



An agency of the Government of Ontario

Management's responsibility for financial reporting

The accompanying financial statements have been prepared by management. The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards. Management is responsible for the accuracy, integrity and objectivity of the information contained in the financial statements.

The financial statements include some amounts, such as provisions for claims that are necessarily based on management's best estimates and which have been made using careful judgment.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of Agricorp and annually reviews the financial statements.

These financial statements have been audited by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian Public Sector Accounting Standards. The Independent Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

Original signed by

Doug LaRose
Chief Executive Officer

Original signed by

Becky Philpott
Chief Financial Officer

June 21, 2023



Office of the Auditor General of Ontario
Bureau de la vérificatrice générale de l'Ontario

INDEPENDENT AUDITOR'S REPORT

To Agricorp

Opinion

I have audited the financial statements of the Agricorp, which comprise the statement of financial position as at March 31, 2023, and the statements of operations and fund balances, remeasurement gains and losses and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2023, and the results of its operations, its remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of Agricorp in accordance with the ethical requirements that are relevant to my audit of the financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, other than the financial statements and my auditor's report thereon, in Agricorp's 2023 Annual Report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing Agricorp's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Agricorp either intends to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Agricorp's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Agricorp's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Agricorp's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause Agricorp to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Toronto, Ontario
June 21, 2023

Susan Klein, CPA, CA, LPA
Assistant Auditor General

Agricorp

Statement of financial position

As at March 31, 2023

(In thousands of dollars)	General Fund	Production Insurance Fund	Risk Management Program Fund	2023	2022
Current assets					
Cash	\$ 6,132	\$ 111,773	\$ 8,911	\$ 126,816	\$ 251,358
Short term investments (note 6)	1,113	573,681	122,784	697,578	298,667
Accounts receivable (note 5)	1,957	20,143	3,049	25,149	21,771
Funds under administration (note 3)	19,949	-	-	19,949	20,617
Prepaid expenses	1,137	-	-	1,137	1,096
Total current assets	30,288	705,597	134,744	870,629	593,509
Long term investments (note 6)	-	253,760	-	253,760	492,039
Capital assets (note 7)	6,769	-	-	6,769	9,045
Total assets	\$ 37,057	\$ 959,357	\$ 134,744	\$ 1,131,158	\$ 1,094,593
Current liabilities					
Accounts payable and accrued liabilities	2,790	4,281	2,081	9,152	9,922
Funds under administration (note 3)	19,949	-	-	19,949	20,617
Unearned premiums	-	46,351	-	46,351	33,301
Deferred contributions (note 10)	1,155	-	-	1,155	1,113
Provision for claims	-	14,700	1,483	16,183	58,564
Total current liabilities	23,894	65,332	3,564	92,790	123,517
Deferred contributions - capital assets (note 10)	6,769	-	-	6,769	9,045
Total liabilities	30,663	65,332	3,564	99,559	132,562
Fund balances					
Unrestricted funds	6,394	-	-	6,394	4,295
Restricted funds	-	894,279	131,180	1,025,459	957,736
Accumulated remeasurement losses	-	(254)	-	(254)	-
Total liabilities, fund balances and accumulated remeasurement losses	\$ 37,057	\$ 959,357	\$ 134,744	\$ 1,131,158	\$ 1,094,593

Commitments and contingencies (note 13)

