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

Financial Statements  
For the Year Ended March 31, 2015

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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, 2015, and the statements of operations and changes in fund balances, changes in net financial assets, and cash flows for the year ended March 31, 2015, 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, 2015, and the results of operations, changes in net financial assets, and its cash flows for the year ended March 31, 2015, in accordance with Canadian generally accepted accounting principles for the public sector.

Michael A. Pickup, CA  
Auditor General of Nova Scotia

Halifax, Nova Scotia  
June 25, 2015



Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Statement of Financial Position  
 March 31, 2015

	2015	2014
<b>Financial Assets</b>		
Cash	\$ 508,125	\$ 378,019
Investments (Note 3)	3,749,755	3,492,609
Receivables, trade (net of allowance of \$112,657; 2014-\$103,120)	52,167	166,474
Accrued interest receivable	<u>5,999</u>	<u>5,546</u>
	<u>4,316,046</u>	<u>4,042,648</u>
<b>Liabilities</b>		
Deferred revenue	45,603	39,674
Deposits for insurance	2,538	5,756
Indemnities payable	<u>26,759</u>	<u>133,364</u>
	<u>74,900</u>	<u>178,794</u>
<b>Net Financial Assets</b>	<u>4,241,146</u>	<u>3,863,854</u>
<b>Non-financial Assets</b>		
Tangible capital assets (Note 4)	<u>-</u>	<u>-</u>
<b>Fund Balances</b>	<u>\$ 4,241,146</u>	<u>\$ 3,863,854</u>

On Behalf of the Commission

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Director

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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, 2015

	Budget	Crop	Funds Livestock	General	Total 2015	Total 2014
<b>Revenue</b>						
Insurance premiums (Schedule A)	\$ 2,345,000	\$ 1,909,673	\$ 57,632	\$ 169,485	\$ 2,136,790	\$ 1,986,502
Interest income	75,000	65,186	12,674	-	77,860	82,417
Strawberry assistance initiative - recovery (Note 18)		3,423	-	-	3,423	9,466
	<u>2,420,000</u>	<u>1,978,282</u>	<u>70,306</u>	<u>169,485</u>	<u>2,218,073</u>	<u>2,078,385</u>
<b>Expenses</b>						
Indemnity claims (Schedule A)	2,200,000	1,642,936	15,400	169,485	1,827,821	2,478,607
Bad debt expense	5,000	9,537	-	-	9,537	99,673
Administrative expenses (Note 8) (Schedule B)	1,085,300	942,077	19,591	17,938	979,606	967,581
Amortization of capital assets	-	-	-	-	-	353
Strawberry assistance initiative - expense (Note 18)	-	3,423	-	-	3,423	9,466
	<u>3,290,300</u>	<u>2,597,973</u>	<u>34,991</u>	<u>187,423</u>	<u>2,820,387</u>	<u>3,555,680</u>
<b>(Deficiency) before government contributions</b>	(870,300)	(619,691)	35,315	(17,938)	(602,314)	(1,477,295)
<b>Government contributions (Note 6)</b>	<u>1,085,300</u>	<u>942,077</u>	<u>19,591</u>	<u>17,938</u>	<u>979,606</u>	<u>967,581</u>
<b>Net surplus (deficiency)</b>	<u>\$ 215,000</u>	322,386	54,906	-	377,292	(509,714)
<b>Fund balances, beginning of year</b>		<u>2,803,590</u>	<u>1,060,264</u>	-	<u>3,863,854</u>	<u>4,373,568</u>
<b>Fund balances, end of year (Note 5)</b>		<u>\$ 3,125,976</u>	<u>\$ 1,115,170</u>	<u>\$ -</u>	<u>\$ 4,241,146</u>	<u>\$ 3,863,854</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, 2015

	2015	2014
<b>Net Financial Assets, beginning of year</b>	\$ 3,863,854	\$ 4,373,215
Changes in the year		
Net surplus (deficiency)	377,292	(509,714)
Amortization of tangible capital assets	<u>-</u>	<u>353</u>
Total changes in the year	<u>377,292</u>	<u>(509,361)</u>
<b>Net Financial Assets, end of year</b>	<u>\$ 4,241,146</u>	<u>\$ 3,863,854</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, 2015

