

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

FINANCIAL STATEMENTS Year ended March 31, 2014

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 Rural Development

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, 2014, 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, 2014, 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 5, 2014
Edmonton, Alberta

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2014

	2014	2014	2013
	Constructed	Actual	Actual
	Budget		(Restated)
	(Schedule 4)		
	(in thousands)		
Revenues (Schedule 1)			
Government Transfers			
Government of Alberta Grants	\$ 500	\$ 1,715	\$ 1,423
Federal Government Grants	42,039	36,277	31,776
Premiums, Fees and Licenses	1,213	1,497	1,557
Other Revenue	6,769	7,614	7,910
	50,521	47,103	42,666
Expenses - Directly Incurred (Note 2(b) and Schedule 9)			
Program (Schedules 3 and 5)			
Ministry Support Services	17,063	16,834	15,992
Agriculture Policy and Economics	12,954	11,185	10,886
Agriculture Environment and Water	50,299	50,522	52,610
Rural and Regulatory Services	20,076	19,888	24,782
Industry Development	118,655	110,265	103,696
Food Safety and Animal Health	36,439	32,618	33,257
Farm Fuel Distribution Allowance	-	-	35,223
Livestock and Meat Strategy	23,560	22,333	30,022
2013 Alberta Flooding	-	114	-
Agriculture Insurance and Lending Assistance			
Lending	16,290	16,290	16,480
Insurance	229,672	269,625	228,330
Wildlife	3,827	4,878	2,688
Income Stabilization	60,625	37,885	60,103
	589,460	592,437	614,069
Net Operating Results	\$ (538,939)	\$ (545,334)	\$ (571,403)

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, 2014

	2014	2013 (Restated)
	(in thousands)	
Assets		
Cash	\$ 408	\$ 312
Accounts Receivable (Note 4)	30,056	30,996
Tangible Capital Assets (Note 5)	30,152	31,462
	\$ 60,616	\$ 62,770
Liabilities		
Accounts Payable and Accrued Liabilities (Note 6)	\$ 65,753	\$ 138,068
Deferred Revenue (Note 7)	5,431	5,392
	71,184	143,460
Net Liabilities		
Net Assets at Beginning of Year	(80,690)	(20,560)
Net Operating Results	(545,334)	(571,403)
Net Financing Provided from General Revenues	615,456	511,273
Net Liabilities at End of Year	(10,568)	(80,690)
	\$ 60,616	\$ 62,770

Contractual obligations and contingent liabilities (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, 2014

	2014	2013 (Restated)
	(in thousands)	
Operating Transactions		
Net Operating Results	\$ (545,334)	\$ (571,403)
Non-cash Items Included in Net Operating Results		
Amortization	6,871	6,671
Deferred Capital Contribution recognized as Revenue	(280)	(233)
Unearned Revenue recognized as Revenue	(4,791)	(4,569)
Loss on Disposal of Tangible Capital Assets	7	77
	(543,527)	(569,457)
Decrease (Increase) in Accounts Receivable	940	(5,914)
(Decrease) Increase in Accounts Payable and Accrued Liabilities	(72,315)	62,092
Unearned Revenue Received	4,375	4,605
Cash Applied to Operating Transactions	(610,527)	(508,674)
Capital Transactions		
Acquisition of Tangible Capital Assets ⁽¹⁾	(5,613)	(4,316)
Proceeds on Disposal of Tangible Capital Assets	45	21
Cash Applied to Capital Transactions	(5,568)	(4,295)
Financing Transactions		
Contributions Restricted for Capital	735	1,346
Previously unrecorded net assets	-	245
Net Financing Provided from General Revenues	615,456	511,273
Cash Provided by Financing Transactions	616,191	512,864
Increase (Decrease) in Cash	96	(105)
Cash at Beginning of Year	312	417
Cash at End of Year	\$ 408	\$ 312

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

⁽¹⁾ Includes Capital Asset Transfer from Alberta Livestock and Meat Agency Ltd. of \$3 (2013 - \$19)

Notes to the Financial Statements for the Year Ended March 31, 2014

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 accounting policy

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 department is eligible to receive the funds.

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 \$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 \$38,414 to \$58,795.

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 3260 Liability for Contaminated Sites

In June 2010 the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The department would recognize a liability related to the remediation of such contaminated sites subject to certain recognition criteria. Management does not expect the implementation of this standard to have a significant impact on the financial statements.

