

ANNUAL REPORT 2017



Unique Financial Services

AFSC

INSURANCE • LENDING • INCOME STABILIZATION

**AGRICULTURE FINANCIAL
SERVICES CORPORATION**

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ALBERTA
AGRICULTURE AND FORESTRY

Honourable Oneil Carlier
MLA, Whitecourt-Ste. Anne

LETTER OF TRANSMITTAL

May 30, 2017

The Honourable Oneil Carlier
Minister of Agriculture and Forestry
228 Legislature Building
10800 97 Avenue
Edmonton, Alberta T5K 2B6

Dear Minister Carlier:

On behalf of the Board of Directors, we are pleased to submit the 2016-17 annual report of the Agriculture Financial Services Corporation (AFSC).

As required by Section 15 of the *Agriculture Financial Services Act* (RSA 2000, c.A-12), the report contains a summary of the transactions and affairs of the corporation, its revenues and expenditures for the fiscal year ended March 31, 2017.

The report also contains audited financial statements, comprised of the statement of financial position, statement of operations, statement of cash flows and notes to the financial statements.

Yours truly,

Bev Yee
Interim Chair of the Board

Ed Knash
Interim CEO

MINISTER OF AGRICULTURE AND FORESTRY MESSAGE



Alberta's agriculture sector and rural communities are part of the foundation of this province. Their ongoing success is essential to maintaining a strong and diversified economy that creates jobs and supports a high quality of life for Albertans.

For more than seven decades, the Agricultural Financial Services Corporation (AFSC) has been an important partner to help our producers, agriculture-based business and rural Alberta to continue to thrive. The provincial Crown corporation provides a unique suite of financial services - from lending programs to insurance to income stabilization - that are tailored to the needs of rural communities.

Over the last 10 years, AFSC's lending portfolio has nearly doubled to more than \$2 billion, providing funds to help producers finance their operations and entrepreneurs to grow their businesses. In 2016, AFSC insured about 77 per cent of the total seeded annual acres, providing \$4.5 billion in coverage. These services not only provided significant investment in our economy, but also supported producers with tools to deal with weather-related challenges like hail and the untimely snowfall that hampered harvest in some areas of the province.

While AFSC's frontline staff have continued to provide valuable services to their clients, a number of significant changes have been made at the organization over the past year, including the replacement of AFSC's board of directors and the introduction of new executive compensation guidelines. These were necessary steps to strengthen oversight and reflect our government's commitment to ensuring that all of Alberta's agencies, boards and commissions are efficient, effective and accountable.

I want to take this opportunity to thank the interim board of directors for their hard work over the past year to further enhance AFSC's internal policies and procedures.

I also want to welcome the new eight-member board of directors that was appointed in April. Members of the new board have a wealth of experience in agriculture, agribusiness, rural entrepreneurship and board governance that will serve them well as they help lead AFSC forward.

The future of our agriculture sector and rural communities remains bright, with tremendous opportunities for growth. I know the dedicated staff at AFSC will continue to have an important role in shaping that future by ensuring the right financial tools are available to help rural Alberta reach its full potential.

Oneil Carlier
Minister
Agriculture and Forestry

MESSAGE FROM THE INTERIM CHAIR OF THE BOARD

It has been a very busy year for staff at the Agriculture Financial Services Corporation (AFSC) and I want to take this opportunity to thank everyone for their hard work to deliver crucial services to Albertans across the province.

From working with producers impacted by the snowfall during last year's harvest, to helping implement an AgriRecovery program to assist southern Alberta beef producers affected by a Bovine TB investigation, AFSC staff have had an important role in assisting the agriculture community access insurance and business risk management programs to help weather these challenges.

At the same time, the corporation's lending programs have also continued to be an important tool for farmers, agri-based businesses and rural entrepreneurs. With approximately \$500 million in annual loans support, AFSC continues to be a key source of capital to help fuel economic activity in communities across the province.

The past year has also been a time of renewal at AFSC as an interim board of directors, which was appointed in June 2016, has been working with staff to improve internal processes and procedures to strengthen controls over expenses, travel and procurement. This work included reviewing and revising a number of AFSC policies in order to ensure compliance and allow for effective oversight.

In April 2017, Minister Carlier appointed a new eight-member board of directors to continue this work and to help ensure the corporation continues to adapt and evolve to meet the needs of Albertans.

It was an honour to serve as Interim Board Chair, and I am proud of the work that AFSC has done to support our agriculture sector and rural communities over the past year.

I look forward to continuing to work with the new board and with the dedicated staff at AFSC.



Bev Yee
Interim Chair of the Board

OVERVIEW OF AFSC

Rural Alberta is a key economic driver in the success of the province, and Albertans need access to the proper resources to achieve their own success and prosperity. Producers need stability to manage the risks of weather, volatile commodity prices and uncertainty in markets.

For almost eight decades, Agriculture Financial Services Corporation (AFSC) has served as a Crown Corporation that supports and contributes to the diversification of Alberta's economy. AFSC provides insurance products to agricultural producers and a source of lending capital to aspiring entrepreneurs. Farmers, agri-businesses and commercial operations have come to know AFSC as a trusted source of unique financial services.

Income Stabilization Products

Income stabilization is a core focus for AFSC, Alberta's delivery agent for AgriStability.

Insurance Products

AFSC offers a range of insurance programs that include:

- Individualized production insurance for annual crops, hay and honey;
- Area-based programs for annual feed crops, corn and pasture;
- Cattle and hog price insurance programs;
- Straight Hail insurance; and
- Bee Overwintering Insurance

Lending Products and Services

AFSC offers financing for farms, commercial operations, agri-businesses and value-added enterprises. It also offers loan guarantees and capital sourcing services.

With 44 branch offices located across the province, AFSC works closely with producers, other agribusinesses and commercial entities to support and advance agricultural development, to create new opportunities for businesses and to help enhance the quality of life for rural Albertans.

AFSC CORPORATE GOVERNANCE

AFSC operates under the authority of the *Agriculture Financial Services Act* and the *Agriculture Financial Services Regulation* as a provincial Crown Corporation. AFSC serves in a public policy role for the Government of Alberta. The Board of Directors provides leadership and direction to the corporation, overseeing management and performance.

Composition of the Board of Directors

As of March 31, 2017, the Board of Directors consisted of six interim directors. The Minister of Agriculture and Forestry terminated the previous board and appointed the Interim Board members on June 13, 2016. The Interim Board members were all senior government officials. The Interim Board members were:

- Bev Yee, Chair
- Jamie Curran
- Philip Bryden
- Ray Gilmour
- Cynthia Farmer
- Martin Chamberlain

The Board usually has Board Committees but the Interim Board acted as a Committee of the Whole with no Board Committees. The Interim Board was given a mandate to review and improve governance. Other Board responsibilities include strategic management, enterprise risk management, corporate governance and stewardship, communication with shareholder and stakeholders, integrity and ethical conduct, and fiscal responsibilities and financial reporting.

On June 13, 2016, three Executives, Brad Klak, Merle Jacobson and Wayne McDonald, were placed on administrative leave.

The AFSC Executive Leadership Team at March 31, 2017:

- Ed Knash, Interim CEO
- Brad Klak, President and Managing Director (Administrative Leave)
- Merle Jacobson, Chief Operating Officer (Administrative Leave)
- Darryl Kay, Chief Financial Officer
- Craig Floden, VP Legal and Compliance, General Counsel
- Chris Dyck, Interim Vice President of Innovation & Product Development
- David Maddox, Interim VP, Operations & Sales
- JJ Campbell, Chief Information Officer
- Karla Kochan, Senior Manager, Human Resources & Communications

NATURE OF OPERATIONS

AFSC is in the business of helping Albertans achieve prosperity and build successful enterprises. By providing strategic risk management and income stabilization programs for farm clients and forward-thinking lending programs for both urban and rural entrepreneurs. In doing this, AFSC supplies Alberta businesses with the valuable tools they need to thrive.

OVERVIEW

Economic Climate

The Alberta economy remained in recession during the 2016 calendar year, a hangover from the down turn in the energy sector. While West Texas Intermediate Crude increased from \$36.94 USD/BBL to \$50.54 USD/BBL, energy prices remained below highs reached in recent years. Conventional oil drilling and investment remained muted relative to the trends experienced prior to 2014, thereby continuing the economic challenges across Alberta.

National economic growth was modest in 2016 with the Canadian economy growing at a rate of 1.4 per cent. Due to the modest growth, the Bank of Canada did not act to raise interest rates, while stronger economic performance in the United States led to an increase in the American rates. Throughout the year, the CAD/USD exchange rate remained within the 74 cent to 80 cent range, which helped Alberta's export competitiveness.

Both domestically and internationally, the prices of most agricultural commodities trended downward throughout the year. Extra economic pressure was placed on many Albertan producers as unseasonably wet weather during the fall left many crops unharvested across the province.

Despite provincial economic challenges, and production difficulties, Alberta's farmland value increased 9.5 per cent in 2016. This increase was the second largest in the country. Much of the price appreciation was contributed to grain sector expansion in the province's north and non-traditional buyers in the south.

Annual Crop Conditions

The 2016 crop year proved to be challenging for many Alberta producers. Following a drier than normal winter, the snow dissipated quickly in spring allowing many producers to start seeding earlier than normal. By the start of June, seeding was 97 per cent complete and surface moisture began improving with rain showers across the province.

By the start of the summer, frequent showers resulted in good to excellent crop conditions across nearly all of Alberta. By mid-July, near-record hail incidences affected crops in most areas of the province. By mid-August, producers who were not affected by hail were still anticipating good to bumper crops, even as wide spread showers, thunderstorms and hail continued to dominate weather patterns. Crop conditions remained good to excellent across the province, well above the five-year average. However, the wet weather pattern that had persisted throughout the entire growing season continued to affect much of the province, resulting in challenging conditions for harvest.

Wet weather in the first week of September slowed harvest operations. Despite difficult ongoing harvest conditions throughout most of the province in September, producers persisted and by the first part of October, harvest was 69 per cent complete. In contrast, due to the good soil moisture conditions, fall seeded crops were off to a strong start.

Snow came in early to mid-October, flattening crops and covering swaths. The snow, frost and wet conditions impacted both the yield and quality of crops. Harvest progress continued to be a struggle as excessive moisture conditions persisted. Producers in the South, central and North East regions were able to make marginal progress until mid-November, while harvest in the North West and Peace was at a standstill.

Despite the tough harvest conditions, the crops that were harvested produced good yields, although quality was below normal because of the excess moisture. The 2016 harvest came to an end in late November with 978,138 insured acres still unharvested out of a total of 15.2M insured acres. The unharvested acres covered a wide area including the North East, North West and Central areas of the province, along with parts of the Peace Region. AFSC extended the period of insurance beyond November 30, to ensure producers with unharvested crops were covered for their overwintering losses.

Throughout the winter, there were periods across the province where temperatures rose above freezing for four to five days at a time, resulting in thawing and then refreezing as winter temperatures returned. This repetitive thawing and freezing, followed by snow accumulation continued to delay producers' attempts to get the unharvested crops off. Many producers were left with the additional task of cleaning up their unharvested acres prior to being able to seed the 2017 crop.

There is hope that most of the unharvested acres will be harvested in the spring of 2017. Producers will be under considerable time-pressure as they attempt to harvest the 2016 crop and seed the 2017 crop on land with excessive moisture.

Perennial Crop Conditions

Growth of hay and pasture crops was slow due to drier than normal spring soil moisture conditions. In early May, perennial crops were rated low at 25 per cent poor, 36 per cent fair, 34 per cent good, and only 5 per cent in excellent condition. Rains came at the end of May and warmer weather came in early June. This improved the perennial crop ratings to 67 per cent good to excellent. Haying started in early June in some areas, and provincially by June 17.

Wet weather continued, affecting hay quality; by the end of July, only 65 per cent of first cut haying was completed. Pastures benefited from the frequent showers; by the start of July, 74 per cent were rated as either good or excellent across the province.

By early August, pastures were impacted by the cooler weather and the conditions dropped to 58 per cent good and 19 per cent excellent. Second cut yields were very good and quality was fair to good, but as rains continued, the quality of the second cut hay deteriorated.

Livestock Overview

2016 was a very challenging year for the North American cattle industry. This was due to larger cattle populations, and increased carcass weights created a larger meat supply than in previous years. These negative supply conditions and negative market sentiment culminated in a severe market low in October of 2016.

