

farmers'
advocate
office

Ministry of Agriculture and Forestry

www.farmersadvocate.gov.ab.ca

310-FARM (3276)



ANNUAL REPORT 2016-17



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Highlights from 2016-17

Alberta  Agriculture
and Forestry

Farmers' Advocate Office

Peter J. Dobbie, Q.C., Farmers' Advocate of Alberta

Janet Patriquin, Assistant Farmers' Advocate

Michele Del Colle, Energy, Utilities, and Policy Specialist

Jeana Schuurman, Rural Engagement and Communications Specialist

Roseline Soparlo, Administrative Coordinator

Bernie Yakimyshyn, Farm Implement Inspector

Brenda Tangen, Appeals Coordinator

MESSAGE

from the

Farmers' Advocate

Dear Minister Carlier:

I am pleased to present the 2016-17 Annual Report of the Farmers' Advocate Office (FAO) for your review.

Our staff have enjoyed a busy year of meeting with rural Albertans across the province and working with them to help resolve a broad variety of disputes. We have continued to strengthen our relationships with and provide feedback to relevant decision-makers and regulators. With the belief that knowledge can help prevent disputes, we have also been very active in promoting awareness on oil and gas, utilities, renewable energy, and other rural topics.

Rather than provide an exhaustive list of activities and issues, this report highlights some of the key areas that we worked on this past year. We are grateful for the opportunities for growth and leadership that arose in 2016-17, and we hope for a similar influence in the years to come.

We appreciate the ongoing support of the Government of Alberta in making these services available to rural Albertans.

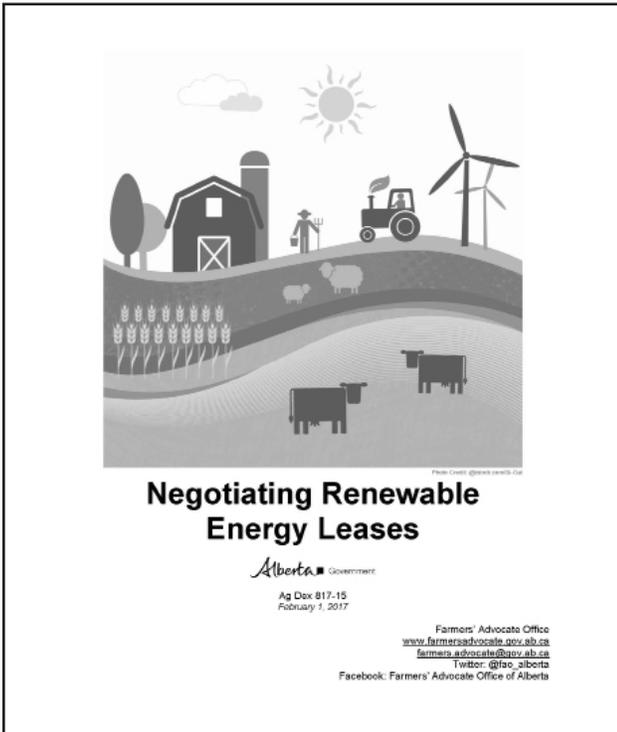
The financial statements for the Farm Implement Compensation Fund are attached as required under the *Farm Implement Act*.

Sincerely,

Peter J. Dobbie, Q.C.
Farmers' Advocate of Alberta

In 2016, the Government of Alberta released the *Climate Leadership Plan* and announced its intent to move towards having 30% of Alberta's energy coming from renewable sources by 2030.

This goal is being accomplished through the Renewable Energy Program (REP) with the Alberta Electric System Operator (AESO). Five thousand megawatts (MW) of renewable energy capacity will be added to the grid by 2030, starting with the first procurement of 400 MW in 2017. Developers have the opportunity to bid through a transparent and competitive process for a contract under the REP program.



As a result of REP, a greater number of landowners are being approached by renewable energy developers to lease private land for wind and solar projects. The FAO started receiving a high number of calls about negotiating renewable energy leases in fall 2016.

We responded by creating a new publication entitled *Negotiating Renewable Energy Leases* in January 2017, which highlighted the considerations a landowner might face in negotiating with the renewable energy sector. Our message to landowners was that negotiating for a wind or solar lease is not the same as negotiating with oil and gas.