	2015	2014
<b>Operating Activities</b>		
Net surplus (deficiency)	\$ 377,292	\$ (509,714)
Amortization of tangible capital assets	-	353
Net change in non-cash working capital balances related to operations (Note 9)	<u>9,960</u>	<u>167,400</u>
Cash provided by (used in) operating activities	<u>387,252</u>	<u>(341,961)</u>
<b>Investing Activities</b>		
Acquisition of investments	(2,930,901)	(2,428,114)
Proceeds from disposal of investments	<u>2,673,755</u>	<u>3,031,481</u>
Cash provided by (used in) investing activities	<u>(257,146)</u>	<u>603,367</u>
<b>Increase in cash during year</b>	130,106	261,406
<b>Cash, beginning of year</b>	<u>378,019</u>	<u>116,613</u>
<b>Cash, end of year</b>	<u>\$ 508,125</u>	<u>\$ 378,019</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, 2015

**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, 2015

**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, 2015 these funds were invested in various promissory notes maturing in fiscal year 2015, with annual yields ranging from 1.16% to 2.80%.

**4. Tangible capital assets**

	2015	2014
Cost of Equipment		
Opening cost	\$ 38,548	\$ 38,548
Additions	-	-
Disposals	<u>(19,640)</u>	<u>-</u>
Closing cost	<u>18,908</u>	<u>38,548</u>
Accumulated amortization		
Opening balance	38,548	38,195
Disposals	(19,640)	-
Amortization expense	<u>-</u>	<u>353</u>
Closing balance	<u>18,908</u>	<u>38,548</u>
Net book value	<u>\$ -</u>	<u>\$ -</u>

**5. Fund balances**

The Livestock Fund balance consists of dairy livestock insurance of \$959,296 (2014 - \$929,694) and poultry insurance of \$155,874 (2014 - \$130,570). 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, 2015

**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 2015 fiscal year, the Federal government contributed 60% (2014 - 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 will not be recorded until next fiscal year. This damage caused by 2014 post tropical storm Arthur will not be fully identified and managed until well after fiscal year end. Accurate estimates are not available at the time of this year's preparation of the financial statements.

Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Notes to the Financial Statements  
 For the Year Ended March 31, 2015

**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**

	2015	2014
<b>Increase (decrease) in cash from changes in:</b>		
Receivables	\$ 114,307	\$ 35,261
Accrued interest receivable	(453)	(323)
Deferred revenue	5,929	1,458
Deposits for insurance	(3,218)	(2,360)
Indemnities payable	<u>(106,605)</u>	<u>133,364</u>
	<u>\$ 9,960</u>	<u>\$ 167,400</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 (2014 - \$30,000) for rent and \$44,240 (2014 - \$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, 2015

**13. Insurance coverage**

The total insurance coverage issued during the 2014-15 fiscal year was \$168,256,638 (2014 - \$161,511,450), comprised of crop insurance of \$42,056,496 (2014 - \$38,083,154), livestock insurance of \$35,070,516 (2014 - \$35,233,334) and poultry insurance of \$91,129,626 (2014 - \$88,194,962).

**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 \$49,769 (2014 - \$42,015).

**16. Contingent liabilities**

There is currently ongoing arbitration (since 2013-14) 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. 2014 Canada-Nova Scotia Strawberry Assistance Initiative**

In 2014-15 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 (Schedule B) have been reclassified to conform to the presentation format adopted in the current year. The new presentation (relating to reclassification of expense categories) conforms to new reporting requirements required under the Federal/Provincial Growing Forward 2 agreement.

Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Premium Revenue and Indemnity Claims  
 For the Year Ended March 31, 2015