Note 3 Restatement of Prior Year Figures

(in thousands)

Net Liabilities, as previously reported	\$ 21,005
Tangible Capital Asset additions relating to prior year	(453)
Previously unrecorded net assets	(245)
Accounting Policy Change	253
Net Liabilities, as restated at March 31, 2012	<u>\$ 20,560</u>

The change in the opening net liabilities reflects recognition of the net book value of previously unrecorded tangible capital assets in the amount of \$453 and net assets in the amount of \$245 related to transactions previously managed by an industry partner.

And as a result of capital transfers and restricted capital contributions policy change, capital transfers and restricted capital contributions are recognized as deferred revenue upon receipt and transferred to revenue over the useful life of capital assets based on relevant stipulations by transferring government. As a result, the opening net liabilities have been increased by \$253.

Net operating results have been restated to reflect the revenues and expenses that should have been recorded as a result of these transactions as follows:

Net Operating Results, as previously reported at March 31, 2013	\$ (570,919)
Previously unrecorded revenue	57
Accounting Policy Change	(541)
Net Operating Results, as restated at March 31, 2013	<u>\$ (571,403)</u>

Note 4 Accounts Receivable

(in thousands)

Accounts receivable are unsecured and non-interest bearing.

	Gross Amount	2014 Allowance for Doubtful Accounts	Net Realizable Value	2013 Net Realizable Value (Restated)
Accounts receivable	\$ 30,058	\$ 268	\$ 29,790	\$ 30,947
Refunds from suppliers	262	-	262	45
Loans and Advances	5	1	4	4
	<u>\$ 30,325</u>	<u>\$ 269</u>	<u>\$ 30,056</u>	<u>\$ 30,996</u>

Note 5 Tangible Capital Assets

(in thousands)

	Buildings	Equipment and Vehicles	Computer Hardware and Software	Rail Hopper Cars	2014 Total	2013 Total (Restated)
Estimated Useful Life	40 years	5 - 10 years	3 - 5 years	35 years		
Historical Cost⁽¹⁾						
Beginning of Year	\$ 1,958	\$ 53,541	\$ 11,646	\$ 49,294	\$ 116,439	\$ 113,044
Additions ⁽²⁾	66	2,135	3,420	-	5,621	4,342
Disposals	-	(471)	(854)	(322)	(1,647)	(947)
	<u>2,024</u>	<u>55,205</u>	<u>14,212</u>	<u>48,972</u>	<u>120,413</u>	<u>116,439</u>
Accumulated Amortization						
Beginning of Year	526	33,452	5,792	45,207	84,977	79,129
Amortization Expense ⁽²⁾	49	3,771	1,655	1,404	6,879	6,697
Effect of Disposals	-	(448)	(845)	(302)	(1,595)	(849)
	<u>575</u>	<u>36,775</u>	<u>6,602</u>	<u>46,309</u>	<u>90,261</u>	<u>84,977</u>
Net Book Value at March 31, 2014	<u>\$ 1,449</u>	<u>\$ 18,430</u>	<u>\$ 7,610</u>	<u>\$ 2,663</u>	<u>\$ 30,152</u>	
Net Book Value at March 31, 2013	<u>\$ 1,432</u>	<u>\$ 20,089</u>	<u>\$ 5,854</u>	<u>\$ 4,087</u>	<u>\$ 31,462</u>	<u>\$ 31,462</u>

⁽¹⁾ Historical cost includes work-in-progress at March 31, 2014 totaling \$4,079 comprised of: equipment \$907 (2013 - \$1,129) and computer hardware and software \$3,172 (2013 - \$776).

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

Note 6 Accounts Payable and Accrued Liabilities
(in thousands)

	2014	2013
Accounts Payable – General	\$ 186	\$ 988
Manpower	12,742	10,987
Grants	49,192	122,610
Supplies and Services and Capital Purchases	<u>3,633</u>	<u>3,483</u>
	<u>\$ 65,753</u>	<u>\$ 138,068</u>

Note 7 Deferred Revenue
(in thousands)

	2014	2013 (Restated)
Unearned Revenue (i)	\$ 2,799	\$ 3,215
Spent deferred capital contributions (ii)	<u>2,632</u>	<u>2,177</u>
	<u>\$ 5,431</u>	<u>\$ 5,392</u>
(i) Unearned Revenue		
Balance, beginning of year	\$ 3,215	\$ 3,179
Received/receivable during year	4,375	4,605
Less amounts recognized as revenue	<u>(4,791)</u>	<u>(4,569)</u>
Balance, end of year	<u>\$ 2,799</u>	<u>\$ 3,215</u>
(ii) Spent deferred capital contributions		
Balance, beginning of year	\$ 2,177	\$ 1,064
Tangible capital assets received/receivable during year	735	1,346
Less amounts recognized as revenue	<u>(280)</u>	<u>(233)</u>
Balance, end of year	<u>\$ 2,632</u>	<u>\$ 2,177</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.

