
**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 2014**

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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 statement of financial position as at March 31, 2014, and the statements of operations and changes in fund balances, changes in net financial assets, and cash flows for the year ended March 31, 2014, 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 for the public sector 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 in our audit 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, 2014, and the results of operations, changes in net financial assets, and its cash flows for the year ended March 31, 2014, in accordance with Canadian generally accepted accounting principles for the public sector.

A handwritten signature in black ink, appearing to read "Alan Horgan".

Alan Horgan, CA
Acting Auditor General

June 26, 2014
Halifax, Nova Scotia

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
STATEMENT OF FINANCIAL POSITION
MARCH 31, 2014

	2014	2013
Financial Assets		
Cash	\$ 378,019	\$ 116,613
Investments (Note 3)	3,492,609	4,095,976
Receivable, trade (net of allowance of \$103,120; 2013-\$55,295)	166,474	201,735
Accrued interest receivable	<u>5,546</u>	<u>5,223</u>
	<u>4,042,648</u>	<u>4,419,547</u>
Liabilities		
Deferred revenue	39,674	38,216
Deposits for insurance	5,756	8,116
Indemnities payable	<u>133,364</u>	<u>-</u>
	<u>178,794</u>	<u>46,332</u>
Net Financial Assets	<u>3,863,854</u>	<u>4,373,215</u>
Non-financial Assets		
Tangible capital assets (Note 4)	<u>-</u>	<u>353</u>
Fund Balances	<u>\$ 3,863,854</u>	<u>\$ 4,373,568</u>

Contingency (Note 16)

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 OPERATIONS AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2014**

	Budget	Funds			Total 2014	Total 2013
		Crop	Livestock	General		
Revenue						
Insurance premiums (Schedule A)	\$ 2,295,000	\$ 1,851,813	\$ 57,308	\$ 77,381	\$ 1,986,502	\$ 1,996,949
Interest income	80,000	69,359	13,058	-	82,417	77,869
Strawberry assistance initiative - recovery (Note 18)	-	9,466	-	-	9,466	-
	<u>2,375,000</u>	<u>1,930,638</u>	<u>70,366</u>	<u>77,381</u>	<u>2,078,385</u>	<u>2,074,818</u>
Expenses						
Indemnity claims (Schedule A)	2,050,000	2,368,226	33,000	77,381	2,478,607	1,390,329
Bad debt expense	5,000	99,673	-	-	99,673	34,202
Administrative expenses (Note 8) (Schedule B)	1,046,000	931,310	19,352	16,919	967,581	873,012
Amortization of capital assets	-	-	-	353	353	24,292
Gain/loss on disposal of capital assets	-	-	-	-	-	3,218
Miscellaneous	-	-	-	-	-	664
Strawberry assistance initiative - expense (Note 18)	-	9,466	-	-	9,466	-
	<u>3,101,000</u>	<u>3,408,675</u>	<u>52,352</u>	<u>94,653</u>	<u>3,555,680</u>	<u>2,325,717</u>
Surplus (deficiency) before government contributions	(726,000)	(1,478,037)	18,014	(17,272)	(1,477,295)	(250,899)
Government contributions (Note 6)	<u>1,046,000</u>	<u>931,310</u>	<u>19,352</u>	<u>16,919</u>	<u>967,581</u>	<u>873,012</u>
Net deficiency (surplus)	<u>\$ 320,000</u>	(546,727)	37,366	(353)	(509,714)	622,113
Fund balances, beginning of year		<u>3,350,317</u>	<u>1,022,898</u>	<u>353</u>	<u>4,373,568</u>	<u>3,751,455</u>
Fund balances, end of year (Note 5)		<u>\$ 2,803,590</u>	<u>\$ 1,060,264</u>	<u>\$ -</u>	<u>\$ 3,863,854</u>	<u>\$ 4,373,568</u>

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
STATEMENT OF CHANGES IN NET FINANCIAL ASSETS
FOR THE YEAR ENDED MARCH 31, 2014**