← RENEWABLE ENERGY

Staff from the FAO did a series of workshops throughout Alberta in the spring of 2017 to help landowners make informed decisions for their land. The workshops had attendance ranging from 10 to 80 people at each session. During our presentation, we explained to landowners some of the key ways that renewable energy negotiations are different from oil and gas.

- In Alberta, land agents are licensed under the *Land Agents Licensing Act and Regulation*, which makes them accountable to the Code of Conduct established by the Land Agents Registrar. A developer is not required to use a licensed land agent to negotiate land for a renewable energy project.
- Renewable energy negotiations are not included under the *Surface Rights Act*, so there is no Right of Entry process, which most landowners consider a positive. Participation in a wind or solar lease is 100% voluntary, and a landowner is under no obligation to entertain a proposal. However, the fact that the *Surface Rights Act* does not apply also means that there is no legislated compensation structure, no anniversary review, and no recourse through government for unpaid rentals.
- At the present time, there is no government or industry process to address end-of-life needs for decommissioning and reclamation in the event that the developer becomes insolvent. A Reclamation Certificate is not required, but Alberta Environment and Parks (AEP) is currently developing reclamation requirements.

The Alberta Utilities Commission (AUC) presented at our workshops to provide information on the regulatory process for approvals and public engagement. Representatives from the Canadian Wind Energy Association (CanWEA) attended most sessions to help answer questions. We are grateful for their assistance and support.



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An updated version of the landowner guide is set to be released in fall 2017 to reflect what we learned at the workshops.

A digital copy of the publication can be obtained on the FAO website at www.farmersadvocate.gov.ab.ca. Hard copies are available at no cost through the Publications Department at 310-FARM (3276).



RENTAL REDUCTIONS

In the spring of 2016, several landowners came to the FAO with concerns that their annual surface lease rentals were being unilaterally reduced. Some companies were citing economic conditions and the price of oil as the rationale for the decreases.

The FAO issued an advisory regarding rental reductions in March 2016, stating that a landowner's annual surface lease rentals are designed to compensate the landowner for the impacts they face as a result of the surface lease. Under the *Surface Rights Act*, a landowner is paid annually for their inability to use the land (Loss of Use) and the nuisance arising from the surface lease (Adverse Effect). Economic conditions and the price of oil are not appropriate reasons to reduce a surface lease rental payment.

Our message was strong and clear: a landowner is under no obligation to accept a rental reduction. There is a process for anniversary rental reviews under the *Surface Rights Act*, but this process requires good faith negotiation (honest, two-way conversation) on the 5 year anniversary of the date the lease was originally signed.

The FAO wrote numerous letters directly to companies that were employing the practice of unilateral rental reductions.

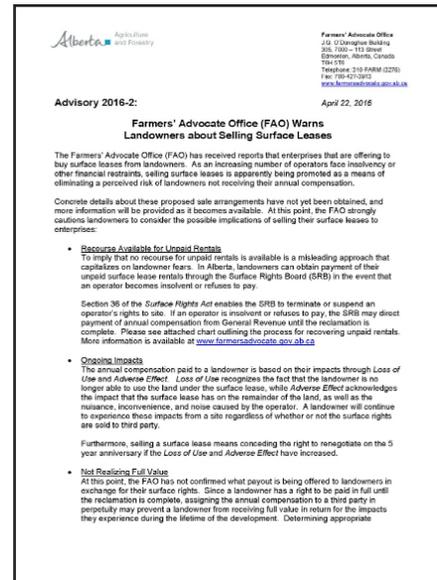
We also provided template letters for landowners to use to assert their rights on an individual basis. These actions resulted in many landowners successfully getting their full rental payments.

We also made landowners aware that they had the option of submitting a section 36 claim for a partially paid rental to the Surface Rights Board (SRB). The SRB has the power to suspend or terminate a company's rights to a site due to the failure to pay the annual rental in full.

The FAO's position on rental reductions was later echoed by the SRB's decision in *Duel Energy vs. Gallagher 2016 ABSRB 688*, where the company indicated that they "... only [paid] for leases with active wells on them." The SRB clarified that "Payment of compensation is not at the discretion of the operator."