Accruals have been made in specific instances where it is likely that losses will be incurred based on a reasonable estimate.

The department has been named in one (2013: one) claim of which the outcome is not determinable. This claim has a specified amount totalling \$300 (2013: \$500). 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.

	2014	2013
Obligations under Operating Leases, Contracts and Programs	\$ 23,759	\$ 28,024
	<u>\$ 23,759</u>	<u>\$ 28,024</u>

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

Obligations Under Operating Leases, Contracts and Programs

Total	
2014-15	\$ 15,798
2015-16	6,320
2016-17	1,226
2017-18	382
2018-19	33
	<u>\$ 23,759</u>

Note 10 Guarantees

(in thousands)

	2014	2013	Expiry Date
Feeder Associations	\$ 48,417	\$ 46,544	Ongoing
	<u>\$ 48,417</u>	<u>\$ 46,544</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, 2014 trust funds under administration were as follows:

	2014	2013
4-H General Trust	\$ 110	\$ 98
Wheat Board Monies Trust Fund	-	123
Claude Gallinger Memorial Trust Fund	21	21
	<u>\$ 131</u>	<u>\$ 242</u>

Responsibility for the administration of the Wheat Board Monies Trust Fund was transferred to the Ministry of Innovation and Advanced Education, Heritage Scholarship Trust on January 31, 2014.

Note 12 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 \$10,842 for the year ended March 31, 2014 (2013 – \$10,161). Departments are not responsible for future funding of the plan deficit other than through contribution increases.

At December 31, 2013, the Management Employees Pension Plan reported a surplus of \$50,457 (2012 deficiency - \$303,423), the Public Service Pension Plan reported a deficiency of \$1,254,678 (2012 deficiency - \$1,645,141) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$12,384 (2012 deficiency - \$51,870).

The department also participates in two multi-employer Long Term Disability Income Continuance Plans. At March 31, 2014, the Bargaining Unit Plan reported an actuarial surplus of \$75,200 (2013 surplus - \$51,717) and the Management, Opted Out and Excluded Plan an actuarial surplus of \$24,055 (2013 surplus - \$18,327). The expense for these two plans is limited to the employer's annual contributions for the year.

Note 13 Comparative Figures

Certain 2013 figures have been reclassified to conform to the 2014 presentation.

Note 14 Approval of the Financial Statements

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

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

REVENUES

YEAR ENDED MARCH 31, 2014

	2014		2013
	Constructed Budget	Actual (in thousands)	Actual (Restated)
Government of Alberta Grants	\$ 500	\$ 1,715	\$ 1,423
Federal Government Grants			
BSE Surveillance	2,000	1,255	518
Growing Forward	38,860	34,019	29,372
AgriFlex	1,179	671	1,701
Other	-	332	185
	<u>42,039</u>	<u>36,277</u>	<u>31,776</u>
Premiums, Fees and Licenses			
Food Processing Centre Fees	800	939	911
Livestock Water Program	180	77	113
Meat Services	139	154	144
Other	94	327	389
	<u>1,213</u>	<u>1,497</u>	<u>1,557</u>
Other Revenue			
Project Contributions	4,321	3,473	4,631
Rail Hopper Car Revenue	1,500	844	1,079
Green Certificate and Home Study	400	297	420
Publications	225	242	261
Refunds of Expenditures Previous Years	-	1,691	470
Surplus Sales	-	72	43
Miscellaneous	323	995	1,007
	<u>6,769</u>	<u>7,614</u>	<u>7,911</u>
Total Revenues	<u>\$ 50,521</u>	<u>\$ 47,103</u>	<u>\$ 42,667</u>