	2014	2013
Net Financial Assets, beginning of year	\$ <u>4,373,215</u>	\$ <u>3,723,592</u>
Changes in the year		
Net (deficit) surplus	(509,714)	622,113
Amortization of tangible capital assets	353	24,292
Disposal of tangible capital assets	<u>-</u>	<u>3,218</u>
Total changes in the year	<u>(509,361)</u>	<u>649,623</u>
Net Financial Assets, end of year	<u>\$ 3,863,854</u>	<u>\$ 4,373,215</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, 2014**

	2014	2013
Operating Activities		
Net deficiency (surplus)	\$ (509,714)	\$ 622,113
Amortization of tangible capital assets	353	24,292
Net change in non-cash working capital balances related to operations (Note 9)	<u>167,400</u>	<u>(42,336)</u>
Cash provided by (used in) operating activities	<u>(341,961)</u>	<u>604,069</u>
Capital Activities		
Disposal of tangible capital assets	<u>-</u>	<u>3,218</u>
Cash provided by capital activities	<u>-</u>	<u>3,218</u>
Investing Activities		
Acquisition of investments	(2,428,114)	(2,554,012)
Proceeds from disposal of investments	<u>3,031,481</u>	<u>1,684,943</u>
Cash provided by (used in) investing activities	<u>603,367</u>	<u>(869,069)</u>
Increase (decrease) in cash during year	261,406	(261,782)
Cash, beginning of year	<u>116,613</u>	<u>378,395</u>
Cash, end of year	<u>\$ 378,019</u>	<u>\$ 116,613</u>

See accompanying notes to the financial statements

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014**

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 3(1) of the Nova Scotia Crop and Livestock Insurance Act (Act). Section 8(1) of the Act establishes Funds which are in the custody and control of the Commission to be used to administer crop and livestock insurance plans, as well as wildlife compensation, and conduct programs relating to these plans.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for the public sector, that for the purposes of the Commission's financial statements are represented by accounting recommendations of the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), supplemented where appropriate by other CPA Canada accounting standards or pronouncements.

These financial statements are prepared using the following significant accounting policies:

Tangible capital assets

Tangible capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets estimated useful life, which for office furniture and equipment is five years and for computer hardware and software is two years. The Commission expenses tangible capital assets under \$1,500.

Revenue

Revenue is recorded on the accrual basis. The main components of revenue are insurance premiums, interest income, and government grants for insurance premiums and administrative expenses. Insurance premium revenue is recognized when certificates for insurance are issued. Premium revenue relating to coverage subsequent to year end is deferred. Government grants for insurance premiums and administrative expenses are recognized as revenue in the period during which the grants are authorized and eligibility criteria are met, except when and to the extent the transfer includes stipulations that give rise to an obligation that meets the definition of a liability. The Commission receives contributions from the Province of Nova Scotia for the purchase of assets, which is recognized in revenue upon acquisition.

Indemnity claims

Expenses for indemnity claims are recorded when the loss of yield is incurred by the producer.

Financial Instruments

The Commission's financial instruments consist of investments in promissory notes, accounts receivable, deferred revenue, and deposits for insurance. The Commission measures its financial instruments at cost or amortized cost.

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

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014**

2. Significant accounting policies (continued)

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. Investments

The Commission invests with the Province excess funds to be used to pay future indemnity claims. At March 31, 2014 these funds were invested in various promissory notes maturing in fiscal years 2015 or 2016, with annual yields ranging from 1.21% to 2.80%.

4. Tangible capital assets

	2014	2013
Cost of Equipment		
Opening cost	\$ 38,548	\$ 148,292
Additions	-	-
Disposals		(109,744)
Closing cost	<u>38,548</u>	<u>38,548</u>
Accumulated amortization		
Opening balance	38,195	120,429
Disposals	-	(106,526)
Amortization expense	<u>353</u>	<u>24,292</u>
Closing balance	<u>38,548</u>	<u>38,195</u>
Net book value	<u>\$ -</u>	<u>\$ 353</u>

5. Fund balances

The Livestock Fund balance consists of dairy livestock insurance of \$929,694 (2013 - \$915,838) and poultry insurance of \$130,570 (2013 - \$107,060). A claim for indemnity under either the Dairy Livestock Insurance Plan or the Poultry Insurance Plan is limited to the extent of the assets in the Livestock Insurance Fund balance held by the Commission.