SELLING SURFACE RIGHTS



A second advisory was issued by the FAO in the spring of 2016 when it came to our attention that companies were offering to buy surface rights from landowners. Little information was publicly available, but we understand that a private company was offering landowners a lump sum to purchase the rights to the surface lease indefinitely. This was being promoted as a way for landowners to mitigate their risk of not being paid the annual surface lease rental.

In our opinion, this approach capitalizes on landowner fears about not being able to recoup their annual rental in the event that an operator becomes insolvent. Since recourse for unpaid rentals is available to landowners through the Surface Rights Board (SRB) if the operator fails to pay, a company purchasing surface rights would be indefinitely guaranteed a revenue stream if the annual rentals were not paid by the operator.

Additionally, there is some misunderstanding within the rural community about the implications of the conflict between the *Surface Rights Act* and the federal *Bankruptcy and Insolvency Act*. The SRB is unable to suspend or terminate a company's rights to a site while there is a Stay of Proceedings under the federal legislation. This creates a timing delay before payment can be ordered from General Revenue. The Stay of Proceedings does not mean that the landowner will not be paid, but it does create a timing issue, which has left some landowners feeling uncertain about the future.

The sale of a landowner's surface rights to a third party also has implications for taxes, reclamation, new developments, and anniversary renegotiations. The FAO does not believe the practice of selling surface rights is widespread in Alberta at this time. Landowners are advised to obtain legal counsel prior to entertaining a request to sell their surface rights.



W E E D C O N T R O L

While the majority of enforcement for oil and gas is done by the Alberta Energy Regulator (AER), certain aspects affecting surface leases are outside of the AER's jurisdiction. Weed control on surface leases was one of the most common concerns we heard in 2016-17.

Alberta Agriculture and Forestry's *Weed Control Act* governs the management of weeds in Alberta. The Act is enforced at the municipal level. Under the Act, a landowner or occupant is obligated to control noxious weeds/seeds and destroy prohibited noxious weeds/seeds.

A municipality can take enforcement action against a company for improper weed control on a surface lease and invoice them for the costs. However, the municipality may be reluctant to do so if they suspect they will not be able to recoup their costs due to operator insolvency.

The Act also allows the municipality to invoice the landowner or occupant for the cost of weed control if the notice is not heeded. Unfortunately, this means a municipality can pursue a landowner for the costs of weed control on a surface lease belonging to a delinquent company.

This creates a difficult situation, as we do not recommend that landowners enter the site to conduct weed control on their own due to liability issues. The FAO does not believe landowners should be held accountable for these types of costs. We will continue to work with other areas of government to try and find a solution.



Photo Credits: Nicole Kimmel, Alberta Agriculture and Forestry

ELECTRIFICATION

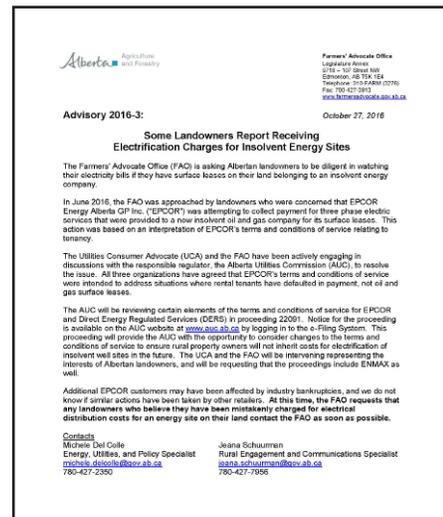
Last summer, a landowner came to the FAO with a concern over an irregularity in his electricity bill. After some examination, it became clear that the utility distributor was billing the landowner for the electrification of an oil and gas site belonging to an insolvent company.

The distributor's actions were based on clauses contained in their Terms and Conditions of Service as approved by the Alberta Utilities Commission (AUC). The clauses were designed to address non-payment in the event of a residential tenancy. The FAO, Utilities Consumer Advocate (UCA), and AUC were in agreement that these clauses were not intended for oil and gas surface leases.