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

CREDIT OR RECOVERY

YEAR ENDED MARCH 31, 2014

2014

	Authorized ⁽²⁾	Actual Revenue Recognized	Deferred Revenue (in thousands)	Actual Cash/Donation Received/ Receivable	(Shortfall)/ Excess
Program Operating					
Ministry Support Services	\$ 250	\$ 256	\$ -	\$ 256	\$ 6
Agriculture Policy and Economics	2,442	767	-	767	(1,675)
Agriculture Environment and Water	8,141	9,712	-	9,712	1,571
Rural and Regulatory Services	462	296	-	296	(166)
Industry Development	24,797	21,158	-	21,158	(3,639)
Food Safety and Animal Health	11,130	10,545	-	10,545	(585)
	<u>\$ 47,222</u>	<u>\$ 42,734</u>	<u>\$ -</u>	<u>\$ 42,734</u>	<u>\$ (4,488) ⁽¹⁾</u>
Program Capital Investments					
Ministry Support Services	\$ -	\$ -	\$ -	\$ -	\$ -
Agriculture Policy and Economics	-	-	-	-	-
Agriculture Environment and Water	-	-	87	87	87
Rural and Regulatory Services	-	-	-	-	-
Industry Development	1,549	-	648	648	(901)
Food Safety and Animal Health	-	-	-	-	-
	<u>\$ 1,549</u>	<u>\$ -</u>	<u>\$ 735</u>	<u>\$ 735</u>	<u>\$ (814) ⁽¹⁾</u>

Ministry Support Services credit or recovery initiatives include fees for sale of publications (\$230) and farm implement dealers' licenses (\$26).

Agriculture Policy and Economics credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$767).

Agriculture Environment and Water credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$8,486) and Agriflex (\$490), fees and contributions for Irrigation and Farm Water Program (\$228), contributions for Environmental Stewardship (\$508).

Rural and Regulatory Services credit or recovery initiatives include fees and contributions for Regulatory Services (\$287), Rural Utilities (\$7) and external contributions to other projects and initiatives (\$2).

Industry Development credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$14,328) and Agriflex (\$181), fees and contributions for Research and Extension (\$5,115), Food Processing Development (\$1,510) and external contributions to other projects and initiatives (\$24).

Food Safety and Animal Health credit or recovery initiatives include federal revenue under the Growing Forward Agreement (\$10,438), fees and contributions for Food Safety and Animal Health (\$107).

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 23, 2013 and December 19, 2013.

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, 2014

	2014		2013
	Constructed Budget	Actual	Actual (Restated)
	(in thousands)		
Salaries, Wages and Employee Benefits	\$ 96,659	\$ 98,218	\$ 96,881
Supplies and Services	36,432	28,199	28,364
Grants	449,369	459,049	482,017
Amortization of Tangible Capital Assets	7,000	6,872	6,671
Other	-	99	136
	\$ 589,460	\$ 592,437	\$ 614,069

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSBUDGET RECONCILIATIONYEAR ENDED MARCH 31, 2014

	2013-14 Estimate	Adjustment to Conform to Accounting Policy (in thousands)	2013-14 Constructed Budget
Revenues			
Government of Alberta Grants	\$ 500	\$ -	\$ 500
Federal Government Grants	42,039	-	42,039
Premiums, Fees and Licenses	1,213	-	1,213
Other Revenue	6,669	100	6,769
	<u>50,421</u>	<u>100</u>	<u>50,521</u>
Expenses - Directly Incurred			
Programs			
Ministry Support Services	17,063	-	17,063
Agriculture Policy and Economics	12,954	-	12,954
Agriculture Environment and Water	31,299	19,000	50,299
Rural and Regulatory Services	16,176	3,900	20,076
Industry Development	118,655	-	118,655
Food Safety and Animal Health	36,439	-	36,439
Farm Fuel Distribution Allowance	-	-	-
Agriculture Insurance and Lending Assistance	310,414	-	310,414
Livestock and Meat Strategy	23,560	-	23,560
	<u>566,560</u>	<u>22,900</u>	<u>589,460</u>
Net Operating Results	<u>\$ (516,139)</u>	<u>\$ (22,800)</u>	<u>\$ (538,939)</u>
Capital Spending	<u>\$ 24,196</u>	<u>\$ (22,900)</u>	<u>\$ 1,296</u>