The 2017 cattle market supply and demand fundamentals drastically changed, and the market is now performing strongly.

Livestock commodity futures and a strengthened American currency were behind the price rally. These changes occurred for many reasons, including the shift in American politics, supply and demand fundamentals, and seasonality of the cattle markets. The Canadian beef herd saw a small expansion of 0.3 per cent. Alberta continued to lead the country in total herd size with 4.85M head; however the province's beef herd decreased slightly as of January 1, 2017 dropping 1.4 per cent. Tighter supply, plus profitability in all

cattle sectors encouraged both the feeding and packing sectors to keep cattle in Canada rather than be out-bid by export destinations. Looking forward, analysts indicate that market fundamentals remain bullish, while the market is expected to regain its normal seasonal tendencies and variable prices.

Hog markets were also volatile, driven largely by fluctuations in production numbers, including US herd expansion plans. The 2016 Canadian hog inventory numbers increased 1.6 per cent from the year prior, and reported 1.8 per cent fewer exports than 2015.

The livestock sectors continue to rely on robust trade markets for continued success. Growing meat supplies threaten to hurt prices, but carcass weights have shrunk from their peak in 2016, reducing overall available meat supplies.

ASSISTANCE FOR ALBERTA'S AGRICULTURE SECTOR

AFSC supported Alberta producers, who dealt with varied conditions in 2016-17, by offering a broad range of products and services.

Growing Forward 2

The Growing Forward 2 (GF2) Framework Agreement is between the federal, provincial and territorial governments, including Alberta. GF2 outlines the direction of the following national programs: AgrilInsurance, AgriStability, AgriInvest, AgriRecovery and the Wildlife Damage Compensation Program.

AFSC is responsible for all portions of the multilateral GF2 Agreement that govern agriculture risk management in Alberta. The Government of Alberta's Ministry of Agriculture and Forestry is responsible for the bilateral portions of the agreement, which address the development of the agriculture industry. 2016-17 saw the beginning of federal and provincial negotiations to develop the next multilateral agreement to be implemented when the current GF2 agreement expires, March 31, 2018.

AGRISTABILITY

Producers can experience significant margin declines due to many circumstances, such as production shortfalls, falling commodity prices, and/or rising input costs.

The AgriStability program provides compensation and support for participating producers whose whole farm operation experiences a margin decline. AgriStability is funded in accordance with the GF2 Framework Agreement, through which the Government of Canada covers 60 per cent of AgriStability claim payments and administrative costs; the Government of Alberta funds the remaining 40 per cent.

Eligible participants receive compensation when their program margin, in a fiscal year, declines by more than 30 per cent below their support level. The support level is based on either the average of three production margins selected from the previous five years or the average of the corresponding allowable expenses, whichever is less.

Production margins are derived from allowable income less allowable expenses, adjusted for changes in inventories, accounts receivable, accounts payable and purchased inputs. The allowable expenses used to calculate the support level is also adjusted for accounts payable and purchased inputs.

Under the program, allowable income includes the proceeds from agricultural commodity sales and the proceeds from production insurance. Allowable expenses include commodity purchases, along with direct input costs incurred in the farming operation.

Should farming operations undergo a structural change—such as a change in ownership, operation size or farming practices—the participant’s production margins during the reference period will be adjusted to make their support level comparable to the current program year margin.

To participate, eligible applicants must report farming income or losses in Canada for income tax purposes. They must also have engaged in farming activity for a minimum of six continuous months and completed a production cycle. Enrollment is required by April 30 of the program year, and participants must remit an enrollment fee.

2016-17 year in review

As of March 31, 2017, 10,163 claims were processed and six per cent of participants received payments for the 2015 claim year. This is similar to the 2014 claim year.

As of March 31, 2017, 87 per cent of the 2015 program year claims were processed for a total of \$37.5M in benefits paid to participants; AFSC estimates an additional \$44.1M could be paid on the remaining claims. Early forecasts for the 2016 program year claims are projected at \$162.8M.

During the 2015 program year, producers were impacted by declines in the cattle and hog sectors. Crop growing conditions in the province during 2015 were somewhat challenging for Alberta’s producers. The 2015 crop season started with a dry spring followed by a hot, early summer with limited moisture, which had an adverse impact on crop growth. As harvest progressed across the province, yields were higher than expected in most areas. Honey producers were also impacted by dry conditions as well as lower honey prices.

While the participation is declining in terms of the number of applications received, as of March 31, 2017, producers who participated in the 2015 AgriStability program year represented 65 per cent of Alberta’s farm cash receipts, compared to 63 per cent in 2014.

Claim year	Number of claims processed	Support level \$,000	Average support level \$	Number of claims with payment	Total payments \$,000	Average payment \$
2015	10,163*	1,884,351	228,295	641	37,453	58,428
2014	13,807	2,514,962	224,530	946	34,167	36,117

- *10,163 claims processed out of 11,681 total AgriStability claims as of March 31, 2017
- *Claims are processed using participants tax information, resulting in a one year lag

AGRIINVEST

AgriInvest is a matching, deposit-based program for producers who face small income declines, providing support for investments to mitigate risks or improve market income. The program is administered by the federal government, and AFSC assists as necessary. AgriInvest funds, including the government contribution, can be withdrawn at any time with no pre-existing withdrawal requirements.

The program is simple, responsive, predictable and bankable, allowing participants to easily predict government contributions to producer-managed accounts each year. Under the GF2 Program Guidelines, federal and provincial governments will match each producer’s contributions up to one per cent of their allowable net sales (ANS), subject to eligibility, to a maximum of \$15,000 per year. They can carry a maximum account balance of 400 per cent of the three-year ANS average.

AgriInvest accounts are opened at a participating financial institution of a producer’s choice. Eligible producers have a deadline of 90 days from the date of notification to make a deposit in AgriInvest accounts. The matching government contributions and administrative costs are shared between the federal (60 per cent) and provincial governments (40 per cent).

AgriInvest 2016-17 year in review

As of March 31, 2017, 21,484 Alberta producers deposited \$60.2M in AgriInvest accounts for the 2015 claim year. This brings the total value of 25,421 account balances to \$595M, up from the previous year’s total of \$549M. The average account balance is \$23,404.

Claim Year	Number of Producers Eligible	Total Value of Maximum Matchable Deposits \$,000	Number of Producers Deposit	Total Value of Contributions by Producers \$,000	Total Value of Contributions by Governments \$,000
2015	28,534	72,332	21,484	60,233	60,233
2014	28,828	70,000	22,230	62,052	62,052

- Claims are processed using participants tax information, resulting in a one year lag

AGRIRECOVERY

AgriRecovery is part of the GF2 Framework agreement, guiding federal and provincial governments in determining how and when to provide timely assistance to producers impacted by disasters when existing programs may not offer coverage. AgriRecovery is funded 60 per cent by the Government of Canada and 40 per cent by the Government of Alberta.

Once a disaster has been declared, the federal and provincial governments assess the situation, including the amount of funding available from existing programs, and develop an appropriate response. Programs vary depending on the individual disaster. As the delivery agent for AgriRecovery in Alberta, AFSC works with the federal and provincial governments, and is involved in the disaster assessment and any initiative development phases as necessary.

Alberta Bovine Tuberculosis Assistance Initiative (CABTAI)

In September 2016, an animal from a cattle ranch in Southeast Alberta tested positive for bovine tuberculosis (Bovine TB) at a slaughter plant in the United States. The Canadian Food Inspection Agency's (CFIA) actions in response included the placement of quarantines, testing of animals and if necessary the destruction of animals. The CFIA investigation placed more than 70 premises in Alberta and Saskatchewan under quarantine to prevent the potential spread of the illness and maintain the integrity of the food safety system.

The CFIA quarantines posed some serious challenges for impacted Alberta ranchers as the quarantines were placed at a time when most producers would be selling fall calves. With the impacted producers unable to sell their calves, it was evident that they would incur extraordinary costs associated with retaining the animals until the quarantines are lifted, including housing, feeding and general care. To assist with the financial challenges producers would face, an official request for AgriRecovery assistance was sent to the federal government on November 1, 2016. Officials from AFSC, Alberta Agriculture and Forestry and the CFIA, worked with affected producers to understand the financial impacts the quarantines would have. The feedback provided by the producers and industry groups proved beneficial to program design and development, despite the ongoing fluidity and uncertainty of the situation. On November 30, 2016 the Alberta and Federal governments announced CABTAI to help Alberta producers deal with the Bovine TB quarantines; initial program payments were made to producers two weeks later.

2016-17 year in review

As of March 31, 2017, 50 eligible applicants received \$4.7M in compensation.

INSURANCE

Alberta producers constantly face the uncertainty of weather, commodity price fluctuations and global politics. Most producers consider relevant and well-designed business risk management tools to be vital to the sustainability of their operations. AFSC is proud to offer some of the most comprehensive insurance programs for crops and livestock in Canada.

Through the Growing Forward 2 (GF2) Framework Agreement, AFSC provides AgrilInsurance coverage, which gives producers protection against losses caused by designated natural perils on annual and perennial crops. AFSC also provides made-in-Alberta programs that are exclusive to Alberta agricultural producers, which expand available insurance coverage beyond what AgrilInsurance delivers.

Most producer premiums are cost-shared between participating producers (40 per cent), the federal (36 per cent) and provincial governments (24 per cent) according to a specific formula within the multilateral GF2 Framework Agreement. However, this ratio can vary because premiums for some insurance programs and endorsements are fully funded by producers, the Government of Alberta, or cost-shared in different arrangements between producers and governments.

In total, AFSC's insurance products provided \$6.0 billion in coverage for 2016-17, as compared to \$5.1 billion in 2015-16. AFSC collected \$818M in premium for 2016-17, as compared to \$670M in 2015-16. AFSC's crop insurance coverage for annual crop, perennial crop and straight hail increased by \$631M and Western Livestock Price Insurance Product coverage increased by \$313M over last year.

New and Enhanced Insurance Products for the 2016 Crop Year

Six enhancements to existing or new products were launched in 2016. AFSC receives ongoing feedback from clients and industry partners, to ensure our insurance programs stay relevant.

Winterkill in Pedigreed Alfalfa

Winterkill in pedigreed alfalfa crops is a serious peril for Alfalfa seed producers causing damage to current year seed crops and potentially those in the following year. AFSC, with help from the Alfalfa Seed Commission in Alberta, has added the winterkill peril for Pedigreed Alfalfa insurance.

Insurance for Organically Grown Crops

Insurance is now available for select organically grown crops under the Annual Production Insurance Program. This product is designed to recognize differences between organic and conventional production practices, yields and prices. The result is an insurance program for organic producers with premium rates and coverages that reflect their sector.

Bee Overwintering

A review of the Bee Overwintering program was undertaken by AFSC and the Alberta Beekeepers Commission. The result was a shift from a system where premium rates and coverage are the same for all producers to one where individual experience is recognized.

Malt Barley Insurance

For the first time in Canada, insurance specifically for malt barley is available for growers with malt production contracts. The product was created in conjunction with industry partners including the Alberta Barley Commission, maltsters and malt producers in the province. Full production insurance is now available for malt barley producers with an insurance price that reflects the price premium of malt barley over feed barley. Over 500,000 acres of malt barley were insured in 2016.

Changes to Field Pea Insurance

AFSC, with the help of Alberta Pulse Growers, has shifted insurance for field peas to reflect changes in the mix of animal feed and human consumption end use. The recent change reflects the current shift of the distribution to nearly all human consumption. The insured coverage price and guaranteed grade for peas is now based solely on a human consumption 2 CAN grade.

Separate Coverage for Yellow Dry Beans

A distinct, separate category for yellow dry beans (Mayocobas) was created to provide insurance that more accurately reflects yields.

Production-Based AgrilInsurance Products

AFSC offers production-based (individualized) insurance coverage for most dryland and irrigated crops grown in Alberta. Producers are compensated when their yields fall below their coverage because of natural perils beyond their control. The primary perils covered under these products are drought and hail. For most annual crops, coverage is based on a calculated Individual Coverage for each client. Premium rates vary according to crop type, risk area, cropping practice and selected coverage level. Producers can choose coverage levels of 50, 60, 70 or 80 per cent (90 per cent for sugar beets) of their individual average yield history.

