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**PROVINCE OF NOVA SCOTIA  
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION  
FINANCIAL STATEMENTS  
MARCH 31, 2011**

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# Office of the Auditor General

1888 Brunswick Street, Suite 302  
Halifax, Nova Scotia  
B3J 3J8 Canada

902•424•5907 tel  
902•424•4350 fax  
www.oag-ns.ca

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Nova Scotia Crop & Livestock Insurance Commission:

### Report on the Financial Statements

I have audited the accompanying financial statements of the Nova Scotia Crop & Livestock Insurance Commission, which comprise the balance sheet as at March 31, 2011, and the statements of surplus and fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### ***Management's Responsibilities for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles 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 judgement, 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 the 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 Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Alan D. Horgan, CA  
Deputy Auditor General

May 20, 2011  
Halifax, Nova Scotia

**PROVINCE OF NOVA SCOTIA  
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION  
BALANCE SHEET  
MARCH 31, 2011**

	2011	2010
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 95,653	\$ 277,839
Short-term investments (note 3)	2,859,723	4,014,108
Receivables, trade (net)	177,043	298,122
Accrued interest receivable	<u>2,467</u>	<u>2,504</u>
	3,134,886	4,592,573
<b>Long-term investments</b> (note 3)	1,513,934	-
<b>Equipment</b> (note 4)	<u>22,825</u>	<u>25,352</u>
	<u>\$ 4,671,645</u>	<u>\$ 4,617,925</u>
<b>Liabilities</b>		
<b>Current</b>		
Deferred revenue	\$ 33,149	\$ 45,768
Deposits for insurance	12,197	16,944
Unsettled indemnities (note 5)	<u>-</u>	<u>981</u>
	45,346	63,693
<b>Deferred contributions related to capital assets</b> (note 6)	<u>22,825</u>	<u>25,352</u>
	<u>68,171</u>	<u>89,045</u>
<b>Fund Balances</b>		
<b>Fund balances</b>		
Crop insurance	3,550,733	3,521,815
Livestock insurance	993,726	977,648
Poultry insurance	<u>59,015</u>	<u>29,417</u>
	<u>4,603,474</u>	<u>4,528,880</u>
	<u>\$ 4,671,645</u>	<u>\$ 4,617,925</u>

**Contingency** (note 11)

**On Behalf of the Commission**

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**  
**STATEMENT OF SURPLUS AND FUND BALANCES**  
**FOR THE YEAR ENDED MARCH 31, 2011**

	<b>Crop Insurance</b>	<b>Wildlife Compensation</b>	<b>Livestock Insurance</b>	<b>Poultry Insurance</b>	<b>Total 2011</b>	<b>Total 2010</b>
<b>Revenue</b>						
Insurance premiums (Schedule A)	\$ 1,464,894	\$ 201,201	\$ 32,758	\$ 28,918	\$ 1,727,771	\$ 1,989,118
Interest income	62,953	-	11,720	680	75,353	69,624
Amortization of deferred contributions (note 6)	<u>9,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,123</u>	<u>79,177</u>
	<u>1,536,970</u>	<u>201,201</u>	<u>44,478</u>	<u>29,598</u>	<u>1,812,247</u>	<u>2,137,919</u>
<b>Expenses</b>						
Indemnity claims (Schedule A)	1,516,840	201,201	28,400	-	1,746,441	2,857,232
Bad debt (recovery) expense	(17,911)	-	-	-	(17,911)	48,546
Administrative expenses (note 9) (Schedule B)	840,541	22,995	17,633	-	881,169	973,393
Amortization of capital assets	<u>9,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,123</u>	<u>79,177</u>
	<u>2,348,593</u>	<u>224,196</u>	<u>46,033</u>	<u>-</u>	<u>2,618,822</u>	<u>3,958,348</u>
<b>Surplus (deficiency) before Government contributions</b>	(811,623)	(22,995)	(1,555)	29,598	(806,575)	(1,820,429)
<b>Government contributions</b> (note 8)	<u>840,541</u>	<u>22,995</u>	<u>17,633</u>	<u>-</u>	<u>881,169</u>	<u>973,393</u>
<b>Net surplus (deficiency)</b>	28,918	-	16,078	29,598	74,594	(847,036)
<b>Fund balances, beginning of year</b>	<u>3,521,815</u>	<u>-</u>	<u>977,648</u>	<u>29,417</u>	<u>4,528,880</u>	<u>5,375,916</u>
<b>Fund balances, end of year</b>	<u>\$ 3,550,733</u>	<u>\$ -</u>	<u>\$ 993,726</u>	<u>\$ 59,015</u>	<u>\$ 4,603,474</u>	<u>\$ 4,528,880</u>