DEPARTMENT OF AGRICULTURE AND RURAL DEVELOPMENT

SCHEDULE TO FINANCIAL STATEMENTS

LAPSE/ENCUMBRANCE

YEAR ENDED MARCH 31, 2014

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments ⁽³⁾	Adjusted Voted Estimate	Voted Actuals ⁽⁴⁾	Unexpended (Over Expended)
	(in thousands)					
Program - Operational						
1 Ministry Support Services						
1.1 Minister's Office	\$ 707	\$ -	\$ -	\$ 707	\$ 620	\$ 87
1.2 Deputy Minister's Office	748	-	-	748	861	(113)
1.3 Farmers' Advocate	1,028	-	-	1,028	882	146
1.4 Corporate Services	11,429	-	(1,300)	10,129	11,062	(933)
1.5 Communications	426	-	-	426	308	118
1.6 Human Resources	1,795	-	-	1,795	2,256	(461)
	16,133	-	(1,300)	14,833	15,989	(1,156)
2 Agriculture Policy and Economics						
2.1 Alberta Grains Council	277	-	-	277	220	57
2.2 Economics and Competitiveness	3,850	-	-	3,850	3,783	67
2.3 Policy, Strategy and Intergovernmental Affairs	7,277	-	(500)	6,777	5,626	1,151
	11,404	-	(500)	10,904	9,629	1,275
3 Agriculture Environment and Water						
3.1 Irrigation and Farm Water	11,630	-	-	11,630	12,000	(370)
3.2 Environmental Stewardship	18,949	-	(950)	17,999	18,957	(958)
	30,579	-	(950)	29,629	30,957	(1,328)
4 Rural and Regulatory Services						
4.1 Marketing Council	858	-	-	858	777	81
4.2 Rural Development	1,624	-	-	1,624	1,575	49
4.3 Rural Utilities	2,616	-	-	2,616	2,711	(95)
4.4 Regulatory Services	11,018	-	-	11,018	10,809	209
	16,116	-	-	16,116	15,872	244
5 Industry Development						
5.1 International Marketing and Investment Attraction	3,793	-	-	3,793	2,891	902
5.2 Research and Innovation	22,155	-	101	22,256	20,782	1,474

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments ⁽³⁾	Adjusted Voted Estimate	Voted Actuals ⁽⁴⁾	Unexpended (Over/Expended)
5.3	6,545	-	-	6,545	6,357	188
5.4	40,042	-	200	40,242	33,973	6,269
5.5	22,140	-	-	22,140	22,140	-
5.6	11,600	-	-	11,600	11,582	18
5.7	8,670	-	-	8,670	8,688	(18)
5.8	1,450	-	-	1,450	1,449	1
	<u>116,395</u>	<u>-</u>	<u>301</u>	<u>116,696</u>	<u>107,862</u>	<u>8,834</u>
6						
6.1	24,110	-	(235)	23,875	23,131	744
6.2	5,094	-	(200)	4,894	4,644	250
6.3	5,755	-	(915)	4,840	3,617	1,223
	<u>34,959</u>	<u>-</u>	<u>(1,350)</u>	<u>33,609</u>	<u>31,392</u>	<u>2,217</u>
7						
	-	-	-	-	-	-
8						
8.1	16,290	-	-	16,290	16,290	-
8.2	229,672	-	-	229,672	269,625	(39,953)
8.3	3,827	-	-	3,827	4,878	(1,051)
8.4	60,625	-	-	60,625	37,884	22,741
8.5	-	-	-	-	-	-
	<u>310,414</u>	<u>-</u>	<u>-</u>	<u>310,414</u>	<u>328,677</u>	<u>(18,263)</u>
9						
	23,560	-	-	23,560	22,333	1,227
10						
10.1	-	4,115	-	4,115	97	4,018
10.2	-	15,000	-	15,000	17	14,983
	-	19,115	-	19,115	114	19,001
	-	-	(4,488)	(4,488)	-	(4,488)
	<u>\$ 559,560</u>	<u>\$ 19,115</u>	<u>\$ (8,287)</u>	<u>\$ 570,388</u>	<u>\$ 562,825</u>	<u>\$ 7,563</u>
Total Lapse/(Encumbrance)						<u>\$ 7,563</u>