For hay crops, coverage is based on an indexing system in which individual yields are compared to area average yields every year. This comparison results in an index for each insured producer. This index is then multiplied by the risk area normal yield to determine an individual's normal yield. As with annual crops, hay producers can select yield coverage of 50, 60, 70, or 80 percent of their individual normal yield. Hay producers also have four insurable value options.

Area-Based AgrilInsurance Products

AFSC offers area-based insurance products for annual feed crops, corn and pasture. These products work well for crops that are difficult to insure under production insurance. The parameters and payment triggers selected for area-based programs are correlated to losses on the farm or ranch, although there are times when what happens on a producer's farm is different than what happens at a particular weather station. The area based programs offered by AFSC are: Satellite Yield Insurance (SAT) for pasture, Moisture Deficiency Insurance (MDI) for pasture, Silage/Greenfeed Insurance for annual feed crops, Corn Heat Unit (CHU) Insurance for corn and Moisture Deficiency Endorsement (MDE) for hay.

Additional Benefits – an overview

Both production-based and area-based products have benefits that provide additional coverage. The cost of these benefits is included in the base premium.

Re seeding Benefit: This provides compensation for acres damaged prior to June 20 by a designated peril, and is intended to partially compensate for the cost of re seeding the original crop (annual crops only).

Unseeded Acreage Benefit: This provides compensation for acres unseeded by June 20 due to excess moisture. This is intended to partially compensate for the direct and indirect cost of seed bed preparation (annual crops only).

Variable Price Benefit (VPB): This is intended to ensure producers are compensated for their production loss at market values in the event that fall market prices for insured crops are 10 percent or more above the original insured value. This benefit applies to most crops, excluded crops are normally those crops grown under a fixed price contract. The VPB is limited to a 50 per cent increase (most annual and perennial crops).

Unharvested Acreage Benefit: This provides an advance payment on eligible acres of insured crops that remain unharvested after November 30 due to the onset of winter, when specified criteria are met (annual crops).

Spot-Loss Fire Benefit: This is included on insured pasture acres under both SAT and MDI programs and protects against accidental fire and fire caused by lightning (pasture).

Annual Crop

Annual Crop Production Insurance provides a production guarantee based on a calculated, individual coverage for each client. Producers also have the option to purchase the Hail Endorsement and Spring Price Endorsement with their crop insurance policies; there is a separate premium for these endorsements.

2016-17 Annual Crop Indemnities

Hail was the main cause of loss this past year. Hail accounted for nearly 78 per cent of all insurance losses, as of March 31, 2017. AFSC approved 6,022 straight hail and hail endorsement assessments for a total of \$358M in indemnities paid to producers. This past hail season was second only to 2012, which saw a record \$450M paid to producers.

In 2016, the unharvested acreage benefit was triggered. 978,138 insured acres were left unharvested. Of these, 686,530 acres qualified for the unharvested acreage benefit, an advance paid to clients, generating 1,964 (as of March 31, 2017) unharvested advances, which paid out \$33M.

In addition to the indemnities paid below, for the unharvested acres left out over the winter, there will be additional losses for 2016 crops estimated at \$73M added to the total losses incurred by clients.

Crop Year	Contracts	Acres ,000	Premium \$,000	Liability \$,000	Contracts with indemnity	Indemnity \$,000	Loss/ premium %
2016	12,198	15,188	438,291	4,522,730	3,902	107,287	24.5
2015	11,869	14,730	368,722	3,913,232	5,310	213,388	57.9

- AgrilInsurance products for annual crops include: crop, silage greenfeed, corn heat unit, processing vegetables, New Crop Insurance Initiative (NCII), honey and bee overwintering insurance.
- Note: AFSC insured 77% of Alberta's crop seeded acres for the 2016 crop year.

Perennial Crops

Perennial Crop Insurance provides a production-based guarantee for hay crops and area-based coverage for pastures. Producers can also choose to purchase the area-based Moisture Deficiency Endorsement with Hay Insurance.

2016-17 Perennial Crop Indemnities

Of the 5,856 subscriptions, 13.5 per cent of these clients received \$4.8M in indemnities. This compares to the \$60.8M paid out to 91.3 per cent of perennial crop clients last year. This resulted in a 19.7 per cent loss to premium ratio in 2016, which was much lower than the 352.7 per cent ratio in 2015.

Crop Year	Contracts	Acres ,000	Premium \$,000	Liability \$,000	Contracts with indemnity	Indemnity \$,000	Loss/Premium %
2016	5,856	7,806	24,395	147,269	790	4,797	19.7
2015	5,161	6,692	17,246	128,949	4,710	60,835	352.7

- Perennial insurance programs include Hay and Moisture Deficiency Endorsement, Export Timothy Hay, and Satellite Yield and Moisture Deficiency Insurance for pasture
- Note: AFSC insured 29 per cent of Alberta's hay and pasture acres for the 2016 crop year

Endorsements – an overview

AFSC offers additional endorsements to its clients to enhance Alberta's risk management programs and provide the most comprehensive insurance coverage in Canada. Endorsements provide additional coverage which clients can opt to purchase for additional premium. Annual crop programs offer two endorsements: Hail Endorsement and Spring Price Endorsement.

Spring Price Endorsement (SPE) offers protection for price declines of 10 per cent or more from the spring insurance price to the fall market price; limited to a maximum decrease of 50 per cent. For production-based programs, payments are calculated by paying the price difference on the production of the insured crop, up to the yield coverage for the crop. For area-based programs, production on the farm has no impact; payments are calculated based on production deemed to be grown, up to the coverage level purchased.

In general, crop prices were lower in the fall of 2016 than in the spring. Most major crops experienced a 9.5 per cent drop, on average, between the spring insurance price and the fall market price. Cereals dropped 10 per cent on average, oilseeds declined by 6 per cent, and field peas were 12 per cent lower in the fall than in the spring.

- Spring Price Endorsement payments totaled \$7M over 389 clients in 2016. This was a 142 per cent increase, over the \$2.9M in payments issued to 92 clients in 2015. In general, strong commodity prices carried into the spring of 2016 and declined into the fall causing higher payments than the 2015 year.

Crop Year	Contracts	Acres ,000	Premium \$,000	Liability \$,000	Contracts with indemnity	Indemnity \$,000	Loss/Premium %
2016	952	701	16,040	238,257	389	6,988	43.6
2015	1,017	745	15,098	202,169	92	2,888	19.1

Hail Endorsement provides spot-loss coverage on a crop specific basis for damage caused by hail, accidental fire, and fire caused by lightning for both individual based production insurance and area-based production insurance programs. Coverage is limited to the coverage level that the producer selects, and is not available for crops insured at the 50 per cent coverage level.

Premiums for Hail Endorsement are significantly lower than Straight Hail premiums. Producers pay only 33 per cent to 37 per cent of the Straight Hail premium rate for the township, depending on the type of crop. Premiums are cost-shared between clients (50 per cent), the Government of Alberta (36 per cent) and the federal government (14 per cent).

- In 2016, 4,464 Hail Endorsement clients reported a loss, resulting in 6,882 inspections for a total of \$306.7M in payments. In 2015, 3,386 subscriptions received \$206.3M.

Hail Endorsement - Subsidized premium and linked with AgrilInsurance programs

Crop Year	Contracts	Acres ,000	Premium \$,000	Liability \$,000	Contracts with Indemnity	Indemnity \$,000	Loss/Premium %
2016	10,679	13,510	271,490	4,097,191	4,464	306,679	113.0
2015	10,481	13,249	216,823	3,570,422	3,386	206,355	95.2

Straight Hail Insurance

Straight Hail Insurance provides producers with spot-loss crop protection from hail damage, accidental fire or fire by lightning. Anyone with an interest in an insurable crop grown in Alberta, whether they are a producer, a tenant or a crop-share landlord, can purchase Straight Hail Insurance. Coverage is available from the time the crop emerges until it is harvested or November 1, whichever is earlier. The Straight Hail Insurance program is fully funded by producer premiums.

2016-17 year in review

The program's 3,768 clients were covered for 3.9M acres, created \$549.8M in insured risk and generated premiums of \$45.9M. In total, 41.3 per cent of subscribing clients experienced a loss, which resulted in payments of \$51.3M and a 111.8 per cent loss-to-premium ratio. In 2015, the number of clients who purchased straight hail was very similar at 3,757. A lesser number, 31.9 per cent of subscribing clients reported a loss, which resulted in payments of \$32.6M and a 72.2 per cent loss-to-premium ratio.

Straight Hail Insurance - 100 per cent producer funded premiums

Crop Year	Contracts	Acres ,000	Premium \$,000	Liability \$,000	Contracts with Indemnity	Indemnity \$,000	Loss/Premium %
2016	3,768	3,861	45,914	549,835	1,558	51,324	111.8
2015	3,757	3,801	45,123	546,376	1,200	32,601	72.2

The Wildlife Damage Compensation Program (WDCP)

Crop damage caused by wildlife and waterfowl is a risk in agriculture. AFSC compensates producers on behalf of the provincial and federal governments for this type of crop damage through the Wildlife Damage Compensation Program (WDCP).

The WDCP includes:

- Spot-loss coverage for unharvested crops damaged by waterfowl, big game animals or upland game birds. The program applies to all commercially grown annual crops and hay that can be insured under production-based and Straight Hail Insurance programs. Crops grown for pasture or cut for grazing are not eligible.
- Excreta Market Loss-Cleaning compensates producers for reduced market value or for the cost of grain cleaning due to wildlife excreta.
- Compensation is available for crops and silage in pits and tubes that are contaminated with wildlife excreta.

The WDCP is available nationally, and is cost-shared in Alberta by the federal (60 per cent) and provincial governments (40 per cent). It compensates incurred losses to a maximum of 80 per cent. The remaining 20 per cent of losses are covered exclusively by the Government of Alberta. Overall indemnities are funded by the federal government (48 per cent) and the provincial government (52 per cent). The federal government also funds 60 per cent of the administrative and inspection costs, while the Government of Alberta funds the remaining 40 per cent. Producers who wish to participate in WDCP are not required to have insurance to qualify for a claim.

2016-17 year in review

The fall wildlife losses are set out below. Due to the number of unharvested acres left out over the winter, there will be additional spring wildlife losses. These losses are estimated to be \$24.7M, for 2016 crops added to the total losses incurred by producers.

By March 31, 2017, there were 1,100 wildlife and waterfowl inspection requests created for the 2016 crop year. This generated 640 claims that paid out \$10.7M.

Crop Year	Wildlife		Waterfowl		Total	
	Number of Claims	Indemnity \$,000	Number of Claims	Indemnity \$,000	Number of Claims	Indemnity \$,000
2016	382	8,549	258	2,186	640	10,735
2015	417	5,263	236	1,499	653	6,762

- Wildlife and waterfowl damage compensation (data includes claims for wildlife excreta and market loss)
- Wildlife losses – 100 per cent government funded (no premium)

The Western Livestock Price Insurance Program (WLPIP)

AFSC's Western Livestock Price Insurance Programs were born out of an industry-driven initiative to provide Alberta cattle and hog producers with a simple, made-in-Alberta price risk management tool. These programs allow producers to insure a floor price on their cattle and hogs, while still retaining the ability to sell the animals at a higher price if markets rise above the insured price.

2016-17 year in review

The downward trend in cattle prices that ended the 2015-16 fiscal year continued into 2016-17. Volatility prevailed as the fed cattle market saw a 22 per cent decline from a price high of \$166.25/cwt (April 18, 2016) to a low of \$129.56/cwt (September 12, 2016). The market prices increased in November, continuing into spring - with the year ending at \$170.25/cwt (March 27, 2017).

The feeder market moved in a less definitive manner than the fed market. April through August 2016 saw prices move in a range-bound fashion - between \$169/cwt and \$186/cwt. However, as with fed prices, the beginning of September saw the market start breaking down and decline to a price low of \$158.14/cwt in the third week of October (October 24, 2016). The market turned starting in November, seeing recovery through the end of the fiscal year settling in the \$165/cwt to \$173/cwt range.

Typically, the calf price (based on a 600 lb. steer calf index) follows a seasonal pattern with a price high in the spring and a price low in the fall. 2016 proved to be 'typical,' and saw the calf product encounter the biggest price swing of the three indices. From a January 2016 price-high of \$259/cwt to the fall low of \$165.38/cwt (October 24, 2016 settlement index), the calf index dropped almost 36 per cent. As the year progressed into 2017, the rally also occurred for calf prices which have continued to increase to close to what they were a year ago.