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA**  
**NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED MARCH 31, 2011**

	2011	2010
<b>Operating Activities</b>		
Net surplus (deficiency)	\$ 74,594	\$ (847,036)
Amortization of equipment	9,123	79,177
Amortization of deferred contributions	<u>(9,123)</u>	<u>(79,177)</u>
	74,594	(847,036)
Net change in non-cash working capital balances related to operations (note 10)	<u>102,769</u>	<u>76,934</u>
	<u>177,363</u>	<u>(770,102)</u>
<b>Investing Activities</b>		
Sale of short-term investments	(359,549)	984,362
Purchase of equipment	(6,596)	(3,320)
Deferred contributions related to capital assets	<u>6,596</u>	<u>3,320</u>
	<u>(359,549)</u>	<u>984,362</u>
<b>(Decrease) increase in cash during year</b>	(182,186)	214,260
<b>Cash, beginning of year</b>	<u>277,839</u>	<u>63,579</u>
<b>Cash, end of year</b>	<u>\$ 95,653</u>	<u>\$ 277,839</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 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. The certificate of insurance recognizes the entire period (crop year) covered under the contract. 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, short-term investments and long-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.

## 2. Accounting policies (Continued)

### Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Actual results could differ from management's best estimates as additional information becomes available in the future.

## 3. Short-term investments and long-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2011 these funds were invested in various provincial promissory notes maturing in fiscal 2011 or 2015 with yields from 1.26% to 2.80%.

## 4. Equipment

	2011	2010
Equipment and furniture	\$ 133,298	\$ 126,702
Accumulated amortization	<u>(110,473)</u>	<u>(101,350)</u>
	<u>\$ 22,825</u>	<u>\$ 25,352</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.



**PROVINCE OF NOVA SCOTIA  
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2011**

**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. The contributions are recognized as revenue on a basis consistent with the capital assets amortization charge.

	2011	2010
Balance, beginning of year	\$ 25,352	\$ 239,813
Add: Capital assets acquired	6,596	3,320
Less: Capital asset disposed	-	(210,016)
Less: Amounts amortized to revenue	<u>(9,123)</u>	<u>(7,765)</u>
Balance, end of year	<u>\$ 22,825</u>	<u>\$ 25,352</u>

**7. Related party transactions**

Administrative expenses include \$30,000 (2010 - \$30,000) for rent and \$44,240 (2010 - \$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture. Administrative expenses also include \$45,796 (2010 - \$78,972) for legal services charged to the Commission by the Nova Scotia Department of Justice.

**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 high-cost portion, the Federal and Provincial governments pay a reduced proportion of the high-cost portion of the insurance premium. The proportion of an insurance premium that is high-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 programs or in non-refundable deposits.

For the 2011 fiscal year, the Federal government contributed 60% (2010 - 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 are funded 60% by the Federal government and 40% by the Provincial government.

**PROVINCE OF NOVA SCOTIA  
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION  
NOTES TO THE FINANCIAL STATEMENTS  
MARCH 31, 2011**

**9. Administrative expenses**

The Commission offers three types of insurance plans: crop, dairy livestock and poultry, and a wildlife compensation program. The administrative expenses associated with offering these programs are detailed in Schedule B. The administrative expenses are allocated to the livestock and poultry plan at 2% of the total administrative expenses incurred by the Commission. The administrative expenses of the wildlife plan are allocated based upon direct travel and staffing costs associated with investigating and adjusting wildlife claims, as well as an additional 25% of these costs for other fixed administrative costs of this plan. The remaining administrative costs, after deducting those attributable to the livestock, poultry and wildlife plans, are allocated to the crop insurance plan.

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

	2011	2010
<b>Increase (decrease) in cash from changes in:</b>		
Receivables	\$ 121,079	\$ 83,315
Accrued interest receivable	37	(1,532)
Deposits for insurance	(4,747)	794
Unsettled indemnities	(981)	632
Deferred revenue	(12,619)	(6,275)
Receivable from Department of Agriculture	-	210,212
Deferred contribution	-	(210,212)
	<u>\$ 102,769</u>	<u>\$ 76,934</u>

**11. Economic dependence**

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

**12. Financial instruments**

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. It is management's opinion that the Commission is not exposed to any significant market or liquidity risks. The fair value of the Commission's financial instruments approximates their carrying value at March 31, 2011.

### **13. Insurance coverage**

The total insurance coverage issued during the 2010 – 2011 fiscal year was \$140,787,478 (2010 - \$135,389,824), comprised of crop insurance of \$21,728,578 (2010 - \$33,189,897), livestock insurance of \$36,341,392 (2010 - \$35,790,360) and poultry insurance of \$82,717,508 (2010 - \$66,409,566).

