONS

YEAR ENDED MARCH 31, 2015

(in thousands)

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include key management personnel in the department.

The department and its employees paid or collected certain taxes and fees set by regulation for premiums, licences 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	
	2015	2014	2015	2014 (Restated)
Revenues				
Grants	\$ 912	\$ 895	\$ -	\$ -
Other	-	-	4,677	1,117
	<u>\$ 912</u>	<u>\$ 895</u>	<u>\$ 4,677</u>	<u>\$ 1,117</u>
Expenses - Directly Incurred				
Grants	\$ 321,643	\$ 356,481	\$ 726	\$ 652
Other services	-	-	2,833	3,224
	<u>\$ 321,643</u>	<u>\$ 356,481</u>	<u>\$ 3,559</u>	<u>\$ 3,876</u>
Tangible Capital Assets Transferred In (Out)				
Alberta Livestock and Meat Agency	\$ -	\$ 3	\$ -	\$ -
Ministry of Infrastructure	-	-	(66)	-
	<u>\$ -</u>	<u>\$ 3</u>	<u>\$ (66)</u>	<u>\$ -</u>
Payable to				
Agriculture Financial Services Corporation	\$ 66,249	\$ 40,173	\$ -	\$ -
Alberta Livestock and Meat Agency	3,085	6,690	-	-
Ministry of Innovation and Advanced Education	-	-	199	51
Ministry of Treasury Board and Finance	-	-	-	1
Ministry of Infrastructure	-	-	-	66
	<u>\$ 69,334</u>	<u>\$ 46,863</u>	<u>\$ 199</u>	<u>\$ 118</u>
Receivable from				
Agriculture Financial Services Corporation	\$ 514	\$ 520	\$ -	\$ -
Alberta Livestock and Meat Agency	479	640	-	-
Alberta Heritage Savings Trust	-	-	3,050	-
Ministry of Education	-	-	64	-
	<u>\$ 993</u>	<u>\$ 1,160</u>	<u>\$ 3,114</u>	<u>\$ -</u>
Deferred Revenue from				
Agriculture Financial Services Corporation	\$ 484	\$ 476	\$ -	\$ -
Ministry of Innovation and Advanced Education	-	-	274	169
Ministry of Education	-	-	1,129	1,316
	<u>\$ 484</u>	<u>\$ 476</u>	<u>\$ 1,403</u>	<u>\$ 1,485</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 9.

	Entities in the Ministry		Other Entities	
	2015	2014	2015	2014
Expenses - Incurred by Others				
Accommodation	\$ -	\$ -	\$ 24,880	\$ 24,544
Legal	-	-	1,107	1,137
Business Services	-	-	4,485	4,631
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,472</u>	<u>\$ 30,312</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 OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

ALLOCATED COSTS

YEAR ENDED MARCH 31, 2015
(in thousands)

Program	2015					2014
	Expenses ⁽¹⁾	Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Business Services ⁽⁴⁾	Total Expenses	Total Expenses (Restated)
Ministry Support Services	\$ 16,143	\$ 9,783	\$ 522	\$ 4,453	\$ 30,901	\$ 24,798
Agriculture Policy and Economics	16,443	3,384	37	5	19,869	16,813
Agriculture Environment and Water	54,208	3,666	61	5	57,940	54,490
Food Safety and Animal Health	45,716	2,993	296	8	49,013	48,998
Industry Development	122,780	5,054	191	14	128,039	126,533
Livestock and Meat Strategy	23,936	-	-	-	23,936	22,333
2013 Alberta Flooding	630	-	-	-	630	114
Agriculture and Food Innovation						
Endowment Account	3,058	-	-	-	3,058	-
Agriculture Insurance and Lending Assistance						
Insurance and Lending	225,082	-	-	-	225,082	290,793
Income Stabilization	64,696	-	-	-	64,696	37,885
	\$ 572,692	\$ 24,880	\$ 1,107	\$ 4,485	\$ 603,164	\$ 622,757

⁽¹⁾ Expenses - Directly Incurred as per Statements of Operations.⁽²⁾ Costs shown for Accommodation (includes grants in lieu of taxes) on Schedule 8, allocated by budgeted full-time equivalent employment.⁽³⁾ Costs shown for Legal Services on Schedule 8, allocated by estimated costs incurred by each program.⁽⁴⁾ Costs shown for Business Services include charges for IT support, vehicles, air transportation, internal audit services and other services on Schedule 8, allocated by costs in certain programs.