Across all western provinces, 2016-17 WLPIP participation saw a year-over-year increase. In Alberta specifically, producers purchased price protection on 267,000 fed cattle, 75,000 feeders and 195,000 calves. Cumulatively, liability coverage amounted to approximately \$778M, premiums collected totaled \$22.3M, and indemnities of almost \$12.0M (at March 31, 2017) were paid to participating producers. The majority of payments, or \$11.6M, were made to participants in the calf program.

The strongest year-over-year participation increase was observed in the Fed product as the total number of Fed policies purchased was over five times higher than the previous fiscal year. Significant increases in uptake occurred during the fall months as cattle feeders purchased inventory out of the markets for feeding, and were able to capture a profitable margin using WLPIP for late spring/early summer expiring policies. One change experienced within the Fed product was the retirement of the Basis Option. Available since 2009 at program inception, the Fed-Basis product was not performing as intended and a third party certification study recommended it no longer be made available for sale.

From the start of the WLPIP – Calf sales period (February 1, 2017) to the fiscal year-end, 514 calf policies were sold in Alberta to cover 62,000 head, up from the 128 policies (covering 14,000 head) at the same time last year, tracking very closely to the 2014-15 start of calf performance. On March 31, 2017, top coverage for a 28-week policy was \$192/cwt (at a cost of \$6.43/cwt), compared to \$202/cwt (at a cost of \$6.97/cwt) that was available the year prior at end of fiscal year.

Producer uncertainty, increased risk management awareness, and previous fall payouts resulted in increased uptake year-over-year. Effective and efficient WLPIP delivery to producers remains priority for AFSC.

Fiscal year	Policies	Premium \$,000	Risk \$,000	Indemnity \$,000	Loss/Premium %
2016-2017	3,098	22,279	778,449	11,971	54
2015-2016	1,852	6,559	465,464	14,676	224
2014-2015	4,745	20,730	1,249,019	249	1
2013-2014	6,002	23,434	1,770,236	3,244	14

LENDING

For 45 years, AFSC has supported primary agricultural producers, commercial and agribusinesses in Alberta through its lending programs. These products address market gaps, the needs of Alberta’s entrepreneurs and rural development. Through partnerships with producers and businesses, AFSC helps maintain a profitable agriculture sector in the province, and stimulates healthy rural communities. With loans of up to \$5M available to producers and other businesses, AFSC clients can choose the right financial option to suit their needs.

AFSC provides financing for farms, commercial operations, agri-businesses and value-added enterprises. It also offers loan guarantees and capital sourcing services.

2016-17 Year in Review

AFSC authorized 1,847 new direct loans and guarantees for the period ending March 31, 2017 totaling \$444M. This is below the \$562M reported for 2015-16 year. This generated \$560M of investment in the province’s agriculture, agri-industry and value-added sectors. AFSC’s lending portfolio climbed to \$2.25B from \$2.18B reported in the previous year.

Some of the factors that have affected the financing volumes for all AFSC loans:

- The average value of Alberta farmland increased 9.5 per cent in 2016, following gains of 11.6 per cent in 2015 according to Farm Credit Canada Farmland Report 2016.
- Staff turnover due to succession within the group of AFSC lenders has necessitated the training of new staff which has negatively impacted results.
- The recent strength of the agricultural sector has meant increasing presence from private, competitive lenders; they have rate flexibility to attract clients.
- The downturn in the Alberta economy has impacted clients’ capacity for repayment. This has resulted in a decrease in restructuring requests, loan requests and new financing.

Alberta Farm Loan Program

The Alberta Farm Loan Program assists with working capital, land and equipment purchases, or existing debt refinancing. The Beginning Farmer Incentive helps new producers get started by reducing borrowing costs by an additional 1.5 per cent for the first five years of the loan.

2016-17 Year in Review

Farm loans decreased in 2016-17 to 1391 approved loans at \$338M from 1,539 loans at \$396M the 2015-16 year. Farm lending arrears remained the same as 2015-16 at 0.4 per cent. Farm loans have leveled off likely due to producers taking a conservative approach due to uncertainty of crops, commodity prices and the economy.

Fiscal Year	Number of loans	Lending \$,000	Project Outlay \$,000
2016-17	1,391	338,224	381,567
2015-16	1,539	395,825	453,516

Revolving Loan Program

The Revolving Loan Program meets the needs of Alberta’s primary producers by enabling borrowing through an online, self-selecting and reusable loan facility that reduces the need for repeated transactions and provides faster service. The program offers a fixed-rate for terms of up to three years. Loans are renewable upon expiry

2016-17 Year in Review

The number of Revolving Loans approved for the 2016-17 year decreased to 303 from 319 in the 2015-16 year. This program continues to be useful for clients who need flexibility in managing cash flow.

Fiscal Year	Number of Loans	Lending \$,000	Project outlay \$,000
2016-17	303	39,567	39,752
2015-16	319	49,432	50,627

Value-Added and AgriBusiness Program (VAAP)

This program provides assistance to businesses that support agriculture and to agriculturally-focused, value-added enterprises with fixed-rate loans so that they can acquire land, equipment or refinance debt working capital.

Value-added is defined as an enterprise that processes or alters a product and adds value to the product through a business or manufacturing process in either agri-industry or any other industry. Enterprises that are retail or service industries are not considered value-added. The addition of value added businesses to the province supports the province's diversification plans.

2016-17 Year in Review

Total Value-Added and AgriBusiness Program (VAAP) loans are down slightly from 77 in 2015-16 to 71 in 2016-17. VAAP arrears remained fairly consistent from 2015-16, only dropping slightly from 6.2 per cent to 6.1 per cent.

Fiscal Year	Number of Loans	Lending \$,000	Project outlay \$,000
2016-17	71	26,247	54,465
2015-16	77	37,112	80,752

Commercial Loan Program

The Commercial Loan Program assists both rural and urban commercial businesses in growing their operations by providing fixed-rate loans.

2016-17 Year in Review

The total number of Commercial loans approved for the 2016-17 year was 75, down from 97 in 2015-16. Commercial arrears increased to 11.7 per cent by the fiscal year-end, up from the 8.4 per cent reported for 2015-16.

Alberta's slowed economy has resulted in requests for restructured Commercial Loans including submissions for interest-only and re-amortization arrangements. AFSC is receptive to these client applications, and continues to follow its normal due diligence in processing the requests and monitoring loans.

Fiscal Year	Number of Loans	Lending \$,000	Project outlay \$,000
2016-17	75	36,784	66,562
2015-16	97	61,027	140,619

Specific Loan Guarantee Program

This program provides guarantees to other lenders in support of operating loans to facilitate a client's access to working capital.

2016-17 Year in Review

Under the Specific Loan Guarantee Program for Feeder Associations, AFSC processed seven applications (including initial applications or renewals) for a total of 2.7M in the 2016-17 fiscal year compared to 46 applications at 18.7M for the 2015-16 fiscal year. This amount is down due to the province announcing an increase to the Provincial Loan Guarantee Cap from \$55M to \$100M, September 2016.

Fiscal Year	Number of Loans	Lending \$,000	Project outlay \$,000
2016-17	7	2,700	18,000
2015-16	46	18,657	131,050

OPERATIONS

Client Experience Commitment

AFSC continues to build upon its culture of performance by ensuring staff have the knowledge and tools they require to service clients with excellence. Employees are the backbone of AFSC, and a vital link to providing the high level of service that Alberta producers and business owners have come to expect.

2016-17 year in review

AFSC's efforts to strengthen its client centric focus included multiple initiatives that yielded improved experience and feedback opportunities for our clients. Process improvement reviews led to improved work methods. Furthermore, some staff responsibilities were reallocated between employees, allowing AFSC staff to renew their focus on engaging in conversations with clients regarding their business needs and the programs and options available to them.

Emphasis has been placed on documenting client interactions and reviewing these interactions to assess client needs and to identify opportunities for service improvements. AFSC conducted Client Input Advisory Groups with producers, to gather feedback on improving processes and to gather feedback regarding online system improvements.

AFSC continues to gather client feedback using surveys and interviews. AFSC conducted six client surveys in 2016-17 focusing on Lending, Annual Crop Insurance, Perennial Crop Insurance, Hail Insurance and Western Livestock Price Insurance Programs. The average response rate to these surveys was 18 per cent. The surveys found that:

- 94 per cent of survey respondents are either satisfied, or very satisfied, with their representative's knowledge;
- 91 per cent of respondents indicated that AFSC staff members take the time to understand the clients' business;
- 95 per cent of respondents agree that AFSC staff have a pleasant attitude.

A review of AFSC client support roles led to the combination of two similar roles into one role, creating a Client Development Advisor position. AFSC's Client Development Advisors will act as liaisons between AFSC, the clients, and industry groups. The benefit of the Client Advisor role is to build business relationships with current clients beyond their transactions with AFSC. The Advisor will work to understand clients' operation and see how AFSC products could align with their business opportunities.

To provide consistent service, the Client Experience and Relationship team is creating Standard Operating Procedures that will enable consistent client interactions across all channels such as phone, email, mail, and face to face interaction.

Goals and Corporate Performance

AFSC's 2016-17 Corporate Plan contained strategies and an action plan to achieve its goals. Several AFSC Corporate strategies are client-focused, designed to better serve customers, who include producers as well as rural and agri-business clients.

During the 2016-17 year, AFSC undertook an examination of its strategic principles, including its vision, mission and values, and redeveloped them for the 2017-18 fiscal year.

Turnaround Times 2016-17

AgrilInsurance programs have two key turnaround performance measures.

- The time between when a producer files a claim to when an AFSC inspector completes an on-farm inspection.
- The time between when an inspector completes an on-farm inspection to the time that claim payment is processed.

Hail Endorsement and Straight Hail:

- 62 per cent of inspections were completed within 30 days, which did not meet the target of 80 per cent within 30 days. The target was not met due to near-record number of hail inspections for 2016.
- 83 per cent of claims were paid within five days of the inspection, ahead of the target of 80 per cent of claims paid within five days.

AgrilInsurance Post-Harvest:

- 60 per cent of inspections were completed within 55 days of being filed, which fell short of the target of 80 per cent within 55 days. The target was not met due to the delayed harvest and unharvested acres across much of the province.
- 71 per cent of post harvest claims were paid within 15 days from inspection, short of the target, 80 per cent in 15 days.

AgriStability has two key performance targets measuring the percentage of claims completed within a specific timeframe.

- Complete 80 per cent of claims that receive a benefit payment within 55 days
- Complete 80 per cent of all claims not receiving a payment within 60 days.

2016-17 turnaround time for 2015 AgriStability program year claims:

- 75 per cent of claims receiving a benefit were completed within 55 days.
- 93 percent of claims that received no payment were completed within 60 days.

Lending Portfolio Performance

Approvals, leverage, and arrears are the three key performance targets for lending.

- Total actual loans and guarantees approved: \$444M for 2016-17, compared to the target of \$603M. The recent strength of the agricultural sector has resulted in an increasing presence from private, competitive lenders; as they have rate flexibility to attract clients.
- Leverage of total project value to debt capital: results for 2016-17 were 1.3 per cent, compared to the target of 1.4 per cent. Feeder-loan guarantees are down due to the province announcing an increase to the Provincial Loan Guarantee Cap from \$55M to \$100M, in September 2016.
- Lending payments in arrears: Overall Lending arrears as of March 31, 2017 were 2.1 per cent, outperforming the target of 3 per cent. The economic conditions contributed to the increase of Commercial Program arrears from 8.4 percent last year, to 11.7 percent. The Value Added and Agribusiness Program arrears remained almost constant, only decreasing from 6.2 per cent to 6.1 per cent. The agricultural portfolio's strong performance contributed to the stability in the Farm Program arrears which remained at 0.4 per cent, the same as last year.

Project Management

AFSC measures the effectiveness of its project management using a weighted average of on-time statistics. The current year ratio of 75 per cent meets the 75 per cent target. AFSC continues focus on improving its project management processes in working towards exceeding this target. In addition, projects-only are measured on a 75 per cent target for being on budget; AFSC did not meet this target in the 2016-17 year, as 66 per cent of all projects were on budget.