See accompanying notes to financial statements

Approved on behalf of the Board

Original signed by

Original signed by

Jason Verkaik
Board Chair

Dominic Morrissey
Finance and Audit Committee Chair

Agricorp

Statement of operations and fund balances

Year ended March 31, 2023

(In thousands of dollars)	General Fund	Production Insurance Fund	Management Program Fund	Risk Fund	2023	2022
Revenue						
Funding – provincial government (notes 9 and 14)	\$ 21,170	\$ 48,824	\$ 111,213	\$	181,207	\$ 173,043
Funding – federal government (note 9)	18,357	73,237	-	-	91,594	80,619
Premiums from producers	-	83,640	27,822	-	111,462	100,903
Consulting and other services	1,911	-	-	-	1,911	1,683
Investment income	305	22,921	4,757	-	27,983	13,942
Total revenue	41,743	228,622	143,792	-	414,157	370,190
Expenses						
Claims	-	200,013	76,984	-	276,997	186,217
Reinsurance (note 11)	-	27,656	-	-	27,656	15,993
Administration (notes 12 and 16)	39,644	-	-	-	39,644	40,140
Bad debts	-	38	-	-	38	1
Total expenses	39,644	227,707	76,984	-	344,335	242,351
Excess of revenue over expenses before loss on curtailment/settlement of pension plan	2,099	915	66,808	-	69,822	127,839
Loss on curtailment/settlement of pension plan (note 12)	-	-	-	-	-	13,200
Excess of revenue over expenses	2,099	915	66,808	-	69,822	114,639
Fund balances, beginning of year	4,295	893,364	64,372	-	962,031	847,392
Fund balances, end of year	\$ 6,394	\$ 894,279	\$ 131,180	\$	1,031,853	\$ 962,031

See accompanying notes to financial statements

Agricorp

Statement of rereasurement gains and losses

Year ended March 31, 2023

<u>(In thousands of dollars)</u>	<u>2023</u>	<u>2022</u>
Accumulated rereasurement gains (losses), beginning of year	\$ -	\$ -
Unrealized losses on investments	(254)	-
Accumulated rereasurement losses, end of year	\$ (254)	\$ -

See accompanying notes to financial statements

Agricorp

Statement of cash flows

Year ended March 31, 2023

(In thousands of dollars)	General Fund	Production Insurance Fund	Risk Management Program Fund	2023	2022
Operating activities					
Excess of revenue over expenses	\$ 2,099	\$ 915	\$ 66,808	\$ 69,822	\$ 114,639
Items not requiring an outlay of cash					
(Increase) decrease in accrued interest	(41)	(16,391)	(2,928)	(19,360)	6,649
Amortization of capital assets	(2,831)	-	-	(2,831)	2,724
Amortization of deferred contributions - capital assets	2,831	-	-	2,831	(2,724)
Defined benefit pension expense (note 12)	-	-	-	-	12,031
Changes in non-cash working capital					
Accounts receivable	1,160	(2,339)	(2,199)	(3,378)	(13,590)
Prepaid expenses	(41)	-	-	(41)	51
Accounts payable and accrued liabilities	(1,959)	(883)	2,072	(770)	4,131
Unearned premiums	-	13,050	-	13,050	7,963
Deferred contributions	42	-	-	42	(52)
Provision for claims	-	11,400	(53,781)	(42,381)	57,064
Contributions to employer defined benefit plans (note 12)	-	-	-	-	(803)
Cash provided by operating activities	1,260	5,752	9,972	16,984	188,083
Financing activities					
Increase in deferred contributions - capital assets	555	-	-	555	391
Cash provided by financing activities	555	-	-	555	391
Investing activities					
Purchases of investments	-	(289,969)	(153,100)	(443,069)	(595,000)
Proceeds of investments	-	268,299	33,244	301,543	602,283
Cash provided by (used for) investing activities	-	(21,670)	(119,856)	(141,526)	7,283
Capital activities					
Purchase of capital assets	(555)	-	-	(555)	(391)
Cash used in capital activities	(555)	-	-	(555)	(391)
Total increase (decrease) in cash	1,260	(15,918)	(109,884)	(124,542)	195,366
Cash, beginning of year	4,872	127,691	118,795	251,358	55,992
Cash, end of year	\$ 6,132	\$ 111,773	\$ 8,911	\$ 126,816	\$ 251,358

See accompanying notes to financial statements

Agricorp

Notes to the financial statements

Year ended March 31, 2023

1. Nature of operations

The AgriCorp Act, 1996 established Agricorp as a provincial Crown corporation without share capital on January 1, 1997. As an agency of the Ontario government, Agricorp's mandate is to deliver government business risk management programs to Ontario's agriculture industry on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs (OMAFRA). These programs are as follows:

Production Insurance Fund

Production Insurance was established in 1966 and currently operates pursuant to the *Agricultural Products Insurance Act (Ontario, 1996)*. For over 100 commercially grown crops in Ontario, Production Insurance provides insured producers with financial protection against yield reduction caused by insured perils.

