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# **Nova Scotia Crop & Livestock Insurance Commission**

Financial Statements  
For the Year Ended March 31, 2016

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# Auditor General of Nova Scotia

## 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, 2016, and the statements of operations and changes in fund balances, changes in net financial assets, and cash flows for the year ended March 31, 2016, 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, 2016, and the results of operations, changes in net financial assets, and its cash flows for the year then ended, in accordance with Canadian public sector accounting principles.

Michael A. Pickup, CPA, CA  
Auditor General of Nova Scotia

Halifax, Nova Scotia  
June 20, 2016



Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Statement of Financial Position  
 March 31, 2016

	2016	2015 (as restated)
<b>Financial Assets</b>		
Cash	\$ 132,357	\$ 508,125
Investments (Note 3)	3,787,266	3,749,755
Receivables, trade (net of allowance of \$44,259; 2015-\$112,657)	105,729	52,167
Accrued interest receivable	<u>3,403</u>	<u>16,504</u>
	<u>4,028,755</u>	<u>4,326,551</u>
<b>Liabilities</b>		
Deferred revenue	39,988	45,603
Deposits for insurance	3,113	2,538
Indemnities payable	<u>2,390</u>	<u>26,759</u>
	<u>45,491</u>	<u>74,900</u>
<b>Net Financial Assets</b>	<u>3,983,264</u>	<u>4,251,651</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 4)	<u>19,601</u>	<u>-</u>
<b>Fund Balances</b>	<u>\$ 4,002,865</u>	<u>\$ 4,251,651</u>

On Behalf of the Commission

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Director

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Director

Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Statement of Operations and Changes in Fund Balances  
 For the Year Ended March 31, 2016

	Budget	Crop	Funds Livestock	General	Total 2016	Total 2015 (as restated)
<b>Revenue</b>						
Insurance premiums (Schedule A)	\$ 2,300,000	\$ 1,867,201	\$ 55,957	\$ 172,382	\$ 2,095,540	\$ 2,136,790
Interest income	70,000	53,540	10,687	-	64,227	80,284
Strawberry assistance initiative - recovery	-	-	-	-	-	3,423
Capital Asset Revenue	-	19,966	-	-	19,966	-
	<u>2,370,000</u>	<u>1,940,707</u>	<u>66,644</u>	<u>172,382</u>	<u>2,179,733</u>	<u>2,220,497</u>
<b>Expenses</b>						
Indemnity claims (Schedule A)	2,150,000	2,064,879	205,109	172,382	2,442,370	1,827,821
Bad debt (recovery) expense	5,000	(14,216)	-	-	(14,216)	9,537
Administrative expenses (Note 8) (Schedule B)	1,085,000	922,507	19,018	9,365	950,890	979,606
Amortization expense	-	365	-	-	365	-
Strawberry assistance initiative - expense	-	-	-	-	-	3,423
	<u>3,240,000</u>	<u>2,973,535</u>	<u>224,127</u>	<u>181,747</u>	<u>3,379,409</u>	<u>2,820,387</u>
<b>Surplus (deficiency) before government contributions</b>	(870,000)	(1,032,828)	(157,483)	(9,365)	(1,199,676)	(599,890)
<b>Government contributions (Note 6)</b>	<u>1,085,000</u>	<u>922,507</u>	<u>19,018</u>	<u>9,365</u>	<u>950,890</u>	<u>979,606</u>
<b>Net deficiency (surplus)</b>	<u>\$ 215,000</u>	(110,321)	(138,465)	-	(248,786)	379,716
<b>Fund balances, beginning of year</b>		<u>3,134,590</u>	<u>1,117,061</u>	-	<u>4,251,651</u>	<u>3,871,935</u>
<b>Fund balances, end of year (Note 5)</b>		<u>\$ 3,024,269</u>	<u>\$ 978,596</u>	<u>\$ -</u>	<u>\$ 4,002,865</u>	<u>\$ 4,251,651</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, 2016

	2016	2015 (as restated)
<b>Net Financial Assets, beginning of year</b>	\$ 4,251,651	\$ 3,871,935
Changes in the year		
Net (deficit) surplus	(248,786)	379,716
Acquisition of Capital Assets	(19,966)	-
Amortization	<u>365</u>	<u>-</u>
Total changes in the year	<u>(268,387)</u>	<u>379,716</u>
<b>Net Financial Assets, end of year</b>	<u>\$ 3,983,264</u>	<u>\$ 4,251,651</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, 2016