Employees

This year AFSC was recognized as a Top 70 Employer in Alberta. 2017 is the ninth consecutive year AFSC has been awarded this recognition. With continued success as a Top Employer in Alberta, our recruitment saw over 5,500 applications for employment in 2016-17, which is up over 50 per cent from last year. AFSC has a rich history of long-serving staff with our longest serving staff member currently at 40 years, and yet the average age of our employees is 46.

To be a top employer, we have undertaken initiatives such as enhanced health and wellness initiatives, career opportunities for internal staff along with job shadowing, in-house and online training. AFSC adopted a corporate learning strategy this past year to make learning for our staff an important part of their development and career path. A new on-boarding process ensures we are bringing new talent into the organization in a thoughtful and timely way.

AFSC is proud to be a member of our communities with our Share and Care Committee raising over \$27,000 for numerous local charities and supporting our communities in initiatives such as Habitat for Humanity, Tools for Schools, Run for the Cure and many 4-H programs across Alberta.

ENTERPRISE RISK MANAGEMENT

To manage the risks involved in AFSC's business activities, the Board of Directors sets goals and strategic priorities that are clearly linked to departmental tactical plans for the upcoming fiscal year. Among these priorities is risk management, which is vital to protecting AFSC's clients, business interests, and long-term viability. AFSC has created an Enterprise Risk Department that is in the process of developing a comprehensive Enterprise Risk Management plan. This plan will provide a structured approach to making consistent risk-based decisions across the corporation. It will also ensure that identified risks are formally analyzed and treated to ensure that all risks and opportunities are maintained at acceptable levels. The Enterprise Risk Management plan and practices are overseen by the Board of Directors and its committees.

The Executive Leadership Team is responsible for managing corporate-wide enterprise risk, in which all levels of management are responsible for active risk and opportunity monitoring and the implementation of appropriate measures to treat them. The Enterprise Risk Management plan ensures that risk-taking activities and practices are appropriate to meet client needs and also fulfill AFSC's corporate strategy and goals. The following is an overview of some key risks the corporation faces, and how these risks are managed.

Strategic Planning

The Board of Directors reviews and approves the corporate vision, mission, goals and strategic priorities as identified through an assessment of AFSC's stakeholder needs and an economic and agricultural scan. This is prepared and presented by AFSC's Executive Leadership Team within the corporation. The Board also reviews the mandates of AFSC and its core programs, and deals with strategies to address key risks.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, thus resulting in a loss. Security requirements for a loan or guarantee will be different depending on the risk involved in each individual operation. New and emerging businesses are required to provide adequate security, as are enterprises needing specialized or customized equipment.

Lending staff continually monitor loan accounts for risk and ensure a prompt response to any financial difficulties that clients may encounter. Although these measures do not eliminate risk, they diminish the possibility of significant losses. The breakdown of AFSC's loan portfolio by sector is provided in Note 14 to the financial statements to highlight the areas of credit risk exposure by industry.

AFSC invests surplus funds generated by production and hail insurance operations. The majority of these funds are invested in bonds of federal or provincial governments, or securities of corporations that have superior credit ratings to minimize the risk of loss of the investment. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown Corporation. AFSC also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher), securities which have relatively low levels of risk.

Payments to some CAIS and AgriStability participants resulted in over payments when information provided by participants to AFSC proved to be incorrect or unfounded. As this creates a risk of potential non-repayment of the over payments, AFSC may offset over payments against any payments to clients.

The insurance coverage that AFSC provides on crops becomes effective at the acceptance of the client's application for insurance, whether or not payment of premiums is made in full. To minimize the risk of non-collection of outstanding insurance premiums, AFSC offers a discount for early payment of insurance premiums and arranges a payment schedule for all clients who do not take advantage of the discount. Insurance staff monitor outstanding premiums closely, and when required, promptly take collection action.

AFSC accepts insurance coverage on credit, and offers a discount for premium payments received the earlier of June 25 or within 15 days of the billing date, with the exception of the Western Livestock Price Insurance products. These must be paid within 15 days. Clients facing financial difficulties may ask to make arrangements for a payment schedule. Unless specific payment arrangements have been approved, insurance is not renewed when there are outstanding premiums from a prior year.

To reduce AFSC's exposure to insurance program risk, AFSC enters into reinsurance arrangements with private sector reinsurance companies. AFSC selects reinsurance companies with superior credit ratings to mitigate credit risk related to non-recoverability of reinsurance proceeds from private reinsurance companies. In addition, AFSC engages a wide range of reinsurance companies to minimize the concentration of credit risk for the reinsurance contracts within its portfolio.

Interest Rate Risk

Interest rate risk is the impact that future changes in interest rates have on cash flows and fair value of assets and liabilities. To mitigate interest rate risk, AFSC focuses on matching the repayment timing of amounts borrowed with the repayment timing of loans made. AFSC allows its borrowers to repay loans in part or in full at any time without penalty.

Repayment of loans by clients in part or in full prior to the contract date is a normal feature of AFSC's lending programs. AFSC strives to minimize the gap between loan repayment and debt repayment on a regular basis. As loan repayments before maturity are not determinable with reasonable certainty, gaps are identified and dealt with when new borrowings are made.

The gap position as of March 31, 2017 is presented in Note 14 to the financial statements. At March 31, 2017, there was a reasonable gap between the amount of loan and debt repayments due within the one-year period. AFSC has plans to bridge this gap through new borrowing that would result in a reduction of interest rate risk.

Interest rate risk is further mitigated by AFSC's Investment Policy, which covers surplus funds related to AgriInsurance, hay and pasture insurance and hail insurance program operations. The investment policy is approved by the Board of Directors, and compliance with the policy is reported to the board audit committee at least twice a year. Duration of investments is set to match management's best estimate of when investments need to be liquidated to meet financial commitments.

Liquidity Risk

Liquidity risk is the potential for financial loss if AFSC cannot meet its financial commitments for cash. As an integral part of liquidity management, AFSC uses sound cash management practices through cash flow statements, with an objective to maintain sufficient funds to meet business needs at all times. AFSC mitigates liquidity risks by retaining adequate bank balances in operating accounts. These accounts yield a reasonable rate of return through the Government of Alberta Consolidated Cash Investment Trust Fund. The investment portfolio of surplus funds in insurance operations is structured so that a portion of the portfolio is accessible at short notice to fund claim payments. Additionally, AFSC has access to advances from the provincial government to meet short-term cash flow needs.

Insurance Risk

Insurance risk is the potential for financial loss if Insurance claims exceed program premiums and reserves in a given year. AFSC applies sound actuarial principles to mitigate insurance risk by setting premium rates to break even with claim payments over a term of 25 years. Independent actuarial firms certify AFSC’s major insurance programs to ensure their long-term sustainability and a method of setting premiums that is reasonable. The federal and provincial governments provide reinsurance funds to AFSC to help mitigate inherent insurance risks for its AgrilInsurance program. This is described in more detail in Note 2 (m) to the financial statements. A summary of transactions in the two reinsurance funds is under Note 16 to the financial statements. AFSC management has arranged reinsurance with private sector companies to further mitigate risks inherent to the insurance business. In the event that insurance claims exceed a threshold level that is determined in relation to premiums, these reinsurance arrangements limit AFSC’s exposure to insurance program losses. In 2009, AFSC launched new price risk protection insurance for the cattle sector. The program has yet to build adequate reserves to be able to absorb unexpected levels of claims.

Operational Risk

The risk of loss resulting from insufficient or failed internal processes is referred to as operational risk. AFSC has developed an Enterprise Risk Management Plan to provide a framework and common understanding of risk and mitigation measures. Corporate policies and procedures are also in place to ensure internal controls exist and are adequate to reduce exposure to operational risks. AFSC has established formal processes to monitor compliance with policies and procedures, managers oversee operational risk in their respective work areas. Finance, Human Resources, Administrative Services and Information Technology manage operational risks specific to their areas as follows:

- **Operations:** operational risks inherent in businesses and processes;
- **Finance:** credit, interest rate, liquidity and financial controls;
- **Human Resources:** employee recruitment, retention, succession planning and employee discipline;
- **Administrative Services:** physical facilities and assets, employee safety and security, corporate liability and business continuity;
- **Information Technology:** computer information processing systems, electronic information, security, data integrity, disaster recovery and storage, retrieval, and destruction of electronic information.

The Internal Audit Department plans and conducts operational and functional audits based on risk assessments, and regularly examines internal process controls and compliance with policies and procedures. External auditors review the effectiveness of internal controls annually. Both external and internal auditing groups report their findings and recommendations to the board audit committee. The recommendations from these two audits are passed to the Executive Leadership Team to implement in a timely manner. Management is responsible for periodic reporting of progress on implementation of audit recommendations to the board audit committee.

WHISTLEBLOWER PROTECTION ACT

AFSC is committed to conducting its affairs to the highest standards of ethics, integrity, honesty, fairness and professionalism, and in accordance with the principles of procedural fairness and natural justice. On January 1, 2016 AFSC launched its Whistleblower Protection Program which provides a safe, confidential and anonymous mechanism for facilitating the Disclosure and investigation of “Wrongdoings” which are defined by the Government of Alberta’s 2013 Public Interest Disclosure (Whistleblower Protection) Act (PIDA) as, significant and serious matters in or relating to AFSC that an employee believes may be unlawful, dangerous to the public, or injurious to the public interest.

The purpose of the AFSC’s Whistleblower Protection Program includes:

- Facilitating the disclosure and investigation of “Wrongdoings” as defined in the Act, which are in brief, significant and serious matters in or relating to public entities that an employee believes may be unlawful, dangerous to the public or injurious to the public interest;
- Protecting employees who make those disclosures from reprisal;
- Resolving recommendations arising from investigations; and
- Promoting public confidence in the administration of public entities.

In compliance with legislated reporting requirements, from April 1, 2016 to March 31, 2017, there have been three disclosure(s) under PIDA to the AFSC Designated Officer; as such, two investigation(s) were completed which found that no instance(s) of “Wrongdoing” had occurred; the third disclosure was deemed not to meet the criteria of a “Wrongdoing” during the Intake assessment and was therefore not investigated under AFSC’s Whistleblower Protection Program.

Disclosures Received	Disclosures Acted Upon	Disclosures Not Acted Upon	Investigations Commenced	Findings of Wrongdoing	Disclosures Closed
3	3	0	2	0	3

FINANCIAL HIGHLIGHTS

NOTE: Please read the following information in conjunction with AFSC's financial statements and attached notes.

Overall, AFSC recorded revenue of \$1,227M and expenses of \$972M, which resulted in a net surplus of \$254M. Even though a significant amount of crop was snowed under this year and resulted in significant losses for some producers in these areas, the producers that were able to harvest their crops in the fall had reasonably good yields.

AFSC's assets increased from \$4.659B to \$5.144B of which \$2.24B (44 per cent of all assets) represents the loan portfolio. AFSC's liabilities increased from \$2.338B to \$2.568B, mainly as a result of additional borrowing required to finance new loans and additional estimated indemnities payable.

The surplus balance carried over increased to \$2.556B. Included in the surplus balance is \$2.431B in the Crop Insurance Fund. This represents a \$2.389B surplus in the national program, an \$8M surplus in Alberta initiatives, and a surplus of \$34M in the Crop Reinsurance Fund of Alberta.