Risk Management Program Fund

The Risk Management Program Fund was established in 2021 for Cattle, Grains and Oilseeds, Hogs, Sheep and Veal components. Ontario's Risk Management Program (RMP) helps producers manage risks beyond their control, like fluctuating costs and market prices using an insurance-like model.

Additional Programs

a) Business Risk Management Programs

These programs, as detailed under note 3, are administered by Agricorp on behalf of OMAFRA and the Government of Canada ("federal government"). The rules regarding payments to customers are determined by the programs and in formal agreements with Agricorp. The funds paid out under these programs flow from either the Government of Ontario ("provincial government") or federal government or both, through Agricorp to qualified applicants, and are held in segregated accounts in funds under administration.

b) Other

Agricorp is responsible for the delivery of Farm Business Registration, the Provincial Premises Registry and the Farm Property Class Tax Rate Program. These programs, as detailed under note 3 and note 4, are administered on behalf of OMAFRA in accordance with their respective program delivery agreements.

As an agency of the Ontario provincial government, Agricorp is exempt from income taxes.

2. Significant accounting policies

a) Basis of accounting

The financial statements of Agricorp have been prepared by management in accordance with Canadian Public Sector Accounting Standards (PSAS) for governments as recommended by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada (CPA Canada). Agricorp has also elected to apply the section 4200 standards for Government Not-For-Profit Organizations.

Agricorp follows the accrual method of accounting for revenues and expenses. Revenue is recognized in the year in which it is earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services.

Agricorp uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative revenues and expenses, as well as for all unsegregated activities. The Production Insurance Fund is used to account for activities specific to the Production Insurance program. The Risk Management Program Fund is used to account for activities specific to the Cattle, Grains and Oilseeds, Hogs, Sheep and Veal components.

Agricorp

Notes to the financial statements

Year ended March 31, 2023

b) Capital assets

Capital assets are stated at cost less accumulated amortization. Amortization is provided for using the straight-line method over the estimated useful life of the assets, with a half-year amortization taken in the year of acquisition and disposition. The estimated useful lives of the assets are as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Customized software	5 years
Leasehold improvements	5 years

c) Employee future benefits

Agricorp provides defined retirement benefits and other future benefits for substantially all retirees and employees. These future benefits include pension plan and accumulated sick leave.

i) Pension plan

Up to April 30, 2021, Agricorp sponsored a mandatory contributory defined benefit registered pension plan for all full-time and eligible part-time employees as well as a supplemental defined benefit pension plan for eligible employees (the "Plan"). Unless otherwise noted, information regarding the Plan is presented on an aggregate basis.

Agricorp contributed to the Plan based on employee contributions and a factor determined by the Plan's independent actuary. The cost of pension benefits for the Plan was determined by an independent actuary using the projected benefit method pro-rated on service and management's best estimates of expected investment performance, salary escalation and retirement ages of employees. The Plan's assets were valued using current fair values and any actuarial adjustments were amortized on a straight-line basis over the expected average remaining service life of the employee group.

Effective May 1, 2021, eligible employees are members of the Public Service Pension Plan ("PSPP"). The PSPP is a multi-employer defined benefit pension plan.

The Province of Ontario, who is the sole sponsor of the PSPP, determines Agricorp's annual payments to the plan and is responsible for ensuring that the pension fund is financially viable. Any surplus or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of Agricorp. Therefore, Agricorp's contributions are accounted for as if the PSPP was a defined contribution plan with contributions being expensed in the period they come due.

ii) Accumulated sick leave

Agricorp provides a non-vested sick leave benefit to all full-time and part-time employees. Employees are granted five days of sick leave per year. Unused sick leave days are eligible to accumulate up to 47 days, which can only be used to supplement the short term disability benefit. Employees are not paid for unused sick leave.

d) Revenue recognition

Within the General Fund, Agricorp accounts for government operating funding under the deferral method of accounting. Government funding used for the purchase of capital assets is deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets. All remaining government funding is recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Agricorp

Notes to the financial statements

Year ended March 31, 2023

Consulting and other services revenue is recognized as services are performed, collection of the relevant receivable is reasonably assured and persuasive evidence of an arrangement exists.

