

Nova Scotia Crop & Livestock Insurance Commission

**Financial Statements
For the Year Ended March 31, 2017**

**Nova Scotia Crop & Livestock Insurance Commission
Financial Statements
March 31, 2017**

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Management's Responsibility for the Financial Statements

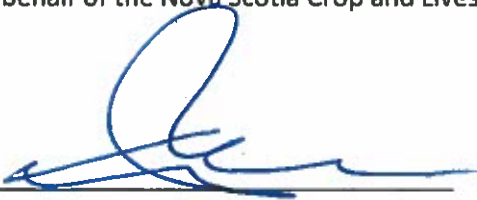
These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

Members of the Commission are responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercised these responsibilities through the Commission and its Audit Committee. Members of the Commission review and approve internal financial statements, on a monthly basis, and external audited financial statements yearly.

The external auditor, Office of the Auditor General of Nova Scotia, conducts an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of the Nova Scotia Crop and Livestock Insurance Commission and meet when required.

On behalf of the Nova Scotia Crop and Livestock Insurance Commission;



Arthur Pick
Vice Chair



Bill MacLeod, P.Ag.
CEO

June 13, 2017



5161 George Street
Royal Centre, Suite 400
Halifax, Nova Scotia
B3J 1M7

Auditor General of Nova Scotia

INDEPENDENT AUDITOR'S REPORT

To the Members of the Nova Scotia Crop and Livestock Insurance Commission and the Minister of Agriculture:

Report on the Financial Statements

I have audited the accompanying financial statements of the Nova Scotia Crop and Livestock Insurance Commission, which comprise the statement of financial position as at March 31, 2017, and the statement of operations and changes in fund balances, statement of changes in net financial assets, and statement of 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 public sector accounting standards, 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 judgment, 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 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 and Livestock Insurance Commission as at March 31, 2017, and the results of operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

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

June 13, 2017
Halifax, Nova Scotia

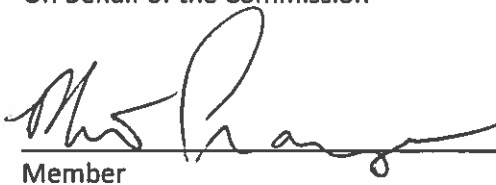


STATEMENT OF FINANCIAL POSITION

	2017	2016
Financial Assets		
Cash	\$ 101,063	\$ 132,357
Investments (Note 3)	4,333,824	3,787,266
Trade receivables (Note 4)	261,267	105,729
Accrued interest receivable	<u>1,994</u>	<u>3,403</u>
	<u>4,698,148</u>	<u>4,028,755</u>
 Liabilities		
Deferred revenue	44,624	39,988
Deposits for insurance	2,534	3,113
Indemnities payable	<u>6,000</u>	<u>2,390</u>
	<u>53,158</u>	<u>45,491</u>
 Net Financial Assets	 <u>4,644,990</u>	 <u>3,983,264</u>
 Non-Financial Assets		
Tangible capital assets (Note 5)	<u>21,444</u>	<u>19,601</u>
 Fund Balances	 <u>\$ 4,666,434</u>	 <u>\$ 4,002,865</u>

Contingent Liabilities (Note 17)

On Behalf of the Commission


Member


Member

The accompanying notes and schedules are an integral part of these financial statements.