AGRISTABILITY STATISTICAL SUMMARY

Income stabilization – AgriStability including Alberta initiatives

Claim year	Number of claims processed	Support level \$,000	Average support level	Number of claims with payment	Total payments \$,000	Average payment \$
2015	10,163*	1,884,351	228,295	641	37,453	58,428
2014	13,807	2,514,962	224,530	946	34,167	36,117
2013	16,575	2,515,042	196,396	1,819	67,753	37,248
2012	17,827	2,974,331	197,656	1,459	52,173	35,760
2011	21,089	2,773,096	154,387	2,224	50,884	22,880
2010	23,994	2,614,530	128,251	4,144	132,232	31,909

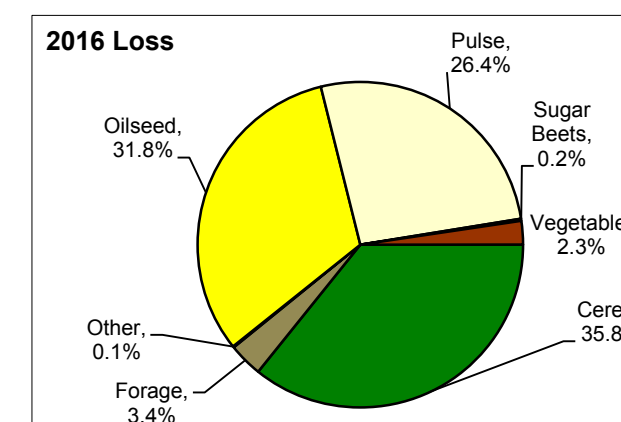
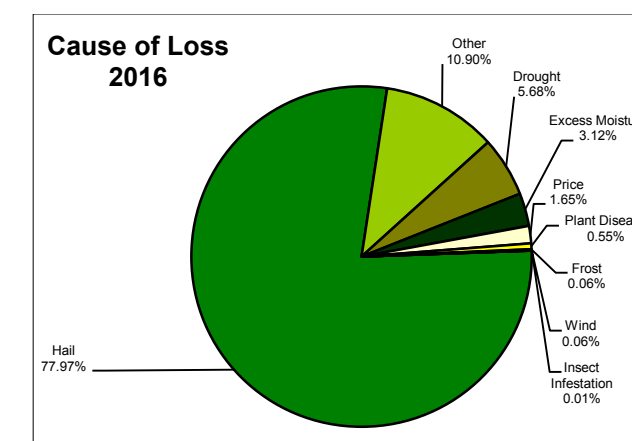
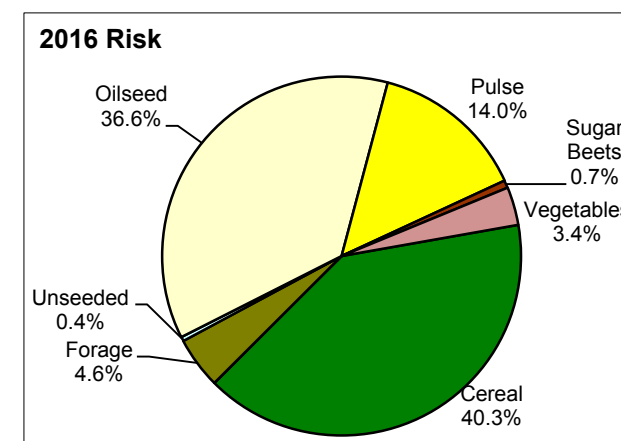
* 10,163 claims processed out of 11,681 total AgriStability claims as of March 31, 2017.

- Claims are processed with a one year lag.

AGRIINSURANCE STATISTICAL SUMMARIES

AgrilInsurance for Annual and Perennial Crops as at March 31, 2017

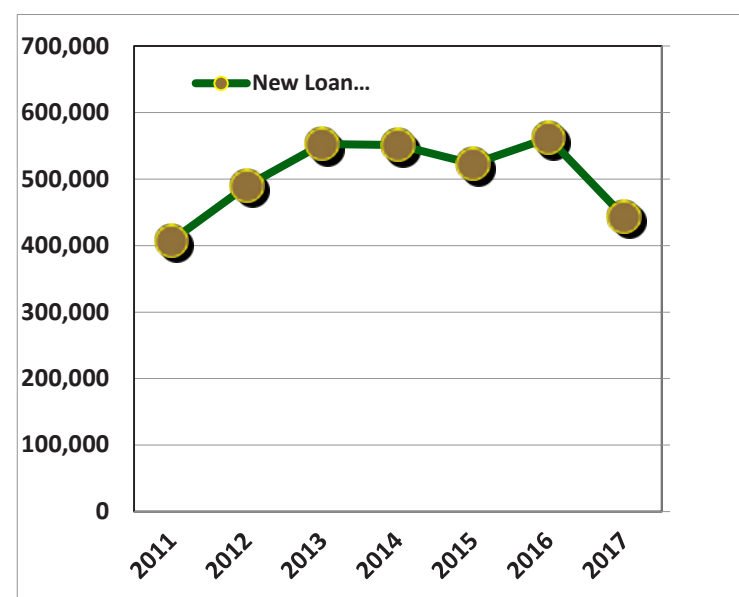
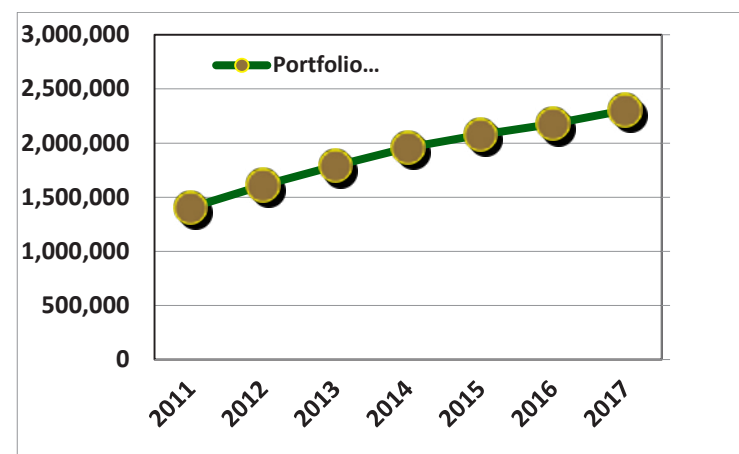
Crop Year	Number of Contracts	Acres ,000	Risk \$,000	Premium \$,000	Loss \$,000	Loss/premium %
2016	18,054	22,994	4,669,999	750,216	425,751	56.8
2015	17,030	21,422	4,042,181	617,889	483,466	78.2
2014	17,428	21,324	3,522,122	584,862	373,221	63.8
2013	18,418	21,698	4,364,681	780,420	308,535	39.5
2012	19,114	21,747	4,699,383	662,566	551,196	83.2
2011	18,762	19,961	3,886,862	612,720	315,853	51.5



LENDING STATISTICAL SUMMARIES

Lending Statistical Summaries March 31, 2011 to March 31, 2017

March 31	New loan approvals \$,000	Portfolio outstanding \$,000
2017	443,522	2,251,215
2016	562,053	2,177,536
2015	522,868	2,077,493
2014	551,068	1,959,334
2013	552,898	1,789,700
2012	490,013	1,610,286
2011	407,438	1,403,323



MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements of Agriculture Financial Services Corporation and all other information relating to the Corporation contained in this annual report have been prepared and presented by management, who is responsible for the integrity and fair presentation of the information.

These financial statements are prepared in accordance with Canadian generally accepted accounting standards. The financial statements necessarily include some amounts that are based on informed judgments and best estimates of management. The financial information contained elsewhere in this annual report is consistent with that in the financial statements.

Management is responsible for maintaining a system of internal controls designed to provide reasonable assurance as to the reliability of financial information, and to ensure corporate assets are safeguarded and liabilities are recognized. The internal control systems are augmented by periodic reviews by the Corporation's internal and external auditors.

The Auditor General of Alberta has carried out an independent external audit of these financial statements in accordance with Canadian generally accepted auditing standards, and has expressed his opinion in the accompanying Auditor's Report.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Board of Directors exercises this responsibility through the Board Audit Committee, composed of Directors who are not employees of the Corporation. The Board Audit Committee meets with the internal auditors and the external auditors-both in the presence and in the absence of management to discuss their audit, including any findings as to the integrity of financial reporting processes and the adequacy of our systems of internal controls. The internal and external auditors have full and unrestricted access to the Board Audit Committee.

Ed Knash
Interim President

Darryl Kay, B. Comm., C.A.
Chief Financial Officer



Independent Auditor's Report

To the Board of Directors of the Agriculture Financial Services Corporation

Report on the Financial Statements

I have audited the accompanying financial statements of the Agriculture Financial Services Corporation, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, change in net financial 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 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 Agriculture Financial Services Corporation as at March 31, 2017, and the results of its operations, its remeasurement gains and losses, its changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

[Original signed by Merwan N. Saher FCPA, FCA]

Auditor General

June 1, 2017

Edmonton, Alberta

AGRICULTURE FINANCIAL SERVICES CORPORATION

FINANCIAL STATEMENTS

MARCH 31, 2017

Independent Auditor's Report

Statement of Financial Position

Statement of Operations

Statement of Changes in Net Financial Assets

Statement of Cash Flows

Notes to the Financial Statements

Schedule of Operations

Schedule of Salaries and Benefits

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2017
(dollars in thousands)

	2017	2016
FINANCIAL ASSETS		
Cash	\$ 429,653	\$ 320,661
Accounts receivable (Note 3)	10,493	4,715
Due from Government of Alberta	98,534	43,784
Due from Other Provincial Governments (Note 4)	1,941	-
Due from Government of Canada	196,969	194,275
Loans receivable (Note 5)	2,240,468	2,161,466
Investments (Note 6)	2,124,401	1,891,416
	<u>5,102,459</u>	<u>4,616,317</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	21,979	17,285
Indemnities payable (Note 8)	333,922	167,535
Borrowing from Government of Alberta (Note 9)	2,206,540	2,146,362
Deferred revenue (Note 10)	5,810	6,932
	<u>2,568,251</u>	<u>2,338,114</u>
Net Financial Assets (Net Debt)	<u>2,534,208</u>	<u>2,278,203</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 11)	37,269	38,666
Prepaid expenses	4,263	3,958
	<u>41,532</u>	<u>42,624</u>
Net assets before deferred capital contributions	<u>2,575,740</u>	<u>2,320,827</u>
Spent deferred capital contributions (Note 10)	<u>\$ 19,475</u>	<u>\$ 19,002</u>
Net assets at end of year	<u>\$ 2,556,265</u>	<u>\$ 2,301,825</u>

Contingencies, Contractual Obligations and Commitments (Note 13)

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


Bev Yee, Interim Chair of the Board of Directors


Ed Knash, Interim CEO


Jamie Curran, Interim Board Member


Darryl Kay, Chief Financial Officer

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF OPERATIONS

YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017		2016
	Budget	Actual (Schedule 1)	Actual
Revenues:			
Premiums from insured persons	\$ 301,014	\$ 370,334	\$ 298,890
Interest	93,927	87,739	88,398
Contribution from Government of Alberta	304,930	375,481	278,535
Contribution from Government of Canada	245,884	332,624	220,510
Investment income	43,171	41,954	44,454
Fees and other income	14,755	18,416	15,250
	<u>1,003,681</u>	<u>1,226,548</u>	<u>946,037</u>
Expenses:			
AgriInsurance	398,642	568,035	551,083
Agriculture Income Support	128,618	187,835	86,669
Lending	109,576	100,327	107,152
Hail Insurance	53,824	55,840	36,814
Livestock Insurance	13,647	24,080	11,916
Wildlife Damage Compensation	5,751	35,991	6,825
	<u>710,058</u>	<u>972,108</u>	<u>800,459</u>
Net operating results	<u>\$ 293,623</u>	<u>\$ 254,440</u>	<u>\$ 145,578</u>

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017		2016
	Budget	Actual	Actual
Net operating results	\$ 293,623	\$ 254,440	145,578
Acquisition of tangible capital assets	(7,816)	(7,366)	(7,075)
Amoritzation of tangible capital assets (Note 11)	10,315	8,729	10,001
(Gain) Loss on disposal of tangible capital assets	-	(19)	(82)
Proceeds on sale tangible capital assets	-	53	104
Change in prepaid expenses	(190)	(305)	165
Change in spent deferred capital contributions	(250)	473	345
Increase in net financial assets in the year	295,682	256,005	149,036
Net financial assets, beginning of year	2,227,433	2,278,203	2,129,167
Net financial assets, end of year	<u>\$ 2,523,115</u>	<u>\$ 2,534,208</u>	<u>\$ 2,278,203</u>

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

STATEMENT OF CASH FLOWS

YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017	2016
Operating activities:		
Net operating results	\$ 254,440	\$ 145,578
Non-cash items included in operating results		
Amortization of capital assets	8,729	10,001
Deferred capital contribution recognized as revenue	(5,355)	(7,005)
Amortization of premiums and discounts	1,781	(1,915)
Allowance for doubtful accounts and for losses	2,006	4,839
Gain on sale of investments	(7,340)	(8,356)
Loss on disposal of capital assets	(19)	(82)
Unearned revenue received	5,810	6,932
Changes in assets and liabilities relating to operations	100,464	(21,584)
Net cash provided by operating activities ⁽¹⁾	<u>360,516</u>	<u>128,408</u>
Investing activities:		
Proceeds from repayments of loans receivable	387,272	426,548
Loan disbursements	(470,480)	(528,026)
Purchase of investments	(1,205,287)	(807,196)
Proceeds on disposal of investments	978,962	759,321
Net cash utilized by investing activities	<u>(309,533)</u>	<u>(149,353)</u>
Capital activities:		
Purchase of tangible capital assets	(7,366)	(7,075)
Proceeds on disposal of tangible capital assets	53	104
Net cash utilized by capital activities	<u>(7,313)</u>	<u>(6,971)</u>
Financing activities:		
Borrowing from the Government of Alberta	1,020,000	783,000
Contributions restricted for capital	5,828	7,350
Repayment of borrowing from the Government of Alberta	(960,506)	(658,642)
Net cash provided by financing activities	<u>65,322</u>	<u>131,708</u>
Net increase in cash during the year	108,992	103,792
Cash at beginning of year	320,661	216,869
Cash at end of year	<u>\$ 429,653</u>	<u>\$ 320,661</u>

⁽¹⁾ Net cash provided by operating activities includes \$68,512 (2016 \$70,377) of interest paid.