	Voted Estimate ⁽¹⁾	Supplementary Estimate ⁽²⁾	Adjustments ⁽³⁾	Adjusted Voted Estimate	Voted Actuals ⁽⁴⁾	Unexpended (Over/Expended)
Program - Capital						
1	100	-	-	1,675	1,424	251
1.4	\$	\$	\$	\$	\$	\$
2	-	-	1,200	1,200	866	334
2.3	-	-	1,200	1,200	866	334
3	200	-	235	435	376	59
3.1	200	-	235	435	376	59
3.2	-	-	250	250	224	26
3.3	19,000	-	-	19,000	19,000	-
4	-	-	290	290	290	-
4.2	-	-	290	290	290	-
4.3	3,900	-	-	3,900	3,900	-
4.4	-	-	-	-	10	(10)
5	-	-	-	-	13	(13)
5.1	-	-	-	-	13	(13)
5.2	350	-	1,249	1,599	1,547	52
5.3	266	-	200	466	461	5
5.4	-	-	-	-	9	(9)
6	380	-	-	380	230	150
6.1	380	-	-	380	230	150
6.2	-	-	200	200	230	(30)
6.3	-	-	350	350	220	130
	-	-	(814)	(814)	-	(814)
	\$ 24,196	\$ -	\$ 4,735	\$ 28,931	\$ 28,800	\$ 131
Total						
Lapse/(Encumbrance)						

(1) As per "Voted Expense by Program" and "Voted Capital Investment by Program" page 22-23 of 2013-14 Government Estimates

(2) Per the Supplementary Supply Estimates approved on December 11, 2013.

(3) Adjustments include credit or recovery increases approved by Treasury Board and credit or recovery shortfalls.

Credit or recovery increases were approved on October 23, 2013, December 19, 2013 and February 5, 2014.

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

(4) 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, 2014

	2013-14 Lottery Fund Estimates	2013-14 Actual (in thousands)	Unexpended (Over Expended)
Major Fairs and Exhibitions	\$ 22,140	\$ 22,140	\$ -
Agricultural Service Boards	11,600	11,582	18
Agricultural Societies	8,670	8,670	-
Agriculture Initiatives	1,450	1,449	1
	<u>\$ 43,860</u>	<u>\$ 43,841</u>	<u>\$ 19</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 2011-12. 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 DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSSALARY AND BENEFITS DISCLOSUREYEAR ENDED MARCH 31, 2014

	2014			2013	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-Cash Benefits ⁽³⁾	Total	Total
Department					
Deputy Minister ⁽⁴⁾⁽⁵⁾	\$ 230,881	61,178	51,158	\$ 343,217	\$ 328,383
Assistant Deputy Ministers					
Policy and Environment ⁽⁵⁾	\$ 163,460	27,082	48,885	\$ 239,427	\$ 255,721
Industry and Rural Development	\$ 181,391	1,850	52,710	\$ 235,951	\$ 171,652
Food Safety and Technology	\$ 184,114	1,850	53,510	\$ 239,474	\$ 240,381
Executive Directors					
Human Resources	\$ 157,910	1,850	44,856	\$ 204,616	\$ 201,127
Senior Financial Officer	\$ 149,350	4,711	44,441	\$ 198,502	\$ 209,027
Senior Policy Advisor ⁽⁶⁾	\$ 60,012	3,472	17,260	\$ 80,744	\$ -
Boards and Agencies					
Farmers' Advocate	\$ 197,387	1,850	7,119	\$ 206,356	\$ 206,971
General Manager, Agricultural					
Products Marketing Council ⁽⁷⁾	\$ 123,762	4,221	34,301	\$ 162,284	\$ 149,596

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

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

⁽²⁾ Other cash benefits include vacation payouts and lump sum payments. There were no bonuses paid in 2014.

⁽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 and professional memberships.

⁽⁴⁾ Automobile provided through part of the year, no dollar amount included in other non-cash benefits. Automobile allowance provided through remainder of 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 created October 31, 2013.

⁽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 DEVELOPMENTSCHEDULE TO FINANCIAL STATEMENTSRELATED PARTY TRANSACTIONSYEAR ENDED MARCH 31, 2014

