
**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 2009**

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AUDITOR'S REPORT

To the Members of the Legislative Assembly; and

To the Minister of Agriculture

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2009, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Jacques R. Lapointe, CA
Auditor General

Halifax, Nova Scotia
May 11, 2009

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
BALANCE SHEET
MARCH 31, 2009



| | 2009 | 2008 |
|--|---------------------|---------------------|
| Assets | | |
| Current | | |
| Cash | \$ 63,579 | \$ 149,855 |
| Short-term investments (note 3) | 4,998,470 | 5,193,436 |
| Receivables, trade | 381,437 | 95,049 |
| Accrued interest receivable | 972 | 665 |
| Receivable from Department of Agriculture (note 9) | <u>210,212</u> | <u>-</u> |
| | 5,654,670 | 5,439,005 |
| Equipment (note 4) | <u>239,813</u> | <u>318,477</u> |
| | <u>\$ 5,894,483</u> | <u>\$ 5,757,482</u> |
| Liabilities | | |
| Current | | |
| Deferred revenue | \$ 52,043 | \$ 53,427 |
| Deposits for insurance | 16,150 | 21,483 |
| Unsettled indemnities (note 5) | 349 | 5,225 |
| Deferred contribution (note 9) | <u>210,212</u> | <u>-</u> |
| | 278,754 | 80,135 |
| Deferred contributions related to capital assets (note 6) | <u>239,813</u> | <u>318,477</u> |
| | <u>518,567</u> | <u>398,612</u> |
| Fund Balances | | |
| Fund balances | | |
| Crop insurance | \$ 4,372,777 | \$ 4,397,477 |
| Livestock insurance | 989,110 | 959,616 |
| Poultry insurance | <u>14,029</u> | <u>1,777</u> |
| | <u>5,375,916</u> | <u>5,358,870</u> |
| Contingency (note 11) | <u>\$ 5,894,483</u> | <u>\$ 5,757,482</u> |

On Behalf of the Commission

 Director

 Director

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
STATEMENT OF SURPLUS AND FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2009**

| | Crop Insurance | Wildlife Insurance | Livestock Insurance | Poultry Insurance | Total 2009 | Total 2008 |
|---|---------------------------|-------------------------------|--------------------------------|------------------------------|-----------------------|-----------------------|
| Revenue | | | | | | |
| Insurance premiums (Schedule A) | \$ 1,457,478 | \$ 109,868 | \$ 30,929 | \$ 11,999 | \$ 1,610,274 | \$ 1,257,305 |
| Interest income | 147,071 | - | 31,165 | 253 | 178,489 | 284,602 |
| Amortization of deferred contributions (note 6) | <u>79,541</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>79,541</u> | <u>63,099</u> |
| | <u>1,684,090</u> | <u>109,868</u> | <u>62,094</u> | <u>12,252</u> | <u>1,868,304</u> | <u>1,605,006</u> |
| Expenses | | | | | | |
| Indemnity claims (Schedule A) | 1,620,386 | 109,868 | 32,600 | - | 1,762,854 | 2,205,296 |
| Bad debt expense | 8,863 | - | - | - | 8,863 | 14,364 |
| Administrative expenses (note 7) (Schedule B) | 780,072 | 19,482 | 15,919 | - | 815,473 | 791,087 |
| Amortization of capital assets | <u>79,541</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>79,541</u> | <u>63,099</u> |
| | <u>2,488,862</u> | <u>129,350</u> | <u>48,519</u> | <u>-</u> | <u>2,666,731</u> | <u>3,073,846</u> |
| Surplus (deficiency) before Government contributions | (804,772) | (19,482) | 13,575 | 12,252 | (798,427) | (1,468,840) |
| Government contributions (note 8) | <u>780,072</u> | <u>19,482</u> | <u>15,919</u> | <u>-</u> | <u>815,473</u> | <u>791,087</u> |
| Net surplus (deficiency) | (24,700) | - | 29,494 | 12,252 | 17,046 | (677,753) |
| Fund balances, beginning of year | <u>4,397,477</u> | <u>-</u> | <u>959,616</u> | <u>1,777</u> | <u>5,358,870</u> | <u>6,036,623</u> |
| Fund balances, end of year | <u>\$ 4,372,777</u> | <u>\$ -</u> | <u>\$ 989,110</u> | <u>\$ 14,029</u> | <u>\$ 5,375,916</u> | <u>\$ 5,358,870</u> |