The General Fund includes wildlife compensation.

6. Government contributions

Insurance premiums

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 the 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.

Administrative expenses

For the 2014 fiscal year, the Federal government contributed 60% (2013 - 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.

Wildlife program

The compensation payments and administrative expenses of the wildlife compensation program are funded 60% by the Federal government and 40% by the Provincial government.

7. Indemnity claims

Winter Grain

Winter Grain is planted in the fall, but not harvested until the following fall. Crop yields can fluctuate dramatically depending on factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to the crop planted in the current year, if any, have not been incurred until well after the fiscal year end. Indemnity expenses for Winter Grain and related payables will be recorded in the year that the loss of yield, if any, is incurred.

Maple Syrup

In certain cases, indemnity expenses for Maple Syrup production losses related to premiums collected in the current fiscal year will not be incurred until after year end. Maple Syrup yields will fluctuate based on weather conditions. Indemnity expenses and related payables for Maple Syrup will be recorded in the year that the loss of yield, if any, is incurred.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2014**

8. 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 compensation program 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 and poultry plans, and wildlife compensation program, are allocated to the crop insurance plan.

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

	2014	2013
Increase (decrease) in cash from changes in:		
Receivables	\$ 35,261	\$ (28,621)
Accrued interest receivable	(323)	(1,625)
Deposits for insurance	(2,360)	(5,054)
Indemnities payable	133,364	(15,837)
Deferred revenue	<u>1,458</u>	<u>8,801</u>
	<u>\$ 167,400</u>	<u>\$ (42,336)</u>

10. 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.

11. Related party transactions

Administrative expenses include \$30,000 (2013 - \$30,000) for rent and \$44,240 (2013 - \$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture.

12. Economic dependence

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

13. Insurance coverage

The total insurance coverage issued during the 2013-14 fiscal year was \$161,511,450 (2013 - \$177,713,429), comprised of crop insurance of \$38,083,154 (2013 - \$33,005,716), livestock insurance of \$35,233,334 (2013 - \$45,373,869) and poultry insurance of \$88,194,962 (2013 - \$99,333,844).

14. Statement of remeasurement gains and losses

The Commission has no remeasurement gains or losses; therefore, no statement of remeasurement gains or losses has been provided.

15. 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 Nova Scotia Pension Services Corporation. 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 \$42,015 (2013 - \$40,584).

16. Contingent liabilities

There is currently ongoing arbitration regarding the denial of an indemnity claim, for which the outcome is undeterminable. Consequently, no provision for any possible loss has been recorded in these financial statements.

17. Public Sector Compensation Disclosure Act

Under the Public Sector Compensation Disclosure Act, all organizations which are part of the Government Reporting Entity must disclose all compensation paid to any person that is greater than \$100,000. There are no amounts to disclose under this Act.

18. 2013 Canada-Nova Scotia Strawberry Assistance Initiative

In 2013-14 the Commission supported the administration of the Canada-Nova Scotia Strawberry Assistance Initiative, by providing staff resources to measure and verify crop acreage for this program. All the administrative costs of the Commission related to this program were recovered from the Department of Agriculture's Programs and Business Risk Management Division.

