



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, 2019 and 2020**

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>2018-19</u>	Planned Results <u>2019-20</u>
Expenses		
Sector Risk	\$ 1,178,954	\$ 1,511,632
Science and Innovation	525,151	566,140
Domestic and International Markets	304,103	241,810
Internal Services	288,244	271,167
Total expenses	2,296,452	2,590,749
Revenues		
Sale of goods and services	65,058	65,354
Interest	13,168	13,317
Joint project and cost sharing agreements	8,315	8,648
Gain on disposal of assets	765	1,545
Crop Re-Insurance Fund	600	900
Revenues earned on behalf of Government	(20,165)	(21,651)
Total revenues	67,741	68,113
Net cost of operations before government funding and transfers	\$ 2,228,711	\$ 2,522,636

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

The main assumptions underlying the forecasts are as follows:

- 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 January 29, 2019.

2. Variations and changes to the forecast financial information

Although every attempt has been made to forecast final results for the remainder of 2018-19 and for 2019-20, actual results achieved for both years are likely to differ from the forecast information presented, and this variation could be material.

In preparing this 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 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 timing and the 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.

3. 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 2018-19, and is based on Canadian public sector accounting standards. The presentation and results using the stated accounting policies do not result in any significant differences from Canadian public sector accounting standards.

Significant accounting policies are as follows:

a) 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

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 based on the services provided in the fiscal year.

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

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

Other revenues are recognized in the period the event giving rise to the revenues occurred. Revenues that are non-responsible 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-responsible revenues. As a result, non-responsible 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.

4. Parliamentary authorities

The department is financed by the Government of Canada through parliamentary authorities. Financial reporting of authorities provided to the department differs from financial reporting according to generally accepted accounting principles 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:

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

For the year ending March 31

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

	Forecast Results <u>2018-19</u>	Planned Results <u>2019-20</u>
Net cost of operations before government funding and transfers	\$ 2,228,711	\$ 2,522,636
Adjustments for items affecting net cost of operations but not affecting authorities:		
Amortization of tangible capital assets	(40,784)	(39,741)
Gain (Loss) on disposal of tangible capital assets	1,153	298
Services provided without charge by other government departments	(55,358)	(61,217)
Increase (decrease) in prepaid and inventory	(2,924)	(368)
Decrease (increase) in vacation pay and compensatory leave	37	(372)
Decrease (increase) in accrued liabilities	7,106	823
Decrease (increase) in environmental liabilities	545	105
Decrease (increase) in employee future benefits	792	3,284
Decrease (increase) in allowances for bad debt expenses	(11,518)	(11,433)
Refund and adjustment of prior years' expenditures	4,971	6,338
Respendable revenue	7,878	7,349
Other	(7,758)	(2,367)
Total items affecting net cost of operations but not affecting authorities	(95,860)	(97,301)
Adjustments for items not affecting net cost of operations but affecting authorities:		
Acquisition of tangible capital assets	60,199	34,820
Proceeds from disposal of tangible capital assets	(892)	(1,030)
Increase (decrease) in loan receivables	26,669	21,700
Increase (decrease) in inventory	40	40
Total items not affecting net cost of operations but affecting authorities	86,016	55,530
Requested authorities	\$ 2,218,867	\$ 2,480,865

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b) Authorities requested (in thousands of dollars)

	Forecast Results <u>2018-19</u>	Planned Results <u>2019-20</u>
Authorities requested:		
Vote 1 - Operating expenditures	\$ 622,435	\$ 571,622
Vote 5 - Capital expenditures	68,942	40,505
Vote 10 - Transfer payments	426,625	418,975
Statutory amounts	1,467,932	1,449,763
Total authorities requested	2,585,934	2,480,865
Less:		
Estimated unused authorities and other adjustments	367,067	-
Requested authorities forecast to be used	\$ 2,218,867	\$ 2,480,865