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2009**



| | 2009 | 2008 |
|---|------------------|-------------------|
| Operating Activities | | |
| Net surplus (deficiency) | \$ 17,046 | \$ (677,753) |
| Amortization of capital assets | 79,541 | 63,099 |
| Amortization of deferred contributions | <u>(79,541)</u> | <u>(63,099)</u> |
| | 17,046 | (677,753) |
| Net change in non-cash working capital balances related to operations (note 10) | <u>(298,288)</u> | <u>69,720</u> |
| | <u>(281,242)</u> | <u>(608,033)</u> |
| Investing Activities | | |
| Sale of short-term investments | 194,966 | 631,894 |
| Purchase of capital assets | (2,676) | (179,040) |
| Deferred contributions related to capital assets | <u>2,676</u> | <u>179,040</u> |
| | <u>194,966</u> | <u>631,894</u> |
| Increase (decrease) in cash during year | (86,276) | 23,861 |
| Cash, beginning of year | <u>149,855</u> | <u>125,994</u> |
| Cash, end of year | <u>\$ 63,579</u> | <u>\$ 149,855</u> |

See accompanying notes to the financial statements

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop, wildlife, poultry and livestock insurance, and conduct programs relating to these plans.

2. Accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policies:

Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 5 years and for equipment is 5 or 10 years depending on the cost of the equipment.

Revenue

Revenue relating to insurance premiums is recorded in the accounts once coverage is written and the insurance certificate is issued to the producer. Interest revenue is recorded in the accounts as it is earned.

Financial instruments

The Commission classifies its financial instruments into one of the following categories; its accounting policy for each is as follows:

Assets held-for trading

Financial instruments classified as assets or liabilities held for trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in net income in the period during which the change occurs. Transaction costs are expensed when incurred. Cash and short-term investments have been classified as held-for-trading.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Interest income or expense is included in net income over the expected life of the instrument. Transaction costs are expensed when incurred. Accounts receivable have been designated as loans and receivables and unsettled indemnities as other financial liabilities.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2009 these funds were invested in various GIC's and provincial promissory notes maturing in fiscal 2010 with yields from 1.10% to 3.20%.

4. Equipment

| | 2009 | 2008 |
|--------------------------|-------------------|-------------------|
| Equipment and furniture | \$ 480,439 | \$ 480,160 |
| Accumulated amortization | <u>(240,626)</u> | <u>(161,683)</u> |
| | <u>\$ 239,813</u> | <u>\$ 318,477</u> |

5. Provision for payment of unsettled indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded as a liability in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture on behalf of the Commission.

| | 2009 | 2008 |
|------------------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 318,478 | \$ 202,536 |
| Add: Capital assets acquired | 2,676 | 179,040 |
| Less: Capital asset disposed | (1,800) | - |
| Less: Amounts amortized to revenue | <u>(79,541)</u> | <u>(63,099)</u> |
| Balance, end of year | <u>\$ 239,813</u> | <u>\$ 318,477</u> |

7. Related party transactions

Administrative expenses include \$30,000 (2008 - \$30,000) for rent and \$44,240 (2008 - \$NIL) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture.

8. Government contributions

Under the crop insurance programs, producers pay 40% of the insurance premiums and the Federal and Provincial governments pay 36% and 24% respectively for the comprehensive portion of the insurance premiums. If an insurance premium contains a hi-cost portion, the Federal and Provincial governments pay a reduced proportion of the hi-cost portion of the insurance premium. The proportion of an insurance premium that is hi-cost varies by plan and coverage level depending on the base rate for that particular plan. Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock and poultry insurance program or in non-refundable deposits.

For the 2009 fiscal year, the Federal government contributed 60% (2008 - 60%) of the total administrative expenses for the crop insurance program with the Provincial government funding the remainder. The Provincial government funds all of the administrative costs of the livestock and poultry insurance programs. The premiums and administrative costs of the wildlife insurance plan is funded 60% by the Federal government and 40% by the Provincial government.

9. Receivable from the Department of Agriculture

During the year the Commissioner received funding from the Federal Government for administrative expenses based upon budgeted amounts rather than actual expenditures. Because actual expenditures were less than budgeted, the Federal Government overpaid its share of administrative expenses, and the Department of Agriculture underpaid the provincial portion of these expenses. The additional payment from the Federal Government will be offset against claims for expenses in 2009-10.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2009

10. Net change in non-cash working capital balances related to operations

| | 2009 | 2008 |
|---|---------------------|------------------|
| Increase (decrease) in cash from changes in: | | |
| Receivables | \$ (286,388) | \$ (70,540) |
| Accrued interest receivable | (307) | 131,840 |
| Receivable from Department of Agriculture | (210,212) | - |
| Increase in deposits for insurance | (5,333) | (971) |
| Unsettled indemnities | (4,876) | 5,225 |
| Deferred revenue | (1,384) | 4,166 |
| Deferred contribution | <u>210,212</u> | <u>-</u> |
| | <u>\$ (298,288)</u> | <u>\$ 69,720</u> |

11. Insurance coverage

The total insurance coverage as of March 31, 2009 was \$127,840,107 (2008 - \$70,817,637), comprising crop insurance of \$30,355,511 (2008 - \$27,905,247), livestock insurance of \$34,542,773 (2008 - \$34,713,567) and poultry insurance of \$62,941,822 (2008 - \$8,198,822).