The FAO's goal in this matter has been twofold. We hope to prevent similar issues from occurring again in the future, and we would also like to see affected landowners identified and reimbursed for any electrification costs incurred for insolvent oil and gas sites.

The FAO has been working collaboratively with the UCA on the AUC proceedings. These proceedings will help provide clarity on the Terms and Conditions of Service for all utility providers in Alberta, and further instruction for distributors on their refund obligations.

We will continue to provide updates as this issue progresses.



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BUILDERS' LIENS

Over the past few years, the FAO has assisted numerous landowners with builders' liens that have been incorrectly registered against their Certificate of Title. In some cases, builders' liens have been registered against the fee simple interest rather than the limited leasehold interest. This spring we issued an advisory to help landowners identify and address improperly registered builders' liens.

Under the *Builders' Lien Act*, any person who has provided work or services for improvements on land may register a lien to help ensure payment. Seeing a builders' lien on your Certificate of Title may be nothing to be concerned about if it is limited to the leasehold interest only (though this can delay a sale or refinancing while the effect of the lien is being evaluated).

We have encouraged landowners to check any builders' liens on their Certificate of Title to ensure they have been registered against the leasehold interest.

In rare circumstances, we have also come across landowners who have been named as "owners" in proceedings concerning a builders' lien. For these landowners, we have recommended responding within the time frames listed in the correspondence, clarifying that they are not "owners" under the definition in the *Builders' Lien Act*. Legal assistance may be needed to address these types of situations.

A builders' lien, registered correctly or incorrectly, should automatically be removed from the Certificate of Title after 180 days unless the contractor pursues legal action against the lessee operator.

LAND AGENT LICENSING

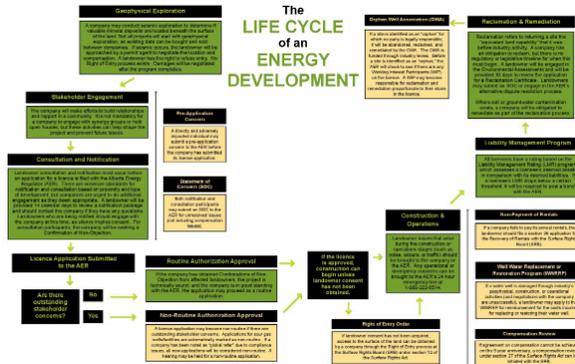
In order to negotiate for an interest in land in Alberta, a person is required to be a licensed land agent. Under the *Land Agents Licensing Act*, an "interest in land" refers to scenarios where land could have been taken without the landowner's consent if an agreement was not successfully negotiated.

The *Land Agents Licensing Act* provides oversight on the licensing of land agents in Alberta, and the *Land Agents Licensing Regulation* establishes a Code of Conduct for licensed land agents. In 2016-17, the FAO identified several concerns with the *Land Agents Licensing Act*. With the support of our Deputy Minister, the FAO provided comment on the Act to the Minister of Labour, suggesting an examination of the role of licensed land agents in anniversary renegotiations for oil and gas surface leases, renewable energy negotiations, freehold mineral rights, and geophysical exploration.

LIFE CYCLE

One of our ongoing efforts in 2016-17 was to increase public awareness about the life cycle of an energy development, particularly around end-of-life needs such as abandonment and reclamation. We created several new resources in response to some of our most frequently asked questions:

- What happens if the company does not pay their annual rental?
- What does it mean if a company is in receivership?
- What is the difference between inactive, suspended, abandoned, and orphaned wells?
- Do I get a say in how the site is reclaimed?
- What is the difference between reclamation and remediation?



At the 2016 Synergy Alberta Conference, the FAO facilitated a session on the life cycle of an energy development, starting with land surveying and ending with reclamation.

Participants were given copies of a publication called **The Life Cycle of an Energy Development in Alberta**, which was later distributed online and at tradeshow in hard copy.

What Does This Letter Mean? The Language of Insolvency was created to provide clarity on the differences between receivership, bankruptcy, and bankruptcy protection. This has proved to be an excellent resource for explaining why a section 36 claim might be delayed due to a Stay of Proceedings.