(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	
	2014	2013	2014	2013
Revenues				
Grants	\$ 895	\$ 1,096	\$ -	\$ -
Other	-	-	820	513
	<u>\$ 895</u>	<u>\$ 1,096</u>	<u>\$ 820</u>	<u>\$ 513</u>
Expenses - Directly Incurred				
Grants	\$ 356,481	\$ 342,701	\$ 652	\$ 1,069
Other services	-	-	3,224	2,353
	<u>\$ 356,481</u>	<u>\$ 342,701</u>	<u>\$ 3,876</u>	<u>\$ 3,422</u>
Tangible Capital Assets Transferred In				
Alberta Livestock and Meat Agency	\$ 3	\$ 19	\$ -	\$ -
	<u>\$ 3</u>	<u>\$ 19</u>	<u>\$ -</u>	<u>\$ -</u>
Payable to				
Agriculture Financial Services Corporation	\$ 40,173	\$ 110,445	\$ -	\$ -
Alberta Livestock and Meat Agency	6,690	8,788	-	-
Ministry of Innovation and Advanced Education	-	-	51	198
Ministry of Treasury Board and Finance	-	-	1	7
Ministry of International and Intergovernmental Relations	-	-	-	35
Ministry of Infrastructure	-	-	66	-
	<u>\$ 46,863</u>	<u>\$ 119,233</u>	<u>\$ 118</u>	<u>\$ 240</u>
Receivable from				
Agriculture Financial Services Corporation	\$ 520	\$ 500	\$ -	\$ -
Alberta Livestock and Meat Agency	640	749	-	-
Ministry of Innovation and Advanced Education	-	-	-	103
	<u>\$ 1,160</u>	<u>\$ 1,249</u>	<u>\$ -</u>	<u>\$ 103</u>
Deferred Revenue from				
Agriculture Financial Services Corporation	\$ 476	\$ 433	\$ -	\$ -
Ministry of Innovation and Advanced Education	-	-	169	439
Ministry of Education	-	-	1,316	1,041
	<u>\$ 476</u>	<u>\$ 433</u>	<u>\$ 1,485</u>	<u>\$ 1,480</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	
	2014	2013	2014	2013
Expenses - Incurred by Others				
Accommodation	\$ -	\$ -	\$ 24,544	\$ 24,160
Legal	-	-	1,137	1,120
Other services	-	-	4,631	5,445
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,312</u>	<u>\$ 30,725</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, 2014
(in thousands)

Program	Expenses ⁽¹⁾	2014						Learning Centre ⁽⁷⁾	Total Expenses	Total Expenses (Restated)
		Accommodation Costs ⁽²⁾	Legal Services ⁽³⁾	Service Alberta ⁽⁴⁾	Air Services ⁽⁵⁾	Corporate Internal Audit Services ⁽⁶⁾	Expenses			
Ministry Support Services	\$ 16,834	\$ 2,659	\$ 347	\$ 4,353	\$ 143	\$ 102	\$ 4	\$ 24,442	\$ 24,271	
Agriculture Policy and Economics	\$ 11,185	2,001	29	-	-	-	3	\$ 13,218	\$ 17,092	
Agriculture Environment and Water	\$ 50,522	3,879	85	-	-	-	5	\$ 54,491	\$ 52,610	
Rural and Regulatory Services	\$ 19,888	2,879	121	-	-	-	4	\$ 22,892	\$ 27,973	
Industry Development	\$ 110,265	9,954	222	-	-	-	13	\$ 120,454	\$ 116,752	
Food Safety and Animal Health	\$ 32,618	3,172	333	-	-	-	4	\$ 36,127	\$ 33,257	
Farm Fuel Distribution Allowance	\$ -	-	-	-	-	-	-	\$ -	\$ 35,223	
Livestock and Meat Strategy	\$ 22,333	-	-	-	-	-	-	\$ 22,333	\$ 30,022	
2013 Alberta Flooding	\$ 114	-	-	-	-	-	-	\$ 114	\$ -	
Agriculture Insurance and Lending Assistance										
Insurance and Lending	\$ 290,793	-	-	-	-	-	-	\$ 290,793	\$ 247,498	
Income Stabilization	\$ 37,885	-	-	-	-	-	-	\$ 37,885	\$ 60,103	
	\$ 592,437	\$ 24,544	\$ 1,137	\$ 4,353	\$ 143	\$ 102	\$ 33	\$ 622,749	\$ 644,801	

⁽¹⁾ Expenses - Directly incurred as per Statements of Operations.⁽²⁾ Costs shown for Accommodation 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 Service Alberta on Schedule 8 (Other services), allocated by estimated costs incurred by each program.⁽⁵⁾ Costs shown for Air Transportation on Schedule 8 (Other services), allocated by estimated costs incurred by each program.⁽⁶⁾ Costs shown for Corporate Internal Audit Services on Schedule 8 (Other services), allocated by estimated costs incurred by each program.⁽⁷⁾ Costs shown for Learning Centre on Schedule 8 (Other services), allocated by budgeted full-time equivalent employment.