STATEMENT OF OPERATIONS AND CHANGES IN FUND BALANCES

	Budget	Funds			Total 2017	Total 2016
		Crop	Livestock	General		
Revenue						
Insurance premiums (Schedule A)	\$ 2,300,000	\$ 1,943,691	\$ 55,499	\$ 100,502	\$ 2,099,692	\$ 2,095,540
Interest income	70,000	47,455	8,535	-	55,990	64,227
Assistance to ITS (Keji Fire) recovery (Note 19)	-	4,619	-	-	4,619	-
	<u>2,370,000</u>	<u>1,995,765</u>	<u>64,034</u>	<u>100,502</u>	<u>2,160,301</u>	<u>2,159,767</u>
Expenses						
Indemnity claims (Schedule A)	2,150,000	1,381,627	12,000	100,502	1,494,129	2,442,370
Bad debt (recovery) expense	5,000	(173)	-	-	(173)	(14,216)
Administrative expenses (Note 9) (Schedule B)	1,104,300	920,153	19,411	23,717	963,281	930,924
Amortization expense	-	5,424	-	-	5,424	365
Assistance to ITS (Keji Fire) expense (Note 19)	-	4,619	-	-	4,619	-
	<u>3,259,300</u>	<u>2,311,650</u>	<u>31,411</u>	<u>124,219</u>	<u>2,467,280</u>	<u>3,359,443</u>
Surplus (deficiency) before government contributions	(889,300)	(315,885)	32,623	(23,717)	(306,979)	(1,199,676)
Provincial and Federal government contributions (Note 7)	<u>1,104,300</u>	<u>927,420</u>	<u>19,411</u>	<u>23,717</u>	<u>970,548</u>	<u>950,890</u>
Net (deficiency) surplus	<u>\$ 215,000</u>	611,535	52,034	-	663,569	(248,786)
Fund balances, beginning of year	\$ 4,868,000	<u>3,024,269</u>	<u>978,596</u>	-	<u>4,002,865</u>	<u>4,251,651</u>
Fund balances, end of year (Note 6)	\$ 5,083,000	<u>\$ 3,635,804</u>	<u>\$ 1,030,630</u>	<u>\$ -</u>	<u>\$ 4,666,434</u>	<u>\$ 4,002,865</u>

The accompanying notes and schedules are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET FINANCIAL ASSETS

	Budget	2017	2016
Net Financial Assets, beginning of year	<u>\$ 4,241,000</u>	<u>\$ 3,983,264</u>	<u>\$ 4,251,651</u>
Changes in the year			
Net (deficit) Surplus	\$ 215,000	663,569	(248,786)
Acquisition of Capital Assets	-	(7,267)	(19,966)
Amortization	<u>-</u>	<u>5,424</u>	<u>365</u>
Total changes in the year	<u>215,000</u>	<u>661,726</u>	<u>(268,387)</u>
Net Financial Assets, end of year	<u>\$ 4,456,000</u>	<u>\$ 4,644,990</u>	<u>\$ 3,983,264</u>

The accompanying notes and schedules are an integral part of these financial statements

STATEMENT OF CASH FLOWS

	2017	2016
Operating Activities		
Net (deficiency) surplus	\$ 663,569	\$ (248,786)
Amortization of tangible capital assets	5,424	365
Net change in non-cash working capital balances related to operations (Note 10)	(146,462)	(69,870)
Change in accrued interest on investments	<u>(33,062)</u>	<u>178,859</u>
Cash provided by (used in) operating activities	<u>489,469</u>	<u>(139,432)</u>
Capital Activities		
Acquisition of tangible capital assets	<u>(7,267)</u>	<u>(19,966)</u>
Investing Activities		
Acquisition of investments	(2,562,356)	(4,101,369)
Proceeds from disposal of investments	<u>2,048,860</u>	<u>3,884,999</u>
Cash provided by (used in) investing activities	<u>(513,496)</u>	<u>(216,370)</u>
Increase (decrease) in cash during year	(31,294)	(375,768)
Cash, beginning of year	<u>132,357</u>	<u>508,125</u>
Cash, end of year	<u>\$ 101,063</u>	<u>\$ 132,357</u>

The accompanying notes and schedules are an integral part of these financial statements

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 Public Sector Accounting Standards.

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 an 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 is incurred by the producer is verified and authorized.

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 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.

Key estimates for the Commission include the allowance for doubtful accounts. Any Provincial write off affecting the allowance for doubtful accounts may impact the fund surplus in future years.

3. Investments

The Commission invests with the Province excess funds to be used to pay future indemnity claims. At March 31, 2017, these funds were invested in various promissory notes maturing in fiscal year 2018, (one in fiscal year 2020) with annual yields ranging from 0.70% to 1.75%.