Understanding Reclamation in Alberta provides a visual aid for what landowners should expect regarding the reclamation process for oil and gas. We distribute this document with a written fact sheet called *10 Things You Should Know About Reclamation*.

FARM IMPLEMENT

A C T

The *Farm Implement Act* provides consumer protection to Albertans purchasing new farm implements by establishing minimum warranty standards, creating requirements on the availability of repair parts, and establishing a process for resolving disputes over agreements and implement performance.

All dealers selling new farm implements in Alberta must be licensed. In 2016-17, the FAO licensed 388 dealers. Any distributor selling products to an Alberta dealer must also be licensed. In 2016-17, the FAO licensed 150 distributors. These lists are publicly available on the FAO website.

FAO staff work in collaboration with the Farm Implement Inspector to address any issues that arise. In 2016-17, the Farm Implement Inspector had 56 client files, 9 of which required a site visit. Problems that cannot be resolved through direct negotiation may proceed to the Farm Implement Board (FIB) for review. One hearing was held by the FIB in 2016-17.

AgriStability Reviews & AgrilInsurance Appeals

Six AFSC AgrilInsurance appeals were held during the fiscal year, with a seventh issue being resolved in favour of the client just days prior to the appeal being held. There were three appeals regarding insufficient inspection strips while another appeal involved the Lack of Moisture program.

One client disputed AFSC's pre-harvest inspection appraisal and his forage production losses. A group appeal involved AFSC's refusal to assess hail damage due to a lack of hail endorsement coverage. The weed infestation issue that was resolved prior to the appeal being held was the only dispute that was decided in favour of the client.

AGRICULTURAL OPERATION PRACTICES ACT

The FAO oversees Part 1 of the *Agricultural Operation Practices Act* (AOPA) concerning agricultural nuisances (smoke, odour, noise, and dust) arising from an agricultural operation. Under the *Act*, the Minister has the discretion to appoint a panel to review a complaint put forward by an aggrieved person. The panel can review the complaint and determine if the nuisance is arising from a Generally Accepted Agricultural Practice.

The FAO had two AOPA applications to the Minister in 2016-17, one concerning dust from a confined feeding operation and the other related to odour on a different confined feeding operation. The panels have been determined and it is anticipated that these issues will be heard in fall 2017. To aid participants and panel members in the appeal, FAO staff reviewed and updated the *AOPA Part 1 Procedures Manual*. This document is available publicly on the FAO website.

The FAO maintains a good working relationship with the Natural Resources Conservation Board (NRCB), the agency responsible for administering Part 2 of AOPA. Their knowledge has helped provide background summaries for the Minister on what actions have been taken under the *Act* to date to help mitigate certain nuisance issues.

There was discussion several years ago about the possibility of a legislative review of AOPA. At this time, a review is not going forward, but the FAO continues to collaborate with the AOPA Extension Team from Alberta Agriculture and Forestry regularly to highlight opportunities and challenges for the future.



RURAL DISPUTES

In 2016-17, the FAO continued to assist hundreds of rural landowners with the questions and conflicts that affect their lives and businesses. The disputes that come to our office vary greatly, including everything from disputes with neighbours or businesses, to problems with local or provincial governments. Our role in a rural dispute will depend on the needs of the situation. In some circumstances, providing information and advice is sufficient, but in others more direct action and intervention may be needed.

As calls come in, we watch for trending issues and topics, often creating resources to help provide additional clarity. Some of the trends we saw over the past year have included:

- Contract Problems

In 2016-17, we were approached by numerous landowners who were looking for help with contract disputes relating to crop share agreements, land rentals, carbon offsets, and grain. In some situations, the problem is actually the absence of a contract altogether. It is more difficult to find a resolution when there is no written agreement in place.

- Preservation of Agricultural Land

The lines between urban and rural are no longer as defined as they once were. When cities grow, development often occurs in areas that were traditionally used for agriculture. Managing new neighbours and municipal planning can be a challenge for the farmers living in fringe areas.

We have seen that similar dynamics are also visible in situations when people leave the city for the quiet of the countryside and find that there are new noises, smells, and limitations that they might not have expected. For municipalities, it can be difficult to balance competing interests and land uses. The FAO gets involved in these types of issues as an advocate for agricultural land and lifestyles, often helping landowners understand municipal processes and communicate their concerns clearly.