19. Comparative figures

Certain of the prior year's figures have been reclassified to conform to the presentation format adopted in the current year.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
PREMIUM REVENUE AND INDEMNITY CLAIMS
FOR THE YEAR ENDED MARCH 31, 2014**

SCHEDULE A

	Premium Revenue			Indemnity Claims			
	Producer	Federal	Provincial	2014	2013	2014	2013
Crop Insurance							
Spring grain	\$ 12,462	\$ 8,198	\$ 5,465	\$ 26,125	\$ 26,134	\$ 17,844	\$ 5,636
Winter grain	8,273	6,464	4,309	19,046	15,708	5,759	9,055
Tree fruit	160,622	160,223	106,816	427,661	375,199	951,731	250,470
Corn ⁽¹⁾	83,839	75,455	50,303	209,597	176,522	402,235	31,250
Weather derivative	56,159	50,543	33,696	140,398	134,517	215,523	49,847
Blueberries	355,199	247,362	164,908	767,469	847,276	581,422	476,311
Strawberries and raspberries	7,105	4,211	2,808	14,124	18,917	6,950	41,703
Maple syrup	7,729	6,957	4,638	19,324	22,596	-	-
Forage	182	163	109	454	368	-	-
Soybeans	22,605	20,345	13,563	56,513	61,680	77,197	38,782
Potatoes	23,204	16,895	11,263	51,362	46,968	-	133,553
Vegetables	60,185	35,733	23,822	119,740	132,282	109,565	247,357
	<u>797,564</u>	<u>632,549</u>	<u>421,700</u>	<u>1,851,813</u>	<u>1,858,167</u>	<u>2,368,226</u>	<u>1,283,964</u>
Livestock Insurance							
Livestock	34,511	-	-	34,511	32,202	33,000	24,600
Poultry	<u>22,797</u>	<u>-</u>	<u>-</u>	<u>22,797</u>	<u>24,815</u>	<u>-</u>	<u>-</u>
	<u>57,308</u>	<u>-</u>	<u>-</u>	<u>57,308</u>	<u>57,017</u>	<u>33,000</u>	<u>24,600</u>
Wildlife Compensation	<u>-</u>	<u>46,428</u>	<u>30,953</u>	<u>77,381</u>	<u>81,765</u>	<u>77,381</u>	<u>81,765</u>
Total	<u>\$ 854,872</u>	<u>\$ 678,977</u>	<u>\$ 452,653</u>	<u>\$ 1,986,502</u>	<u>\$ 1,996,949</u>	<u>\$ 2,478,607</u>	<u>\$ 1,390,329</u>

(1) Corn indemnities include \$82,059 representing management's best estimate of a claim not settled by March 31, 2014.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP & LIVESTOCK INSURANCE COMMISSION
EXPENSES
FOR THE YEAR ENDED MARCH 31, 2014**

SCHEDULE B

	Insurance			Totals	
	Crop	Livestock	Wildlife/General	2014	2013
Personnel	\$ 646,588	\$ 13,392	\$ 9,600	\$ 669,580	\$ 672,272
Transportation and communication	51,813	1,156	4,857	57,826	66,235
Information	7,569	160	254	7,983	8,753
Professional and special services	146,922	3,018	947	150,887	37,781
Office accommodation and equipment rental	31,606	659	677	32,942	34,281
Repair and maintenance of equipment	73	1	-	74	55
Materials and supplies	564	22	508	1,094	3,158
Minor equipment purchases	2,820	59	76	2,955	6,196
Central government services	43,355	885	-	44,240	44,281
Total Administrative Expenses (Note 8)	<u>931,310</u>	<u>19,352</u>	<u>16,919</u>	<u>967,581</u>	<u>873,012</u>
Gain/loss on disposal of capital assets	-	-	-	-	3,218
Miscellaneous	-	-	-	-	664
	-	-	-	-	<u>3,882</u>
Indemnity claims – Schedule A	2,368,226	33,000	77,381	2,478,607	1,390,329
Bad debts	99,673	-	-	99,673	34,202
Amortization	-	-	353	353	-
Strawberry assistance initiative	9,466	-	-	9,466	24,292
	<u>2,477,365</u>	<u>33,000</u>	<u>77,734</u>	<u>2,588,099</u>	<u>1,448,823</u>
TOTAL EXPENSES	<u>\$ 3,408,675</u>	<u>\$ 52,352</u>	<u>\$ 94,653</u>	<u>\$ 3,555,680</u>	<u>\$ 2,325,717</u>