



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

AGRICULTURE AND AGRI-FOOD CANADA

**Consolidated Future-Oriented Statement of Operations (Unaudited)
For the years ending March 31, 2018 and 2019**

AGRICULTURE AND AGRI-FOOD CANADA

Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

(in thousands of dollars)

	Forecast Results <u>2017-18</u>	Planned Results <u>2018-19</u>
Expenses (Note 6)		
Business Risk Management	\$ 1,133,823	\$-
Science, Innovation, Adoption and Sustainability	555,504	-
Market Access, Negotiations, Sector Competitiveness, and Assurance Systems	195,704	-
Industry Capacity	65,767	-
Canadian Pari-Mutuel Agency	10,607	-
Farm Products Council of Canada	2,836	-
Sector Risk	-	1,538,456
Science and Innovation	-	557,642
Domestic and International Markets	-	261,936
Internal Services	289,487	262,343
Total expenses	2,253,728	2,620,377
Revenues		
Sale of goods and services	66,563	67,396
Interest	17,058	16,818
Joint project and cost sharing agreements	8,065	8,036
Gain on disposal of assets	2,502	3,171
Crop Re-Insurance Fund	2,446	1,144
Revenues earned on behalf of Government	(30,702)	(28,584)
Total revenues	65,932	67,981
Net cost of operations before government funding and transfers	\$ 2,187,796	\$ 2,552,396

The accompanying notes form an integral part of the Consolidated Future-Oriented Statement of Operations.

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Notes to the Consolidated Future-Oriented Statement of Operations (Unaudited)

For the year ending March 31

1. Departmental Core Responsibilities

In 2018-19, Agriculture and Agri-Food Canada transitioned from a reporting framework comprising Strategic Outcomes and a Program Alignment Architecture to a Departmental Results Framework comprising Core Responsibilities and Departmental Results (see note 6). For more information on the Department's Core Responsibilities, see the "Planned results" section of the [Departmental Plan](#).

2. Methodology and significant assumptions

The Consolidated Future-Oriented Statement of Operations has been prepared on the basis of the government priorities and departmental plans as described in the Departmental Plan.

The information in the forecast results for fiscal year 2017–18 is based on actual results as at December 31, 2017 and on forecasts for the remainder of the fiscal year. Forecasts have been made for the planned results for fiscal year 2018-19.

The main assumptions underlying the forecasts are as follows:

- The Department's activities will remain substantially the same as for the previous year.
- Expenses and revenues, including the determination of amounts internal and external to the government, are based on past experience. The general historical pattern is expected to continue.
- Allowances for uncollectibility are based on past experience. The general historical pattern is expected to continue.

These assumptions are adopted as at February 7, 2018.

3. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2017-18 and for 2018-19, actual results achieved for both years are likely to differ from the forecast information presented, and this variation could be material.

In preparing this Consolidated Future-Oriented Statement of Operations, Agriculture and Agri-Food Canada has made estimates and assumptions about the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on past experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, and are continually evaluated.

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

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

After the Departmental Plan is tabled in Parliament, Agriculture and Agri-Food Canada will not be updating the forecasts for any changes in financial resources made in ensuing supplementary estimates. Variances will be explained in the Departmental Results Report.

4. Summary of significant accounting policies

The Consolidated Future-Oriented Statement of Operations has been prepared using the Government of Canada's accounting policies in effect for fiscal year 2017-18, and is based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) Consolidation

This Consolidated Future-Oriented Statement of Operations includes the accounts of the sub-entities that the deputy head is accountable for. The accounts of these sub-entities have been consolidated with those of the department, and all inter-organizational balances and transactions have been eliminated. The accounting entity comprises the Department of Agriculture and Agri-Food, the Farm Products Council of Canada and the Canadian Pari-Mutuel Agency. The Consolidated Future-Oriented Statement of Operations does not include the accounts of the Canadian Grain Commission, the Canadian Dairy Commission and Farm Credit Canada because they are not under the control of Agriculture and Agri-Food Canada and therefore are not consolidated.

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b) Expenses

The department records expenses on an accrual basis.

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

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

c) Revenues

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

Funds received from external parties for specified purposes are recorded upon receipt as deferred revenue. These revenues are recognized in the period in which the related expenses are incurred.

Funds that have been received are recorded as deferred revenue, provided the Department has an obligation to other parties for the provision of goods, services or the use of assets in the future.

Other revenues are accounted for in the period in which the underlying transaction or event that gave rise to the revenue takes place.

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

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5. Parliamentary authorities

The department is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the department differs from financial reporting according to generally accepted accounting principles since authorities are based mainly on cash flow requirements. Items recognized in the Consolidated Future-Oriented Statement of Operations in one year may be funded through parliamentary authorities in prior, current, or future years. Accordingly, the department has different net cost of operations for the year on a government funding basis than on an accrual accounting basis. The differences are reconciled in the following tables:

a) Reconciliation of net cost of operations to requested authorities (in thousands of dollars)

	Forecast Results <u>2017-18</u>	Planned Results <u>2018-19</u>
Net cost of operations before government funding and transfers	\$ 2,187,796	\$ 2,552,396
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(38,813)	(40,540)
Gain (Loss) on disposal of tangible capital assets	(6,576)	1,159
Non-cash changes of tangible capital assets	501	700
Services provided without charge by other government departments	(59,465)	(58,419)
Increase (decrease) in prepaid and inventory	(4,377)	(1,467)
Decrease (increase) in vacation pay and compensatory leave	(2,437)	(358)
Decrease (increase) in accrued liabilities	2,580	1,983
Decrease (increase) in employee future benefits	766	2,728
Decrease (increase) in allowances for bad debt expenses	(5,930)	(9,653)
Refund and adjustment of previous years' expenditures	2,926	(589)
Respendable revenue	5,882	6,460
Other	3,901	(2,205)
Total items affecting net cost of operations but not affecting authorities	(101,042)	(100,201)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	58,229	44,743
Proceeds from disposal of tangible capital assets	(2,704)	(2,693)
Increase (decrease) in loan receivables	19,646	21,700
Increase (decrease) in inventory	58	58
Increase (decrease) in receivables from external parties – transition payment for pay in arrears	4	-
Total items not affecting net cost of operations but affecting authorities	75,233	63,808
Requested authorities	\$ 2,161,987	\$ 2,516,003

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b) Authorities requested (in thousands of dollars)

	Forecast Results <u>2017-18</u>	Planned Results <u>2018-19</u>
Authorities requested:		
Vote 1 - Operating expenditures	\$ 606,456	\$ 568,454
Vote 5 - Capital expenditures	80,136	54,888
Vote 10 - Transfer payments	394,758	425,525
Statutory amounts	1,305,958	1,467,136
Total authorities requested	2,387,308	2,516,003
Less:		
Estimated unused authorities and other adjustments	225,321	-
Requested authorities forecast to be used	\$ 2,161,987	\$ 2,516,003

6. Comparative information

Because of significant differences between Agriculture and Agri-Food Canada's previous Program Alignment Architecture and its new Departmental Results Framework, expenses for 2017–18 and 2018–19 could not be prepared on the same basis. The 2017–18 expenses are presented by Program in accordance with the Department's previous Program Alignment Architecture, whereas expenses for 2018–19 are presented by Core Responsibility in accordance with the new Departmental Results Framework.