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

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 1 Authority and Purpose

The Agriculture Financial Services Corporation (the "Corporation") operates under the authority of the *Agriculture Financial Services Act*, Chapter A-12 RSA 2000. AFSC is exempt from income taxes under the *Income Tax Act*.

The Corporation provides income stabilization, disaster assistance, AgriInsurance, livestock price insurance and loans and guarantees to primary agriculture producers in Alberta. Loans and guarantees are also provided to commercial Alberta businesses.

Note 2 Significant Accounting Policies and Reporting Practices

These financial statements are prepared in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis of Financial Reporting:

(a) Revenue Recognition

Premiums from insured persons are recorded as revenue when earned over the insurance policy contract term for AgriInsurance and Hail Insurance programs. A corresponding premium contribution from the Governments of Canada and Alberta is also recognized on policies sold under the AgriInsurance programs and is included in Contributions from the Governments of Canada and Alberta. Premiums received by the Corporation in advance of the related policy term are recorded as deferred revenue until earned.

For the Livestock Price Insurance Program premiums are recorded as revenue when a policy is sold.

Government transfers from the Governments of Canada and Alberta are referred to as government contributions. Contributions from the Governments of Canada and Alberta for estimated compensation payments to participants under Agriculture Income Support Programs such as AgriStability (formerly the Canadian Agriculture Income Stabilization (CAIS)), AgriInvest, AgriRecovery and Wildlife Damage Compensation are recognized in the period in which the program payments to producers are determinable. Overpayments of compensation payments under the AgriStability program are recovered through repayment or the reduction of future eligible payments under the program or other programs administered by the Corporation. Overpayments are repayable to the Governments of Canada and Alberta.

Contributions received from the Governments of Canada and Alberta that are restricted for the acquisition of tangible capital assets are recognized as deferred revenue when received and recognized as revenue over the useful life of the acquired tangible capital assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(a) Revenue Recognition (continued)

Interest income on loans receivable is recognized as earned over the period of loan repayment except for impaired loans. At the date impairment is assessed, arrears of interest is derecognized and is not accrued until the loan reverts to performing status or is terminated. When an impaired loan is reverted to performing status, interest is accrued and recognized from the date of change in status of the loan. Interest previously unrecognized is recognized only when payment is received.

Investment income is recognized in the period in which the income is earned. Gains or losses on the value on investments are recognized when realized on disposition.

Fees which are primarily from lending activities and AgriStability applications are recognized on processing of the related application. AgriStability program application fees received in advance of the program commencement date are recorded as deferred revenue until earned.

(b) Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year are expensed. Interest expense includes debt servicing costs such as amortization of discounts and premiums, foreign exchange gains and losses, and issuance costs.

Identifiable administrative expenses for all of the programs administered by AFSC are charged directly to the specific program. Where the direct charging of the administrative expenses to specific programs is not possible, these expenses are allocated to each program on a basis approved by management.

(c) Valuation of Financial Assets and Liabilities

AFSC's financial assets and liabilities include cash, receivables, loans receivable, investments, accounts payable and accrued liabilities, indemnities payable, borrowing from the Government of Alberta and deferred revenue. All financial instruments are held at cost or amortized cost. The effective interest method is used to recognize interest income or expense. Transaction costs related to all financial instruments are expensed as incurred.

Since no financial assets or liabilities are recorded at fair value and there were no foreign currency transactions, these statements do not present a Statement of Remeasurement Gains and Losses as the Corporation has no remeasurement gains or losses.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(d) Measurement Uncertainty

There is an inherent degree of uncertainty associated with the measurement of certain amounts recognized or disclosed in the financial statements. In the preparation of the financial statements, management is required to make estimates and assumptions that affect the reported amount of assets, liabilities, net assets and related disclosures. Estimates of material amounts relate to Indemnities payable and Allowances for doubtful accounts and for losses on Accounts receivable and Loans receivable. Accordingly, actual results could differ from these and other estimates thereby impacting future financial statements. Disclosure of the nature and circumstances giving rise to the uncertainty, have been disclosed in the relevant notes in the financial statements (See Notes 3, 5 and 8).

(e) Non-Financial Assets

Non-financial assets are limited to tangible capital assets and prepaid expenses.

(f) Cash

Cash consists of bank balances. Interest is earned on bank balances as part of funds managed by the Government of Alberta and is included in investment income.

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses

Loans receivable are recorded at cost or amortized cost less any amount for provision for credit losses. Amounts included in the cost of loan receivable include principal not due, arrears of principal and interest, accrued interest and capitalized other costs.

The Corporation records valuation allowances to reduce the cost of impaired loans to their net realizable value. A loan is classified as impaired when collection of principal and interest is no longer reasonably assured. Two types of allowances are established for loans receivable.

Specific allowance – a specific allowance is established after a loan-by-loan review of accounts meeting prescribed criteria indicative of a potential deterioration in the credit quality of debt. The specific allowance for each loan is determined as the difference between the loan principal amount outstanding and the discounted net present value of the related security net of the cost of realization. Changes in net realizable value of security subsequent to the recording of the initial allowance are adjusted through the specific allowance.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(g) Loans Receivable and Allowances for Doubtful Accounts and for Losses (continued)

General allowance – two types of general allowance are recorded. The first type is for estimated probable losses relating to deterioration in the full recoverability of individual loan accounts which have not yet met management's criteria for setting up a specific allowance at the Statement of Financial Position date. A methodology is applied to determine the Corporation's risk exposure to probable losses on individual loan accounts not subject to a specific allowance. The second type is for the aggregate amount owing for individual loans under a specific program or industry sector or a geographical area. In determining the allowance, management considers economic and market conditions and uncertainties affecting recoverability of such loans.

Loans are written off against the related allowance for doubtful accounts and for losses if there is no realistic prospect of future recovery. Any recovery of amounts previously written off is recognized on receipt of proceeds.

(h) Concessionary Loans and Loan Discounts

A loan is considered to have concessionary terms when at inception of the loan, the net present value of expected future cash flows is less than present book value. Book values of concessionary loans are reduced to their net present values by loan discounts expensed in the year in which loans are disbursed and amortized to interest revenue over the period of the concessionary term in proportion to loan repayments received.

(i) Investments

Investments are carried at cost or amortized cost unless there is an other than temporary decline in the value of the investments; then the investments are written down to recognize the loss. Premiums and discounts on investments are amortized to investment income using the effective interest rate method over the period to maturity of the related investment. Gains and losses realized on disposal of investments are included in investment income.

(j) Borrowing from Government of Alberta

Borrowing is carried at amortized cost. Premiums and discounts on borrowing are amortized to interest expense using the effective yield method over the period to maturity.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(k) Tangible Capital Assets including Capital Leases

Tangible capital assets of the Corporation are recorded at historical cost and amortized on a straight-line basis over the estimated useful lives of the assets. An asset acquired, other than computer software, with a life of more than one year and a cost of \$5 or more is capitalized. Computer software acquired from external sources at a cost of \$100 or more and software developed by the Corporation costing \$500 or more are capitalized.

Leases that, from the point of view of the lessee, transfer substantially all the benefits and risks incidental to the ownership of the asset to the Corporation are considered capital leases. These are accounted for as an asset and an obligation. Capital lease obligations are recorded at the present value of the minimum lease payments excluding executory costs. The discount rate used to determine the present value of the lease payments is the Corporation's incremental borrowing rate.

Tangible capital assets are written down when conditions indicate that they no longer contribute to AFSC's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the Statement of Operations.

(l) AgriStability, AgriInvest and AgriRecovery Program

Payments under the programs to participants, administration expenses and corresponding contributions from the Governments of Canada and Alberta are recorded at 100% for AgriStability and AgriRecovery programs because the programs are delivered by the Corporation and at 40% for AgriInvest program because the program is delivered by Agriculture and Agri-Food Canada.

(m) Reinsurance

The Corporation carries reinsurance to cover AgriInsurance risks through two levels of government. Two crop reinsurance funds were established. On behalf of the Province, the Corporation administers the provincial fund called the Crop Reinsurance Fund of Alberta. The Government of Canada holds the federal fund called the Crop Reinsurance Fund of Canada for Alberta. The Crop Reinsurance Fund of Alberta is included as part of the AgriInsurance net assets of the Corporation. Contributions to and withdrawals from the Funds are made in accordance with terms and conditions of the agreement between the Governments of Canada and Alberta (see Note 16).

In addition, the Corporation carries reinsurance through private reinsurance companies for AgriInsurance and Hail insurance programs. Amounts recoverable from private reinsurers on premiums and indemnities are recorded in Accounts receivable.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 2 Significant Accounting Policies and Reporting Practices (continued)

(m) Reinsurance (continued)

Reinsurance recoveries are reported gross; they are included in fees and other revenue. Reinsurance expenses are reported at gross amounts and are separately disclosed in Schedule 1.

(n) AgriInsurance Net Assets Balance Restriction

In accordance with the Federal/Provincial Agricultural Policy Framework Implementation Agreement, amounts in the AgriInsurance net assets are restricted for AgriInsurance purposes only.

(o) Pensions

The Corporation participates in multi-employer pension plans with related government entities. Pension costs included in these statements are comprised of the cost of employer contributions for the current year service of employees.

(p) Transactions with Related Parties

The Government of Alberta significantly influences the programs delivered by the Corporation and is a major contributor to the funding of the programs. Therefore, the Government is considered a related party. All related party transactions with the Government of Alberta have been recorded at the exchange amount which is the consideration paid or received as agreed to by the related party (see Note 15).

(q) PS3260 Liability for Contaminated Sites

In June 2010, the Public Sector Accounting Board issued this accounting standard effective for fiscal years starting on or after April 1, 2014. Contaminated sites are a result of contamination being introduced into air, soil, water, or sediment of a chemical, organic, or radioactive material, or live organism that exceeds an environmental standard. The Corporation early adopted this accounting standard as of April 1, 2012. AFSC recognizes a liability for the sites no longer in use where the contamination has exceeded the relevant environmental standards and where AFSC has accepted responsibility. Included in Accounts Payable and Accrued Liabilities (Note 7) is a liability of \$2,925 for the estimated remaining remediation (2016 \$2,555).

(r) Net Debt Model

Net debt model has been adopted for the presentation of financial statements. Net financial asset or net debt is measured as the difference between AFSC's financial assets and liabilities. A net financial asset balance indicates the extent of AFSC's dependence on government transfers and operating revenues to net assets resulting from settlement of its financial assets and liabilities.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 3 Accounts Receivable

	2017	2016
AgriStability & Canadian Agricultural Income Stabilization (CAIS) programs:		
Overpayments	\$ 7,846	\$ 9,488
Administration fees	252	465
Premiums from insured persons		
AgriInsurance program	2,914	1,693
Livestock insurance program	2,204	757
Hail insurance program	580	366
Other	5,945	1,963
	<u>19,741</u>	<u>14,732</u>
Allowances for doubtful accounts		
At beginning of year	(10,017)	(14,088)
Decrease (increase) for this year	469	3,418
Write offs, net of recoveries	300	653
	<u>(9,248)</u>	<u>(10,017)</u>
	<u>\$ 10,493</u>	<u>\$ 4,715</u>

Included in the allowances for doubtful accounts is \$7,846 (2016 \$9,488) representing the amount of overpayments under AgriStability and CAIS programs in recognition of the Corporation's role as an agent for collection. The allowance for doubtful accounts is subject to measurement uncertainty as it is an estimate based on management's assessment of collectability of outstanding balance. Actual write-offs realized in future periods could be materially different from management's estimates.