- Water-Related Disputes

High volumes of water this spring meant a high volume of calls on drainage issues for the FAO. The majority of these calls were forwarded to Alberta Environment and Parks (AEP), as they have jurisdiction over the *Water Act*. The extent of the FAO's involvement is assessed on a case-by-case basis. The FAO will be working collaboratively with AEP to create resources to help Alberta landowners understand their rights and obligations relating to water.

GROWING EXPOSURE



FAO staff are directly involved in the resolution of disputes, but another important aspect of our work is empowering rural Albertans with knowledge and information. It is our belief that greater availability of current and accurate information can help prevent disputes from occurring.

Over the past few years, we have been working to diversify and expand the ways in which we connect with rural Albertans. In July 2016, we created an email distribution list. Participation in the email distribution list is voluntary and a subscriber may remove their email address at any time. By the end of the fiscal year, the list had grown to 174 subscribers, including landowners, industry, and staff from both provincial and municipal governments. On average, one to four emails are sent per month, and open rates are consistently above 50%.

Over 900 calls were referred to the FAO from the Alberta Agriculture and Forestry's Ag Info Centre in Stettler in 2016-17. This is in addition to the hundreds of calls that FAO staff receive directly.

Social media continued to be a good avenue for reaching our audiences over the past year. As of March 31, 2017, we had 485 Twitter followers and 101 likes on Facebook. Our website at www.farmersadvocate.gov.ab.ca is updated on an ongoing basis as needed. This can be an excellent resource for landowners, as information is available 24/7. Our goal is to provide information that is relevant, timely, and reader-friendly. The home page of the website saw a 12% increase in traffic over last year, and the Energy, Utilities, and Surface Rights page saw a 30% increase in traffic.

Online resources are excellent for providing access to information, but we recognize the need for ongoing face-to-face interaction as well. Our demographic is extremely varied. Not all of our audiences have access to high speed internet, and some people prefer conversation and hard copy publications. All of our flagship publications are available in hard copy from the Publications Department of Agriculture and Forestry. We have also distributed hard copies at various tradeshow, Synergy events, municipalities, and constituency offices.

Our office is intentionally working to build stronger relationships with relevant agencies and stakeholder groups.

- Synergy Alberta and its local groups continue to provide excellent forums for increasing understanding and collaboration in rural communities.
- The FAO continues to hold a honorary seat on the board for the Alberta Provincial Rural Crime Watch Association and was able to provide a grant to a local association for innovative efforts undertaken to prevent crime in their community.
- The also FAO enjoyed the opportunity to provide a landowner perspective on the Alberta Energy Regulator's (AER) Multi Stakeholder Engagement Advisory Committee in 2016-17.

**Farm Implement
Compensation Fund
Financials
2016-17**

FARM IMPLEMENT COMPENSATION FUND

FINANCIAL STATEMENTS

March 31, 2017

FARM IMPLEMENT COMPENSATION FUND

FINANCIAL STATEMENTS

March 31, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Members of Farm Implement Compensation Fund

We have audited the accompanying financial statements of Farm Implement Compensation Fund, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Farm Implement Compensation Fund as at March 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Edmonton, AB
May 8, 2017


Bergeron & Co. Chartered Professional Accountants

**FARM IMPLEMENT COMPENSATION FUND
STATEMENT OF OPERATIONS
For the year ended March 31, 2017**

	<u>2017</u>	<u>2016</u>
REVENUE		
Farm Implement Fund Levies	\$ 146,383	\$ 155,304
Interest	<u>18,219</u>	<u>16,430</u>
	<u>164,602</u>	<u>171,734</u>
EXPENSES		
Bank charges	<u>276</u>	<u>276</u>
	<u>276</u>	<u>276</u>
EXCESS OF REVENUE OVER EXPENSES	\$ <u>164,326</u>	\$ <u>171,458</u>