	2016	2015 (as restated)
<b>Operating Activities</b>		
Net surplus (deficiency)	\$ (248,786)	\$ 379,716
Amortization of tangible capital assets	365	-
Net change in non-cash working capital balances related to operations (Note 9)	<u>(69,870)</u>	<u>7,536</u>
Cash provided by (used in) operating activities	<u>(318,291)</u>	<u>387,252</u>
<b>Capital Activities</b>		
Capital Asset Activity	<u>(19,966)</u>	<u>-</u>
<b>Investing Activities</b>		
Acquisition of investments	(4,169,997)	(2,930,901)
Proceeds from disposal of investments	<u>4,132,486</u>	<u>2,673,755</u>
Cash provided by (used in) investing activities	<u>(37,511)</u>	<u>(257,146)</u>
<b>Increase (decrease) in cash during year</b>	(375,768)	130,106
<b>Cash, beginning of year</b>	<u>508,125</u>	<u>378,019</u>
<b>Cash, end of year</b>	<u>\$ 132,357</u>	<u>\$ 508,125</u>

See accompanying notes to the financial statements

Province of Nova Scotia  
Nova Scotia Crop & Livestock  
Notes to the Financial Statements  
For the Year Ended March 31, 2016

**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, 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 reported



Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Notes to the Financial Statements  
 For the Year Ended March 31, 2016

**2. Significant accounting policies (continued)**

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, 2016 these funds were invested in various promissory notes maturing in fiscal year 2016 (one in year 2020) with annual yields ranging from 0.60% to 1.75%.

**4. Tangible capital assets**

	2016	2015
Cost of Equipment		
Opening cost	\$ 18,908	\$ 38,548
Additions	19,966	-
Disposals	<u>-</u>	<u>(19,640)</u>
Closing cost	<u>38,874</u>	<u>18,908</u>
Accumulated amortization		
Opening balance	18,908	38,548
Disposals	-	(19,640)
Amortization expense	<u>365</u>	<u>-</u>
Closing balance	<u>19,273</u>	<u>18,908</u>
Net book value	<u>\$ 19,601</u>	<u>\$ -</u>

**5. Fund balances**

The Livestock Fund balance consists of dairy livestock insurance of \$799,145 (2015 - \$961,082) and poultry insurance of \$179,451 (2015 - \$155,979). 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.

Province of Nova Scotia  
Nova Scotia Crop & Livestock Insurance Commission  
Notes to the Financial Statements  
For the Year Ended March 31, 2016

**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 2016 fiscal year, the Federal government contributed 60% (2015 - 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. The program is included in the general fund of the Commission.

**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.

***Tree Endorsement***

2014 Tree Endorsement indemnity claims relating to damage from a named peril (Fire Blight) in the regulations were paid out in the fiscal year 2015-2016 as anticipated, and stated in 2014-2015 financials. There were five claims paid out in the total amount of \$145,478.

Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Notes to the Financial Statements  
 For the Year Ended March 31, 2016

**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**

	2016	2015 (as restated)
<b>Increase (decrease) in cash from changes in:</b>		
Receivables	\$ (53,562)	\$ 114,307
Accrued interest receivable	13,101	(2,877)
Deferred revenue	(5,615)	5,929
Deposits for insurance	575	(3,218)
Indemnities payable	<u>(24,369)</u>	<u>(106,605)</u>
	<u>\$ (69,870)</u>	<u>\$ 7,536</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.

The Commission's investments are in short-to-medium term promissory notes issued by the Province of Nova Scotia. It is management's opinion that the Commission is not exposed to any significant credit, market or liquidity risks with respect to these investments.

**11. Related party transactions**

Administrative expenses include \$30,000 (2015 - \$30,000) for rent and \$44,240 (2015 - \$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.

Province of Nova Scotia  
Nova Scotia Crop & Livestock Insurance Commission  
Notes to the Financial Statements  
For the Year Ended March 31, 2016

**13. Insurance coverage**

The total insurance coverage issued during the 2015-16 fiscal year was \$164,018,975 (2015 - \$168,256,638), comprised of crop insurance of \$42,546,494 (2015 - \$42,056,496), livestock insurance of \$36,097,329 (2015 - \$35,070,516) and poultry insurance of \$85,375,152 (2015 - \$91,129,626).

**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, Retirement and Other Obligations**

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 \$51,422 (2015 - \$49,769).

**16. Contingent liabilities**

There is currently ongoing arbitration (since 2014-15) 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. As employees of the Commission are disclosed under Volume 3 – Supplementary Information of the Public Accounts, there are no amounts to disclose under this Act.

**18. Comparative Figures**

Certain comparative figures have been classified to conform with the financial presentation adopted in the current year. For prior year, opening fund balance increased by \$8,081, interest income increased by \$2,424, and accrued interest receivable increased by \$10,505. This is the result of interest earned in 2015 and prior years on a promissory note that matured in 2016.

Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Premium Revenue and Indemnity Claims  
 For the Year Ended March 31, 2016

**SCHEDULE A**

	Premium Revenue			Indemnity Claims			
	Producer	Federal	Provincial	2016	2015	2016	2015
<b>Crop Insurance</b>							
Spring grain	\$ 13,954	\$ 8,801	\$ 5,867	\$ 28,622	\$ 24,510	\$ 9,464	\$ 13,612
Winter grain	11,659	9,489	6,325	27,473	28,031	22,752	22,865
Tree fruit (2)	282,627	272,739	181,826	737,192	671,294	1,072,750	835,645
Corn	64,810	58,297	38,865	161,972	138,291	50,936	9,401
Weather derivative	57,443	51,699	34,466	143,608	171,647	274,918	89,729
Blueberries	280,826	219,513	146,342	646,681	706,727	334,796	571,460
Strawberries and raspberries	7,344	4,301	2,868	14,513	13,089	19,672	-
Maple syrup	9,590	8,430	5,620	23,640	18,369	169,119	69,858
Forage	303	272	182	757	294	-	-
Soybeans (1)	27,363	24,627	16,418	68,408	83,904	108,497	31,016
Potatoes	-	-	-	-	-	-	-
Vegetables	5,880	5,073	3,382	14,335	53,517	1,975	5,919
Adjustment for corn indemnity accrual in 2014 - 15	-	-	-	-	-	-	(6,569)
	<u>761,799</u>	<u>663,241</u>	<u>442,161</u>	<u>1,867,201</u>	<u>1,909,673</u>	<u>2,064,879</u>	<u>1,642,936</u>
<b>Livestock Insurance</b>							
Livestock	33,079	-	-	33,079	33,031	205,109	15,400
Poultry	<u>22,878</u>	-	-	<u>22,878</u>	<u>24,601</u>	-	-
	<u>55,957</u>	-	-	<u>55,957</u>	<u>57,632</u>	<u>205,109</u>	<u>15,400</u>
<b>Wildlife Compensation</b>	<u>-</u>	<u>103,429</u>	<u>68,953</u>	<u>172,382</u>	<u>169,485</u>	<u>172,382</u>	<u>169,485</u>
<b>Total</b>	<u>\$ 817,756</u>	<u>\$ 766,670</u>	<u>\$ 511,114</u>	<u>\$ 2,095,540</u>	<u>\$ 2,136,790</u>	<u>\$ 2,442,370</u>	<u>\$ 1,827,821</u>

(1) Includes Soybean indemnity for 2014-2015 processed in 2015-2016 for the amount of (\$291.20)

(2) Includes Tree Endorsement indemnities for 2014 (\$145,478). See Note 7.

Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Expenses  
 For the Year Ended March 31, 2016

SCHEDULE B

	Insurance			Totals	
	Crop	Livestock	Wildlife/General	2016	2015
Operations – Insurance Processing	\$ 95,413	\$ 1,985	\$ 1,869	\$ 99,267	\$ 96,745
Operations - Adjusting	179,317	3,700	2,004	185,021	183,419
Audit (Field)	155,252	3,201	1,596	160,049	158,770
Policy Administration	95,455	1,963	724	98,142	104,972
Finance	96,868	1,993	784	99,645	121,826
Research, Development/Underwriting	96,505	1,984	710	99,199	120,255
Program Sales and Promotion	3,133	65	29	3,227	6,328
Human Resources	54,474	1,121	435	56,030	53,549
Systems Maintenance and Support	99,000	2,036	772	101,808	98,391
Accommodations	29,546	609	277	30,432	30,357
Capital	<u>17,544</u>	<u>361</u>	<u>165</u>	<u>18,070</u>	<u>4,994</u>
Total Administrative Expenses (Note 8)	<u>922,507</u>	<u>19,018</u>	<u>9,365</u>	<u>950,890</u>	<u>979,606</u>
Gain/loss on disposal of capital assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
	-	-	-	-	-
Indemnity claims – Schedule A	2,064,879	205,109	172,382	2,442,370	1,827,821
Bad debts	(14,216)	-	-	(14,216)	9,537
Amortization	365	-	-	365	-
Strawberry assistance initiative	-	-	-	-	<u>3,423</u>
	<u>2,051,028</u>	<u>205,109</u>	<u>172,382</u>	<u>2,428,519</u>	<u>1,840,781</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 2,973,535</u></b>	<b><u>\$ 224,127</u></b>	<b><u>\$ 181,747</u></b>	<b><u>\$ 3,379,409</u></b>	<b><u>\$ 2,820,387</u></b>