Within the Production Insurance Fund, government funding and producer premiums are recognized as revenue in the year in which the related agricultural products are harvested. Premiums received for future years are classified as unearned premiums on the statement of financial position.

Within the Risk Management Program Fund, government funding and producer premiums are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Investment income is recognized as earned; amounts not yet received are included in the carrying value of investments.

e) Financial instruments

Agricorp's financial instruments consist of cash, investments, accounts receivable, accounts payable and accrued liabilities.

All financial instruments are recorded at cost or amortized cost unless management has elected to carry the instruments at fair value. Management has elected to record investments at fair value. Investments include cash equivalents, Guaranteed Investment Certificates (GICs), term deposits and bonds. Cash equivalents, GICs and term deposits are recorded at cost plus accrued interest, which approximates fair value.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and fund balances. Any unrealized gain or loss on investments is adjusted through the statement of remeasurement gains and losses. When an asset is sold, unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations and fund balances.

Agricorp is required to classify fair value measurements using a fair value hierarchy, which indicates three levels of information that may be used to measure fair value:

Level 1 – unadjusted quoted market prices in active markets for identical assets or liabilities;

Level 2 – observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities;
and

Level 3 – unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities.

f) Use of estimates

The preparation of financial statements in conformity with PSAS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amounts of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and deferred contributions, and provision for claims. Actual results could differ from those estimates.

g) Provision for claims

The provision for claims liability represents management's estimate of the total cost of Production Insurance claims and RMP Fund benefit claims outstanding at year-end. Measurement of this provision is uncertain as

Agricorp

Notes to the financial statements

Year ended March 31, 2023

not all of the necessary information for reported claims is always available as of the year-end date and therefore estimates are made as to the value of these claims.

3. Funds under administration

Agricorp processes and disburses payments to producers enrolled in agricultural business risk management and other programs. These programs are generally administered on behalf of OMAFRA for producers in the province and cover joint federal-provincial, federal-only and provincial-only programs. Individual program delivery agreements are in place for each program.

Program payments are calculated according to program requirements and the program delivery agreements. Funding is provided by the federal and/or provincial governments and all funds are segregated in accounts under administration by program until payments are processed for the producers.

Funds for these programs are held in accounts with Canadian banks, bankers' acceptance or bank discount notes and all are highly liquid. As Agricorp only administers these programs, no recognition is made for program revenue, expense, receivables or payables. Costs associated with the delivery of these programs are included in Administration expenses (see note 16).

a) AgriStability

The AgriStability program was established to provide agricultural producers with financial protection against large declines in farm margin. To participate, producers must enroll in the program and pay administration and enrollment fees based on their reference margin for specified prior years. Producers are also required to submit an application that includes production data and farming income (or loss) reported for income tax purposes. The program has existed under several federal, provincial and territorial frameworks and is currently under the *Canadian Agricultural Partnership*, which came into effect April 2018.

AgriStability is cost shared by the federal and provincial governments at a basis of 60% and 40% respectively.

b) Risk Management Program (RMP)

RMP helps producers offset losses caused by low commodity prices and fluctuating production costs. RMP is fully funded by the provincial government and is an advance against Ontario's share of the AgriStability program thereby reducing the provincial share of AgriStability payments.

The Risk Management Program Fund (the "RMP Fund") for Cattle, Grains and Oilseeds, Hogs, Sheep and Veal components was established pursuant to a Minister's Order to continue the Risk Management Program starting with program year 2021 with both Ontario Premiums and Producer Premiums deposited into the RMP Fund. Funds related to pre-2021 program years for Livestock and Grains and Oilseeds continue to be presented as Funds Under Administration until fully disbursed in accordance with the program delivery guidelines for those years. There have been no changes to the Self-Directed Risk Management: Edible Horticulture.

Agricorp

Notes to the financial statements

Year ended March 31, 2023

RMP includes the following plans:

RMP: Grains and Oilseeds (RMP-GO)

The plan provides Ontario grain and oilseed producers with commodity-specific price support based on the cost of production. To participate, producers must pay premiums, provide a premises identification number and participate in Production Insurance, if available for their crop.