**FARM IMPLEMENT COMPENSATION FUND
STATEMENT OF CHANGES IN NET ASSETS
For the year ended March 31, 2017**

	<u>Restricted</u>	<u>Total 2017</u>	<u>Total 2016</u>
NET ASSETS			
Balance, beginning of year	\$ 2,076,462	\$ 2,076,462	\$ 1,905,004
Excess of revenues over expenses	<u>164,326</u>	<u>164,326</u>	<u>171,458</u>
Balance, end of year	<u>\$ 2,240,788</u>	<u>\$ 2,240,788</u>	<u>\$ 2,076,462</u>

FARM IMPLEMENT COMPENSATION FUND
STATEMENT OF FINANCIAL POSITION
March 31, 2017

	<u>2017</u>	<u>2016</u>
ASSETS		
CURRENT		
Cash (Note 3)	\$ <u>2,240,788</u>	\$ <u>2,076,462</u>
TOTAL ASSETS	\$ <u>2,240,788</u>	\$ <u>2,076,462</u>
LIABILITIES		
CURRENT		
NET ASSETS		
Restricted net assets	2,240,788	2,076,462
Unrestricted net assets	<u>-</u>	<u>-</u>
TOTAL NET ASSETS	<u>2,240,788</u>	<u>2,076,462</u>
TOTAL LIABILITIES & NET ASSETS	\$ <u>2,240,788</u>	\$ <u>2,076,462</u>

Approved by the Directors:

_____, Director

_____, Director

**FARM IMPLEMENT COMPENSATION FUND
CASH FLOW STATEMENT
For the year ended March 31, 2017**

	<u>2017</u>	<u>2016</u>
OPERATING ACTIVITIES		
Excess of revenue over expenses	\$ <u>164,326</u>	\$ <u>171,458</u>
INCREASE IN CASH AND CASH EQUIVALENTS	164,326	171,458
CASH AND CASH EQUIVALENTS, beginning of year	<u>2,076,462</u>	<u>1,905,004</u>
CASH AND CASH EQUIVALENTS, end of year	\$ <u>2,240,788</u>	\$ <u>2,076,462</u>

See accompanying Notes to Financial Statements

Bergeron&Co.

FARM IMPLEMENT COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

1. PURPOSE OF THE NOT-FOR-PROFIT ORGANIZATION

The Farm Implement Compensation Fund (the Fund) consists of money received by the Farm Implement Board (the Board) from levies, assessments and penalties in accordance with the Farm Implement Act. This fund is maintained by the Board and its financial results are reported annually through an audit process. Every year the Board sets the levy that Alberta dealers and distributors pay to the Fund. In addition to the levy, the Board may order an additional assessment on applicants who did not hold a licence in the previous year and on licencees with respect to whom the Board awarded compensation from the Fund. The Board and the Fund are both exempt from income tax.

2. ACCOUNTING POLICIES

These financial statements were prepared in accordance with Canadian accounting standards for not-for-profit organizations (ASNPO) and include the following significant accounting policies:

Revenue recognition

- a) The revenues of the Fund consists of levies, assessments, penalties, and interest. Levies, assessments, and penalties are recorded as income when they are received. Levies received that are for the following calendar year are not deferred.

Interest is recorded as revenue when it is received.

Management's use of estimates

- b) When preparing financial statements according to ASNPO, the Fund makes estimates and assumptions relating to:
- Reported amounts of revenue and expenses;
 - Reported amounts of assets and liabilities; and
 - Disclosure of contingent assets and liabilities

Management's assumptions are based on a number of factors, including historical experience, current events and actions that the Board may undertake in the future, and other assumptions that we believe are reasonable under the circumstances. Actual results could differ from those estimates under different conditions and assumptions.

Cash and cash equivalents

- c) Cash is comprised of amounts on deposit at financial institutions.

FARM IMPLEMENT COMPENSATION FUND
NOTES TO FINANCIAL STATEMENTS
March 31, 2017

3. FINANCIAL INSTRUMENTS

The organization is exposed to various risks through its financial instruments. The following describes the exposures to those risks, how they arise, any changes in risk exposures from the previous period, and any concentrations of risk.

Credit risk:

Credit risks arise from one sources: cash, which is deposited with reputable, major financial institutions to limit the credit risk exposure.

farmers'
advocate
office

Alberta  Agriculture
and Forestry

Ministry of Agriculture and Forestry
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