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 from the Commission, 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, 2011. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

### **14. 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 \$49,753 (2010 - \$44,562).

### **15. Capital management**

The Commission manages its capital with the intention to ensure there is adequate cash flow on hand to cover indemnity claims filed by producers. To ensure cash flow is appropriate the Commission invests the majority (about 65%) of its excess cash in short-term investments that have a maturity date of one year or less.

### **16. Change in accounting policies**

For fiscal years beginning on or after January 1, 2011, government organizations are required to determine which accounting framework to adopt for financial statement reporting purposes based on guidance provided by the Canadian Institute of Chartered Accountants' (CICA) Public Sector Accounting Board (PSAB). As of April 1, 2011, the Commission has determined that it will follow the accounting standards included in the CICA's Public Sector Handbook. Although the full scope of the changes has not been determined by the Commission, it is anticipated that adoption of these accounting standards will result in changes to presentation of these financial statements. Adoption of these standards should not result in significant changes to the recognition, measurement and reporting of financial transactions undertaken by the Commission.

**PROVINCE OF NOVA SCOTIA  
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION  
PREMIUM REVENUE AND INDEMNITY CLAIMS  
FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE A**

	Premium Revenue			Indemnity Claims			
	Farmer	Federal	Provincial	2011	2010	2011	2010
<b>Crop Insurance</b>							
Spring grain	\$ 21,844	\$ 15,135	\$ 10,090	\$ 47,069	\$ 38,855	\$ 107,505	\$ 43,561
Winter grain	8,749	6,217	4,144	19,110	22,118	17,864	50,929
Tree fruit	151,657	141,278	94,755	387,690	399,092	151,701	28,620
Corn	45,050	40,545	27,030	112,625	169,734	101,123	100,344
Weather derivative	53,850	48,465	32,310	134,625	54,813	207,916	96,213
Blueberries	213,838	160,800	107,200	481,838	712,496	396,215	1,195,351
Strawberries and raspberries	8,892	5,406	3,604	17,902	17,090	57,702	85,079
Maple	11,545	10,205	6,803	28,553	-	-	-
Forage	319	287	191	797	1,147	-	4,908
Soybeans	18,877	16,986	11,324	47,187	34,300	15,087	10,824
Potatoes	15,526	13,955	9,303	38,784	180,883	31,643	717,416
Vegetables	71,950	46,058	30,706	148,714	164,901	430,084	321,833
	<u>622,097</u>	<u>505,337</u>	<u>337,460</u>	<u>1,464,894</u>	<u>1,795,429</u>	<u>1,516,840</u>	<u>2,655,078</u>
<b>Livestock Insurance</b>	32,758	-	-	32,758	32,001	28,400	55,600
<b>Poultry Insurance</b>	28,918	-	-	28,918	15,134	-	-
<b>Wildlife Insurance</b>	<u>-</u>	<u>120,721</u>	<u>80,480</u>	<u>201,201</u>	<u>146,554</u>	<u>201,201</u>	<u>146,554</u>
<b>Total</b>	<u>\$ 683,773</u>	<u>\$ 626,058</u>	<u>\$ 417,940</u>	<u>\$ 1,727,771</u>	<u>\$ 1,989,118</u>	<u>\$ 1,746,441</u>	<u>\$ 2,857,232</u>

**PROVINCE OF NOVA SCOTIA  
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION  
ADMINISTRATIVE EXPENSES  
FOR THE YEAR ENDED MARCH 31, 2011**

**SCHEDULE B**

	Crop	Insurance		Totals	
		Wildlife Compensation	Livestock and Poultry	2011	2010
Personnel	\$ 642,474	\$ 13,480	\$ 13,407	\$ 669,361	\$ 630,710
Transportation and communication	43,067	7,143	1,025	51,235	65,001
Information	11,846	554	242	12,642	8,106
Professional and special services	64,082	731	1,323	66,136	186,183
Office accommodation and equipment rental	33,792	923	708	35,423	34,458
Repair and maintenance of equipment	46	-	1	47	280
Materials and supplies	1,097	153	26	1,276	4,415
Minor equipment purchases	782	11	16	809	-
Central government services	<u>43,355</u>	<u>-</u>	<u>885</u>	<u>44,240</u>	<u>44,240</u>
	<u>\$ 840,541</u>	<u>\$ 22,995</u>	<u>\$ 17,633</u>	<u>\$ 881,169</u>	<u>\$ 973,393</u>

In addition to the above expenses, the Commission purchased capital assets of \$6,596 (2010 - \$3,320), which have been recorded as equipment on the balance sheet.