**SCHEDULE A**

	Premium Revenue			Indemnity Claims			
	Producer	Federal	Provincial	2015	2014	2015	2014
<b>Crop Insurance</b>							
Spring grain	\$ 11,831	\$ 7,607	\$ 5,072	\$ 24,510	\$ 26,125	\$ 13,612	\$ 17,844
Winter grain	12,793	9,143	6,095	28,031	19,046	22,865	5,759
Tree fruit	256,340	248,973	165,981	671,294	427,661	835,645	951,731
Corn (1)	55,325	49,780	33,186	138,291	209,597	9,401	402,235
Weather derivative	68,659	61,793	41,195	171,647	140,398	89,729	215,523
Blueberries	316,163	234,338	156,226	706,727	767,469	571,460	581,422
Strawberries and raspberries	6,622	3,880	2,587	13,089	14,124	-	6,950
Maple syrup	7,666	6,422	4,281	18,369	19,324	69,858	-
Forage	118	105	71	294	454	-	-
Soybeans	33,562	30,205	20,137	83,904	56,513	31,016	77,197
Potatoes	-	-	-	-	51,362	-	-
Vegetables	25,954	16,538	11,025	53,517	119,740	5,919	109,565
Adjustment for corn indemnity accrual in 2014 - 15 (1)	-	-	-	-	-	(6,569)	-
	<u>795,033</u>	<u>668,784</u>	<u>445,856</u>	<u>1,909,673</u>	<u>1,851,813</u>	<u>1,642,936</u>	<u>2,368,226</u>
<b>Livestock Insurance</b>							
Livestock	33,031	-	-	33,031	34,511	15,400	33,000
Poultry	<u>24,601</u>	-	-	<u>24,601</u>	<u>22,797</u>	-	-
	<u>57,632</u>	-	-	<u>57,632</u>	<u>57,308</u>	<u>15,400</u>	<u>33,000</u>
<b>Wildlife Compensation</b>	-	<u>101,691</u>	<u>67,794</u>	<u>169,485</u>	<u>77,381</u>	<u>169,485</u>	<u>77,381</u>
<b>Total</b>	<u>\$ 852,665</u>	<u>\$ 770,475</u>	<u>\$ 513,650</u>	<u>\$ 2,136,790</u>	<u>\$ 1,986,502</u>	<u>\$ 1,827,821</u>	<u>\$ 2,478,607</u>

(1) Corn indemnities for 2014 include \$82,059 representing management's best estimate of a claim not settled by March 31, 2014. This claim was settled in fiscal 2014/15 in the amount of \$75,490 resulting in an adjustment to corn indemnities of \$(6,569).

Province of Nova Scotia  
 Nova Scotia Crop & Livestock Insurance Commission  
 Expenses  
 For the Year Ended March 31, 2015

SCHEDULE B

	Insurance			Totals	
	Crop	Livestock	Wildlife/General	2015	2014
Operations – Insurance Processing	\$ 91,403	\$ 1,935	\$ 3,407	\$ 96,745	\$ 90,679
Operations - Adjusting	175,958	3,668	3,793	183,419	167,304
Audit (Field)	152,556	3,175	3,039	158,770	144,737
Policy Administration	101,390	2,099	1,483	104,972	92,884
Finance	117,640	2,437	1,749	121,826	68,425
Research, Development/Underwriting	116,151	2,405	1,699	120,255	250,734
Program Sales and Promotion	6,108	127	93	6,328	5,887
Human Resources	51,717	1,071	761	53,549	36,510
Systems Maintenance and Support	95,031	1,968	1,392	98,391	79,652
Accommodations	29,302	607	448	30,357	30,709
Capital	4,821	99	74	4,994	60
Total Administrative Expenses (Note 8)	<u>942,077</u>	<u>19,591</u>	<u>17,938</u>	<u>979,606</u>	<u>967,581</u>
Gain/loss on disposal of capital assets	-	-	-	-	-
Miscellaneous	-	-	-	-	-
	-	-	-	-	-
Indemnity claims – Schedule A	1,642,936	15,400	169,485	1,827,821	2,478,607
Bad debts	9,537	-	-	9,537	99,673
Amortization	-	-	-	-	353
Strawberry assistance initiative	<u>3,423</u>	-	-	<u>3,423</u>	<u>9,466</u>
	<u>1,655,896</u>	<u>15,400</u>	<u>169,485</u>	<u>1,840,781</u>	<u>2,588,099</u>
<b>TOTAL EXPENSES</b>	<b><u>\$ 2,597,973</u></b>	<b><u>\$ 34,991</u></b>	<b><u>\$ 187,423</u></b>	<b><u>\$ 2,820,387</u></b>	<b><u>\$ 3,555,680</u></b>

Changes in the presentation of comparative financial statements. (See note 19)