The Province was party to an agreement with the Government of Canada whereby the Province made advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund was to assist the Province of Nova Scotia when there was a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund were recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately \$709,345. Management holds the opinion that the payment of these premiums was the responsibility of the Province. The matter remains unresolved as of March 31, 2009. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

12. Pension and post-retirement benefits

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability or other obligations related to post-retirement benefits. The pension expense incurred in the current year was \$35,932 (2008 - \$36,661).

13. Financial instruments

Credit risk management

The Commission is exposed to credit risk on the accounts receivable from its clients. In order to reduce its credit risk, the Commission has adopted credit policies which include the analysis of the financial position of its clients and the regular review of their credit limits. The Commission does not have a significant exposure to any individual client.

14. Economic dependence

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
PREMIUM REVENUE AND INDEMNITY CLAIMS
FOR THE YEAR ENDED MARCH 31, 2009**

SCHEDULE A

| | Premium Revenue | | | Indemnity Claims | | | |
|------------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|
| | Farmer | Federal | Provincial | 2009 | 2008 | 2009 | 2008 |
| Crop Insurance | | | | | | | |
| Spring grain | \$ 16,140 | \$ 12,018 | \$ 8,006 | \$ 36,164 | \$ 33,690 | \$ 161,705 | \$ 106,049 |
| Winter grain | 13,879 | 10,285 | 6,857 | 31,021 | 28,716 | 39,365 | 19,401 |
| Tree fruit | 135,767 | 142,020 | 94,979 | 372,766 | 340,717 | 244,368 | 298,037 |
| Corn | 54,148 | 46,680 | 31,120 | 131,948 | 107,407 | - | 61,882 |
| Weather derivative | 42,855 | 38,569 | 25,713 | 107,137 | 99,700 | 7,459 | 134,665 |
| Blueberries | 230,320 | 212,778 | 141,639 | 584,737 | 409,519 | 805,730 | 1,297,744 |
| Strawberries and raspberries | 4,054 | 2,891 | 1,930 | 8,875 | 7,469 | - | 42,808 |
| Forage | 492 | 444 | 296 | 1,232 | 2,267 | - | - |
| Soybeans | 9,023 | 7,972 | 5,318 | 22,313 | 15,194 | 6,344 | 68 |
| Potatoes | 10,881 | 9,524 | 6,356 | 26,761 | 52,888 | - | - |
| Vegetables | 61,642 | 43,729 | 29,153 | 134,524 | 128,968 | 355,415 | 70,169 |
| | 579,201 | 526,910 | 351,367 | 1,457,478 | 1,226,535 | 1,620,386 | 2,030,823 |
| Livestock Insurance | 30,929 | - | - | 30,929 | 29,031 | 32,600 | 174,473 |
| Poultry Insurance | 11,999 | - | - | 11,999 | 1,739 | - | - |
| Wildlife Insurance | - | 65,921 | 43,947 | 109,868 | - | 109,868 | - |
| Total | <u>\$ 622,129</u> | <u>\$ 592,831</u> | <u>\$ 395,314</u> | <u>\$ 1,610,274</u> | <u>\$ 1,257,305</u> | <u>\$ 1,762,854</u> | <u>\$ 2,205,296</u> |

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2009**

SCHEDULE B

| | Insurance | | | Totals | |
|---|-------------------|------------------|------------------------------|-------------------|-------------------|
| | Crop | Wildlife | Livestock and Poultry | 2009 | 2008 |
| Personnel | \$ 555,254 | \$ 11,522 | \$ 11,332 | \$ 578,108 | \$ 578,985 |
| Transportation and communication | 55,832 | 4,810 | 1,139 | 61,781 | 60,005 |
| Information | 5,115 | 646 | 104 | 5,865 | 10,113 |
| Professional and special services | 81,763 | 765 | 1,669 | 84,197 | 99,899 |
| Office accommodation and equipment rental | 35,642 | 881 | 727 | 37,250 | 34,888 |
| Repair and maintenance of equipment | 1,040 | - | 21 | 1,061 | 2,448 |
| Materials and supplies | 2,355 | 568 | 48 | 2,971 | 4,749 |
| Central government services | <u>43,071</u> | <u>290</u> | <u>879</u> | <u>44,240</u> | <u>-</u> |
| | <u>\$ 780,072</u> | <u>\$ 19,482</u> | <u>\$ 15,919</u> | <u>\$ 815,473</u> | <u>\$ 791,087</u> |