Investments as of March 31

Date issued	Maturity date	# of days	Interest rate	2017	2016
				Total including accrued interest	Total including accrued interest
Sep. 15, 2015	Sep. 15, 2016	366	.60%	\$ -	\$ 520,368
Sep. 15, 2015	Sep. 15, 2016	366	.60%	-	507,496
Nov. 20, 2015	Nov. 22, 2016	368	.71%	-	1,026,960
Nov. 30, 2015	Nov. 30, 2020	1,827	1.75%	1,762,689	1,732,442
Sep. 15, 2016	Sep. 15, 2017	365	.77%	511,008	-
Sep. 15, 2016	Sep. 15, 2017	365	.77%	523,969	-
Oct. 7, 2016	Oct. 6, 2017	364	.70%	501,688	-
Nov. 22, 2016	Nov. 22, 2017	365	.77%	1,034,470	-
				4,333,824	3,787,266

4. Trade Receivables

	Current	Past due 31 - 90 days	Past due > 90 days	Total 2017	Total 2016
Province of Nova Scotia	\$39,699	\$0	\$6,364	\$46,063	\$33,456
Federal Government	\$59,549	\$0	\$165,124	\$224,673	\$87,848
Producer	\$9,954	\$0	\$15,954	\$25,908	\$28,684
	\$109,202	\$0	\$187,442	\$296,644	\$149,988
Allowance for doubtful accounts	\$0	\$0	\$35,377	\$35,377	\$44,259
Total Receivables	\$109,202	\$0	\$152,065	\$261,267	\$105,729

5. Tangible capital assets

	2017	2016
Cost of Equipment		
Opening cost	\$ 38,874	\$ 18,908
Additions	7,267	19,966
Disposals	<u>(6,186)</u>	<u>-</u>
Closing cost	<u>39,955</u>	<u>38,874</u>
Accumulated amortization		
Opening balance	19,273	18,908
Disposals	(6,186)	-
Amortization expense	<u>5,424</u>	<u>365</u>
Closing balance	<u>18,511</u>	<u>19,273</u>
Net book value	<u>\$ 21,444</u>	<u>\$ 19,601</u>

6. Fund balances

The Livestock Fund balance consists of dairy livestock insurance of \$828,315 (2016 - \$799,145) and poultry insurance of \$202,315 (2016 - \$179,451). 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.

7. Provincial and Federal 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 2016-17 fiscal year, the Federal government contributed 60% (2016 - 60%) of the total administrative expenses for the crop insurance program, with the Provincial government funding the remainder. The Provincial government funds all the administrative costs of the livestock and poultry insurance programs.

7. Provincial and Federal government contributions (Continued)

Capital Assets

Capital assets are cost shared, (60% Federal Government, 40% Provincial Government), administrative expenses. The Commission expenses capital assets under \$1,500 and capitalizes those over \$1,500.

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.

8. 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.

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 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.

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

	2017	2016
Increase (decrease) in cash from changes in:		
Receivables	\$ (155,538)	\$ (53,562)
Accrued interest receivable	1,409	13,101
Deferred revenue	4,636	(5,615)
Deposits for insurance	(579)	575
Indemnities payable	<u>3,610</u>	<u>(24,369)</u>
	<u>\$ (146,462)</u>	<u>\$ (69,870)</u>

11. 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.

12. Related party transactions

Administrative expenses include \$30,000 (2016 - \$30,000) for rent and \$44,240 (2016 - \$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture.

13. Economic dependence

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

14. Insurance coverage

The Commission's insurance coverage is based on actuarially sound premium rate methodologies as required by its Act and the Growing Forward 2 cost sharing agreement. All premium rates include a self-sustainability factor to ensure premiums calculated are adequate to cover expected liabilities.

The total insurance coverage issued during the 2016-17 fiscal year was \$186,014,791 (2016 - \$164,018,975), comprised of crop insurance of \$45,929,745 (2016 - \$42,546,494), livestock insurance of \$37,369,168 (2016 - \$36,097,329) and poultry insurance of \$102,715,878 (2016 - \$85,375,152).

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 Commission is not responsible for any unfunded liability or other obligations related to the pension. The pension expense incurred in the current year was \$65,023 (2016 - \$51,422).

Full-time employees of the Commission are eligible to receive a long service award as well as ongoing health and dental benefits upon retirement, as outlined in the collective agreement. Payments for this award, and these benefits, are the responsibility of the Province. The Commission is not responsible for any unfunded liability or other obligations related to these benefits.