RMP for livestock (RMP-LS)

RMP for livestock includes individual plans for cattle, hogs, sheep and veal. The plans provide producers with commodity-specific price support based on the cost of production. To participate, producers must pay premiums and provide a premises identification number.

RMP - Self-Directed Risk Management: Edible Horticulture (RMP-SDRM)

Under the terms of the plan, producers of edible horticulture deposit a percentage of their allowable net sales into an account, and a contribution is made into the account by the provincial government. Funds can be withdrawn to cover risks to the farm business, such as a reduction in income or other farm-related expenses or losses. To participate, producers must make a deposit into their SDRM account and provide a premises identification number.

c) Winery Agri-Tourism COVID-19 Relief Initiative (Winery Agri-Tourism)

The Winery Agri-Tourism COVID-19 Relief Initiative provides financial support to eligible wineries and cideries whose on-site sales were impacted while provincial measures were in place to stop the spread of COVID-19. Agricorp administers this program on behalf of OMAFRA. This program is fully funded by the provincial government.

d) Other programs

Agricorp administers other programs on behalf of OMAFRA, the federal government and industry groups, some of which are in the process of being wound down. These programs are funded in accordance with their program delivery agreements. Other programs include:

Farm Business Registration (FBR)

In accordance with the *Farm Registration and Organizations Funding Act, 1993*, farm businesses in Ontario whose gross farm income is equal to or greater than \$7,000 are required to register their farm business. In return for the registration, the farm business pays a reduced property tax rate on agricultural land and is granted membership in an accredited farm organization of their choice. Agricorp collects these fees and remits them, less an administrative charge, to the chosen accredited farm organization.

Agricorp

Notes to the financial statements

Year ended March 31, 2023

The following summarizes the transactions related to the funds under administration:

(In thousands of dollars)	Opening balance 2023	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2023
AgriStability	\$ 8,441	\$ 42,053	\$ 22,847	\$ 1,190	\$ (62,807)	\$ 11,724
RMP-GO	235	-	(184)	(43)	(6)	2
RMP-LS	1,890	-	(625)	(1,024)	(214)	27
RMP-SDRM	9,348	-	34,753	1,643	(38,347)	7,397
Winery Agri-Tourism	30	-	8,526	1	(8,547)	10
Other programs	673	14	21,484	120	(21,502)	789
Total	\$ 20,617	\$ 42,067	\$ 86,801	\$ 1,887	\$ (131,423)	\$ 19,949

(In thousands of dollars)	Opening balance 2022	Funding, federal government	Funding, provincial government	Other	Payments	Closing balance 2022
AgriStability	\$ 10,487	\$ 45,375	\$ 22,324	\$ (267)	\$ (69,478)	\$ 8,441
RMP-GO	223	-	19,400	20	(19,408)	235
RMP-LS	25,276	-	1	(623)	(22,764)	1,890
RMP-SDRM	9,386	-	28,481	(1,430)	(27,089)	9,348
Winery Agri-Tourism	-	-	9,083	-	(9,053)	30
Other programs	3,501	2,147	13,422	(130)	(18,267)	673
Total	\$ 48,873	\$ 47,522	\$ 92,711	\$ (2,430)	\$ (166,059)	\$ 20,617

The Other column in the tables above includes items such as producer fees and premiums, and changes in program receivables and payables.

4. Additional programs

Included in Administration expenses (see note 16) are costs associated with the delivery of several other programs in accordance with individual program delivery agreements. Additional programs include:

Provincial Premises Registry (PPR)

Established in 2008, the PPR registers unique parcels of land in Ontario associated with agri-food activities. The PPR collects information, such as agri-food business locations and activities and emergency contacts, and maintains a current database for access by the Ministry for emergency response and preparedness. As part of the National Agri-Food Traceability System, all provinces are responsible for having a premises registration system in place to enable the swift response to incidents and emergencies that could harm agri-food businesses and consumers. This program is administered on behalf of OMAFRA.