16. Contingent liabilities

There are currently ongoing arbitrations (one since 2014-15 and four in 2016-17) regarding the denial of indemnity claims, 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's 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. Assistance to Internal Services during 2016

In 2016-17 the Commission supported the Provinces Department of Internal Services during a forest fire in western Nova Scotia. One staff person participated in this activity. All administrative costs of the Commission related to this activity were accounted for and recovered from the Department of Internal Services.

19. Comparative Figures

In some cases, certain of the comparative figures have been reclassified to conform with the current year's financial statement presentation.

PREMIUM REVENUE AND INDEMNITY CLAIMS

SCHEDULE A

	Premium Revenue			Indemnity Claims		
	2017	2016	2015	2017	2016	2015
Crop Insurance						
Spring grain	\$ 19,334	\$ 7,684	\$ 28,622	\$ -	\$ 9,464	\$ 9,464
Winter grain	12,861	6,143	27,473	24,642	22,752	22,752
Tree fruit	265,440	171,927	737,192	997,729	1,072,750	1,072,750
Corn	64,657	38,777	161,972	65,609	50,936	50,936
Weather derivative	67,116	40,270	143,608	11,191	274,918	274,918
Blueberries	254,920	137,984	646,681	52,219	334,796	334,796
Strawberries and raspberries	4,785	1,997	14,513	7,860	19,672	19,672
Maple	8,754	5,226	23,640	-	169,119	169,119
Forage	343	206	757	-	-	-
Soybeans	34,073	20,444	68,408	73,562	108,497	108,497
Vegetables	8,331	4,373	14,335	-	1,975	1,975
Acreage Loss	37,654	22,593	-	148,815	-	-
Grapes	8,598	5,106	-	-	-	-
	<u>786,866</u>	<u>462,730</u>	<u>1,867,201</u>	<u>1,381,627</u>	<u>2,064,879</u>	<u>2,064,879</u>
Livestock Insurance						
Livestock	32,974	-	33,079	12,000	205,109	205,109
Poultry	22,525	-	22,878	-	-	-
	<u>55,499</u>	<u>-</u>	<u>55,957</u>	<u>12,000</u>	<u>205,109</u>	<u>205,109</u>
Wildlife Compensation						
	-	40,201	172,382	100,502	172,382	172,382
Total	<u>\$ 842,365</u>	<u>\$ 502,931</u>	<u>\$ 2,095,540</u>	<u>\$ 1,494,129</u>	<u>\$ 2,442,370</u>	<u>\$ 2,442,370</u>

EXPENSES

SCHEDULE B

	Insurance			Totals		
	Crop	Livestock	Wildlife/General	2017	2016	
Operations – Insurance Processing	\$ 93,375	\$ 2,000	\$ 4,616	\$ 99,991	\$ 99,267	
Operations - Adjusting	180,509	3,789	5,149	189,447	185,021	
Audit (Field)	156,483	3,278	4,126	163,887	160,049	
Policy Administration	95,843	1,997	1,991	99,831	98,142	
Finance	98,629	2,044	1,547	102,220	99,645	
Research, Development/Underwriting	102,423	2,127	1,812	106,362	99,199	
Program Sales and Promotion	7,876	168	344	8,388	3,227	
Human Resources	52,103	1,085	1,084	54,272	56,030	
Systems Maintenance and Support	96,898	2,022	2,172	101,092	101,808	
Accommodations	29,074	610	800	30,484	30,432	
Capital	14,207	291	76	14,574	18,070	
Provincial and Federal Government Contributions (Note 7)	927,420	19,411	23,717	970,548	950,890	
Administrative expenses related to tangible capital assets	(7,267)	-	-	(7,267)	(19,966)	
Administrative expenses	920,153	19,411	23,717	963,281	930,924	
Indemnity claims – Schedule A	1,381,627	12,000	100,502	1,494,129	2,442,370	
Bad debts	(173)	-	-	(173)	(14,216)	
Amortization	5,424	-	-	5,424	365	
Assistance to Internal Services (Keji Fire)	4,619	-	-	4,619	-	
	1,391,497	12,000	100,502	1,503,999	2,428,519	
TOTAL EXPENSES	\$ 2,311,650	\$ 31,411	\$ 124,219	\$ 2,467,280	\$ 3,359,443	