Farm Property Class Tax Rate Program (FPCTRP)

Under FPCTRP, eligible farm properties pay a reduced property tax rate for their acreage. Agricorp delivers the program, completes eligibility assessments for all valued and assessed farm properties, and reports the properties that meet all the requirements to the Municipal Property Assessment Corporation (MPAC) on behalf of OMAFRA. MPAC in turn forwards this information to the local municipalities. The municipality will then tax the properties that meet the requirements at the farm rate.

Agricorp

Notes to the financial statements

Year ended March 31, 2023

5. Accounts receivable

Accounts receivable are comprised primarily of amounts due from the federal and provincial governments and from producers.

(In thousands of dollars)	2023	2022
Funding – federal government	\$ 7,816	\$ 7,675
Funding – provincial government	6,987	5,639
Other	10,366	8,457
Sub total	25,169	21,771
Less allowance for doubtful accounts	(20)	-
Total	\$ 25,149	\$ 21,771

6. Investments

a) Portfolio profile

(In thousands of dollars)	2023	2022
Short-term		
Financial institutions – cash and equivalents	\$ 158,082	\$ 102,082
Financial institutions – guaranteed investment certificates	539,496	196,585
Total short-term	697,578	298,667
Long-term		
Financial institutions – guaranteed investment certificates	203,750	492,039
Financial institutions – bonds	50,010	-
Total long-term	253,760	492,039
Total investments	\$ 951,338	\$ 790,706

All long-term investments mature within 1-3 years.

b) Fair value hierarchy

(In thousands of dollars)	Level	2023	2022
Cash and equivalents	1	\$ 158,082	\$ 102,082
Guaranteed investment certificates	2	743,246	688,624
Bonds	1	50,010	-
Total investments		\$ 951,338	\$ 790,706

There were no transfers of investments between Level 1 and Level 2.

7. Capital assets

(In thousands of dollars)	Cost	Accumulated amortization	2023 Net book value	2022 Net book value
Furniture and fixtures	\$ 871	\$ 871	\$ -	\$ -
Computer hardware	4,516	3,852	664	466
Leasehold improvements	946	940	6	7
Computer software	13,081	13,080	1	35
Customized software	12,196	6,098	6,098	8,537
Total	\$ 31,610	\$ 24,841	\$ 6,769	\$ 9,045

Agricorp

Notes to the financial statements

Year ended March 31, 2023

8. Financial instruments risk management

a) Market risk

Market risk is the risk that changes in market prices will affect the fair value of reported assets and liabilities. Market factors include three types of risk: interest rate risk, currency risk and equity risk. Agricorp is not exposed to significant currency or equity risk as it does not transact materially in foreign currency or hold equity financial instruments.

Agricorp operates within investment guidelines constraints set out by legislation that restricts Agricorp's investments to highly liquid, high-grade investments, such as federal and provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

b) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on Agricorp's financial position, operations and cash flow.

The average return on investments is 2.87% (2022 – 1.76%). Fluctuations in interest rates could have a significant impact on the fair value of the fixed income securities profile. Although investments are generally held to maturity, realized gains or losses could result if actual Production Insurance claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations. There have been no significant changes from the previous year in the exposure to risk or to the policies, procedures and methods used to measure the risk.

c) Credit risk

General

Credit risk is the risk that other parties fail to perform as contracted. Agricorp's exposure to credit risk is principally through balances receivable from the federal and provincial governments and producers as well as through its investment securities.

Reinsurance

Agricorp is exposed to credit risk on the reinsurance contracts that are placed with reinsurers. In order to minimize this risk, Agricorp places reinsurance with a number of different reinsurers and evaluates the financial condition of each of these reinsurers in order to minimize exposure to a significant loss from any one reinsurer in the event of insolvency.

Collectability

Credit risk on balances receivable arises from the possibility that the entities that owe funds to Agricorp may not fulfill their obligation. Collectability is reviewed regularly and an allowance for doubtful accounts is established to recognize the impairment risks identified.

Investments

Credit risk on investment securities arises from Agricorp's positions in term deposits, corporate debt securities and government bonds. Legislation restricts the types of investments Agricorp may hold to high-grade Canadian debt instruments and investments approved by the Minister of Finance, which significantly reduces credit risk.

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Notes to the financial statements

Year ended March 31, 2023

9. Funding – provincial and federal

a) General Fund

Agricorp provides administration services on a cost recovery basis to process and disburse payments to producers enrolled in agricultural business risk management and other programs. The provincial and federal governments have agreed to share the costs of administering Production Insurance, and AgriStability at the ratio of 60% and 40% respectively. The costs to administer RMP-GO, RMP-LS, RMP-SDRM, VQA-WSP, Winery Agri-Tourism, PPR and FPCTRP are funded by the provincial government.

b) Production Insurance Fund

Premiums from producers represent 40% of the total funding of the Production Insurance program. The federal and provincial governments fund the remaining premiums at a basis of 60% and 40% respectively.

c) Risk Management Program Fund

The provincial government funds the Risk Management Program in addition to premiums received by producers.

10. Deferred contributions

Included in the General fund are deferred contributions related to funding received for operating expenses of a future period as well as for funding received for the purchase of capital assets. All contributions recognized in the year are included in Funding – provincial and federal in the Statement of operations and fund balances. The nature and amount of changes in these balances are as follows.

(In thousands of dollars)	Opening Balance 2023	Contributions	Recognized	Closing Balance 2023
Short-term				
Deferred contributions - operating expenses	\$ 1,113	\$ 2,011	\$ 1,969	\$ 1,155
Long-term				
Deferred contributions - capital assets	9,045	555	2,831	6,769
Total deferred contributions	\$ 10,158	\$ 2,566	\$ 4,800	\$ 7,924

(In thousands of dollars)	Opening Balance 2022	Contributions	Recognized	Closing Balance 2022
Short-term				
Deferred contributions - operating expenses	\$ 1,165	\$ 1,924	\$ (1,976)	\$ 1,113
Long-term				
Deferred contributions - capital assets	11,378	391	(2,724)	9,045
Total deferred contributions	\$ 12,543	\$ 2,315	\$ (4,700)	\$ 10,158

11. Reinsurance agreement

Agricorp uses reinsurance in the normal course of Production Insurance operations to manage its risk exposure. Coverage involving a number of reinsurance companies was purchased for the 2022 production year. Under the terms of the 2022 production year agreement, the reinsuring companies would assume losses between 14% and 27% on \$5.5 billion insured liability (2021 production year - 16% - 27% on \$4.6 billion). As actual claims were less than the minimum threshold of \$776 million (2021 production year - \$739 million), there was no reinsurance recovery for the 2022 production year (2021 - no recovery).

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Notes to the financial statements

Year ended March 31, 2023

12. Pension

Effective May 1, 2021, Agricorp's contributory defined benefit registered pension plan for all full-time and eligible part-time employees as well as a supplemental defined benefit pension plan for eligible employees (the "Plan") was merged with the Public Service Pension Plan ("PSPP"), (collectively, the "Merger").

As a result of the Merger, the Plan ceased member contributions and froze credited service as of April 30, 2021. The impact of this curtailment is the immediate recognition of previously unrecognized actuarial amounts. No additional contributions were required to affect the Merger. Agricorp received consent from the Financial Services Regulatory Authority of Ontario to transfer all defined benefits assets and liabilities to the PSPP on February 17, 2022.

The PSPP is a contributory defined benefit plan. The PSPP is funded by contributions from participating employers and members, and by the investment earnings from the Public Service Pension Fund. Contributions from members and employers are remitted to the Ontario Pension Board (OPB).

Administration expenses on the statement of operations and fund balances include pension expense except for the loss on curtailment/settlement of pension plan which is shown separately on the Statement of operations and fund balances. Agricorp recorded \$nil million (2022 - \$12 million) expense for the year related to the Plan and \$1.8 million (2022 - \$1.8 million) related to the PSPP; total pension costs for the year were \$1.8 million (2022 - \$13.8 million)

a) Agricorp pension plans (the Plan)

The changes for the defined benefit plans of Agricorp during the year are as follows:

(In thousands of dollars)	2023	2022
Accrued benefit obligation		
Balance, beginning of year	\$ -	\$ 72,026
Current service cost	-	344
Interest cost	-	3,669
Employee contributions	-	289
Benefits paid	-	(1,726)
Actuarial loss	-	6,856
Settlement transfer to PSPP	-	(81,458)
Balance, end of year	-	-
Plan assets		
Fair value, beginning of year	-	90,053
Actual return on plan assets	-	419
Employer contributions	-	803
Employee contributions	-	289
Benefits paid	-	(1,726)
Settlement transfer to PSPP	-	(89,838)
Fair value, end of year	-	-
Funded status		
Plan surplus	-	-
Unamortized actuarial gain	-	-
Accrued pension asset	\$ -	\$ -

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Notes to the financial statements

Year ended March 31, 2023

Agricorp recorded the following expense for the year related to the Plan:

(In thousands of dollars)	2023	2022
Current service cost	\$ -	\$ 344
Interest cost	-	3,669
Expected return on plan assets	-	(4,602)
Amortization of unrecognized actuarial gain	-	(580)
Loss on curtailment/settlement of pension plan	-	13,200
Net benefit plan expense	\$ -	\$ 12,031

The significant actuarial assumptions adopted in measuring the pension expense of Agricorp are:

	2023	2022
	(%)	(%)
Discount rate to determine accrued benefit obligation	-	5.60
Discount rate to determine benefit cost	-	5.60
Expected long-term rate of return on plan assets	-	5.60
Rate of compensation increase	-	2.00

b) PSPP

Contributions to the PSPP made during the year by Agricorp amounted to \$1.8 million (2022 - \$1.8 million). Administration expenses on the statement of operations and fund balances include pension expense.

13. Commitments and contingencies

a) Commitments

Agricorp is committed to several leases for office space, weather data and sites, print services, mainframe support and operating leases for vehicles. The minimum aggregate costs for the remaining terms of these leases are:

(In thousands of dollars)	Head office		Total
	location	Others	
2024	\$ 1,065	\$ 7	\$ 1,072
2025	1,071	-	1,071
2026	1,078	-	1,078
Total	\$ 3,214	\$ 7	\$ 3,221

Agricorp signed an agreement in December 2022 committing to purchase reinsurance through a number of carriers for the 2023 production year. The estimated cost for this agreement is \$32.6 million (2022 - \$24.2 million).

b) Contingencies

During the normal course of business, certain claims or program payments may be denied by Agricorp. As a result, various claims or proceedings have been, or may be, initiated against Agricorp. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of Agricorp or on its results of operations.

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Notes to the financial statements

Year ended March 31, 2023

14. Related party transactions

Agricorp has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and internal auditing services amounted to \$14,000 (2022 - \$21,000). In addition, Agricorp rents its head office location from the Ministry of Infrastructure Ontario for a total cost for the year of \$1.0 million (2022 - \$1.1 million).

Agricorp earned revenue of \$49 million (2022 - \$41 million) from OMAFRA as their share of the Production Insurance premium, \$21 million (2022 - \$ 21 million) for operating funding from OMAFRA and \$111 million (2022- \$110 million) from OMAFRA as Ontario Premiums for the Risk Management Program Fund premiums.

15. Board remuneration and salary disclosure

Total remuneration to members of the Board of Directors was \$9,668 (2022 - \$17,971). *The Public Sector Salary Disclosure Act, 1996* requires Agricorp to disclose employees paid an annual salary in excess of \$100,000. Complete disclosure for Agricorp is included in the “Public Sector Salary Disclosure 2022: Crown Agencies” listing on the Government of Ontario website: <https://www.ontario.ca/public-sector-salary-disclosure/2022/all-sectors-and-seconded-employees/>.

16. Administration

(In thousands of dollars)	2023	2022
Salaries and benefits	\$ 30,039	\$ 29,576
Equipment and maintenance	3,150	3,770
Facilities	1,063	1,264
Amortization	2,831	2,724
Consulting and professional	1,193	1,474
Telephone and postage	659	728
Office	385	307
Vehicle and travel	175	177
Other	149	120
Total	\$ 39,644	\$ 40,140