Note 4 Due from Other Provincial Governments

Due from provincial governments represents amounts collected from and paid to other provincial governments relating to the Western Livestock Price Insurance Program which was implemented in April 2014. The program provides producers with protection against an unexpected drop in prices on cattle and hogs. The Corporation entered into an agreement with the other provincial governments to deliver this program to producers in British Columbia, Saskatchewan and Manitoba. Any premiums, indemnities or expenses collected on behalf of producers outside of Alberta are recorded as Due from provincial governments in the financial statements. The Corporation's Statement of Operations includes premiums, indemnities and administration expenses for Alberta producers only.

Breakdown of the amounts owing is as follows:

	2017	2016
Premiums collected	\$ (13,497)	\$ (8,096)
Indemnities paid	15,640	5,756
Administration costs receivable	438	820
Reinsurance premiums	1,713	914
Reinsurance recoveries	(2,353)	-
	<u>\$ 1,941</u>	<u>\$ (606)</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 5 Loans Receivable

Loans receivable are comprised of the following:

	2017			2016
	Farm	Commercial	Total	Total
Performing loans - non concessionary	\$ 1,844,345	\$ 363,188	\$ 2,207,533	\$ 2,132,005
Performing loans - concessionary	2,985	-	2,985	3,996
Impaired loans	2,268	38,429	40,697	41,535
	<u>1,849,598</u>	<u>401,617</u>	<u>2,251,215</u>	<u>2,177,536</u>
Accrued interest	24,374	1,686	26,060	26,483
Loan discount	(39)	-	(39)	(51)
	<u>1,873,933</u>	<u>403,303</u>	<u>2,277,236</u>	<u>2,203,968</u>
Allowances	(8,002)	(28,766)	(36,768)	(42,502)
Net carrying value	<u>\$ 1,865,931</u>	<u>\$ 374,537</u>	<u>\$ 2,240,468</u>	<u>\$ 2,161,466</u>

All loans have fixed interest rates for the term of loan or renewal period.

Loans have blended repayments during the term. Loans can be repaid in full or part during the term without any penalty.

Allowances for doubtful accounts for loans are as follows:

Valuation allowances of loans receivable are based on management's best estimate. Actual losses realized may vary significantly from management's estimate.

Loans receivable are secured by tangible assets consisting predominantly of land followed by buildings, equipment and other assets. The estimated values of such assets are \$4,690,358 (2016 \$4,289,439).

	Farm	Commercial	2017	2016
At beginning of year	\$ 9,748	\$ 32,754	\$ 42,502	\$ 36,744
Increase (decrease) for the year	(1,718)	4,193	2,475	8,257
Write-offs	(28)	(8,181)	(8,209)	(2,499)
At end of year	<u>\$ 8,002</u>	<u>\$ 28,766</u>	<u>\$ 36,768</u>	<u>\$ 42,502</u>
Specific allowance	\$ 1,095	\$ 22,804	\$ 23,899	\$ 26,076
General allowance	6,907	5,962	12,869	16,426
	<u>\$ 8,002</u>	<u>\$ 28,766</u>	<u>\$ 36,768</u>	<u>\$ 42,502</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 5 Loans Receivable (continued)

The composition of the Loans receivable balance by range of effective annual interest rates is as follows:

Effective annual Interest Rate	2017	2016
Less than or equal to 2%	\$ 177,463	\$ 125,313
2.01% to 3.00%	450,635	378,294
3.01% to 4.00%	659,537	631,527
4.01% to 5.00%	477,080	484,461
5.01% to 6.00%	316,742	340,313
6.01% to 7.00%	146,694	185,986
7.01% to 8.00%	17,103	24,710
Over 8%	5,922	6,881
	<u>2,251,176</u>	<u>2,177,485</u>
Accrued interest	26,060	26,483
Allowance for doubtful accounts	(36,768)	(42,502)
	<u>\$ 2,240,468</u>	<u>\$ 2,161,466</u>
Weighted average annual interest rate	3.90%	4.09%

Note 6 Investments

	2017	2016
Bonds and debentures:		
Government of Canada, direct and guaranteed	\$ 952,752	\$ 822,501
Other provincial, direct and guaranteed	216,590	200,711
	<u>1,169,342</u>	<u>1,023,212</u>
Corporate securities:		
Asset backed securities, AAA rated	553,687	494,797
Senior bank notes	389,773	361,486
	<u>943,460</u>	<u>856,283</u>
	2,112,802	1,879,495
Accrued interest	11,599	11,921
	<u>\$ 2,124,401</u>	<u>\$ 1,891,416</u>

The fair value of investments at March 31, 2017 is \$2,123,136 (2016 \$1,902,350). Fair value is based on quoted market prices excluding accrued interest.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 6 Investments (continued)

The following provides a breakdown of the investment portfolio by term to maturity.

	Term to Maturity ⁽¹⁾			2017	2016
	Within 1 Year	1 to 5 Years	6 to 10 Years		
Bonds and debentures	\$ 647	\$ 1,075,256	\$ 93,439	\$ 1,169,342	\$ 1,023,212
Yield ⁽²⁾	0.79%	1.01%	1.80%	1.08%	0.90%
Corporate Securities	3,049	940,411	-	943,460	856,283
Yield ⁽²⁾	1.19%	1.63%	-	1.62%	1.54%
	3,696	2,015,667	93,439	2,112,802	1,879,495
Accrued interest	4	10,765	830	11,599	11,921
	<u>\$ 3,700</u>	<u>\$ 2,026,432</u>	<u>\$ 94,269</u>	<u>\$ 2,124,401</u>	<u>\$ 1,891,416</u>

⁽¹⁾ Term to maturity classifications are based on contractual maturity date of the security.

⁽²⁾ Yield represents the rate which discounts future cash receipts to the carrying amount.

Note 7 Accounts Payable and Accrued Liabilities

	2017	2016
Supplies and services	\$ 15,180	\$ 9,561
Salaries, wages and employee benefits	5,968	6,137
Reinsurance Premiums to Government of Canada	20	19
Amounts payable under Western Livestock Price Insurance program	-	606
Other	811	962
	<u>\$ 21,979</u>	<u>\$ 17,285</u>

Prior year due to provincial governments is included in accounts payable and accrued liabilities.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 8 Indemnities Payable

	2017 (Note 2(l))	2016 (Note 2(l))
AgriStability (previously CAIS program), AgriInvest, AgriRecovery and related programs		
Current claim year	\$ 182,995	\$ 124,365
Prior claim years	48,433	24,599
	231,428	148,964
AgriInsurance	77,445	14,112
Wildlife compensation	24,651	678
Hail insurance	396	797
Livestock price insurance	2	2,984
	<u>\$ 333,922</u>	<u>\$ 167,535</u>

Estimated indemnities payable of \$333,922 and corresponding contributions and receivables from the Governments of Canada and Alberta are subject to measurement uncertainty because they could change materially in the future, if factors and assumptions considered by management in establishing the estimates were to change significantly.

Estimated indemnities for the current claim year for the AgriStability and AgriInvest programs are based on a variety of factors such as number of participants, estimated reference margins, estimated claim year margins based on projected forecast commodity prices, crop yields, inventory changes and forecast changes in eligible income and expenses on an aggregate basis for different types of agriculture industry. Based on the above key assumptions and using a statistical model for projections estimated indemnities for the current year would be in the range of \$155,092 to \$211,720.

Estimated indemnities for prior claim years under AgriStability, AgriInvest and AgriRecovery programs are based on probable payments for claims not yet processed.

Estimated indemnities payable for the AgriInsurance program are based upon number of claims remaining to be paid and average claim payment amounts. The indemnities payable also includes claims deferred by producers. Based on that information the projected estimated indemnities would be in the range of \$23,462 to \$142,222.

Indemnities for Livestock Price Insurance Program are based on estimated payments using forward contract prices applicable to policies sold during the fiscal year with settlement dates beyond the end of fiscal year.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 9 Borrowing from Government of Alberta

All borrowings from the Government of Alberta bear interest rates which are fixed for the term of the borrowing. Repayment of principal is on maturity with the exception of a small number of borrowings which require blended repayments during the term.

The composition of outstanding borrowing from the Government of Alberta by range of effective annual interest rate is as follows:

	2017	2016
Effective annual Interest Rate		
Less than or equal to 2%	\$ 370,000	\$ 345,000
2.01% to 3.00%	583,000	483,000
3.01% to 4.00%	759,238	809,238
4.01% to 5.00%	460,752	460,751
5.01% to 6.00%	18,006	33,513
	2,190,996	2,131,502
Accrued interest	14,668	14,503
Unamortized premium	876	357
	<u>\$ 2,206,540</u>	<u>\$ 2,146,362</u>
Weighted average annual interest rate	3.13%	3.28%

Principal repayments due in each of the next five years and thereafter are as follows:

Year ending March 31, 2018	\$ 168,780
2019	186,092
2020	293,109
2021	225,000
2022	181,432
Thereafter	1,136,583
	<u>\$ 2,190,996</u>

The estimated fair value of borrowings as at March 31, 2017 is \$2,325,485 (2016 \$2,300,316). Fair value is an approximation of market value to the holder.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 10 Deferred Revenue

	2017	2016				
Unearned revenue	\$ 5,810	\$ 6,932				
Spent deferred capital contributions	19,475	19,002				
	<u>\$ 25,285</u>	<u>\$ 25,934</u>				
Unearned revenue					2017	2016
	Government of Canada	Non-government	Government of Alberta	Total	Total	
Balance at beginning of year	\$ -	\$ 6,932	\$ -	\$ 6,932	\$ 4,349	
Received during year	-	5,810	-	5,810	6,932	
Less amounts recognized	-	(6,932)	-	(6,932)	(4,349)	
Balance at end of year	<u>\$ -</u>	<u>\$ 5,810</u>	<u>\$ -</u>	<u>\$ 5,810</u>	<u>\$ 6,932</u>	
Spent deferred capital contributions					2017	2016
	Government of Canada	Non-government	Government of Alberta	Total	Total	
Balance at beginning of year	\$ 10,935	\$ 776	\$ 7,291	\$ 19,002	\$ 18,657	
Transferred capital assets received	3,497	-	2,331	5,828	7,350	
Less amounts recognized as revenue	(3,155)	(97)	(2,103)	(5,355)	(7,005)	
Balance at end of year	<u>\$ 11,277</u>	<u>\$ 679</u>	<u>\$ 7,519</u>	<u>\$ 19,475</u>	<u>\$ 19,002</u>	

Unearned revenue represents premiums received from producers for AgrilInsurance programs, fees collected for the AgriStability program relating to the next fiscal year and amounts collected in advance from other provincial governments for licensing fees for the Western Livestock Price Insurance Program. Spent deferred capital contributions represent contributions received from the federal and provincial governments that are restricted for the acquisition of tangible capital assets.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 11 Tangible Capital Assets

	Land	Building	Furniture and Fixtures	Computer Equipment and Software	2017	2016
Estimated Useful Life	Indefinite	25 - 40 years	5 - 10 years	2 - 10 years		
Cost						
At beginning of year	\$ 1,827	\$ 10,200	\$ 12,015	\$ 103,427	\$ 127,469	\$ 121,877
Additions	-	19	84	7,263	7,366	7,075
Disposals	-	-	-	(498)	(498)	(1,483)
	<u>1,827</u>	<u>10,219</u>	<u>12,099</u>	<u>110,192</u>	<u>134,337</u>	<u>127,469</u>
Accumulated amortization						
At beginning of year	-	5,422	7,792	75,589	88,803	80,263
Amortization expense	-	386	1,074	7,269	8,729	10,001
Disposals	-	-	-	(464)	(464)	(1,461)
	<u>-</u>	<u>5,808</u>	<u>8,866</u>	<u>82,394</u>	<u>97,068</u>	<u>88,803</u>
Net book value at March 31, 2017	<u>\$ 1,827</u>	<u>\$ 4,411</u>	<u>\$ 3,233</u>	<u>\$ 27,798</u>	<u>\$ 37,269</u>	
Net book value at March 31, 2016	<u>\$ 1,827</u>	<u>\$ 4,565</u>	<u>\$ 4,436</u>	<u>\$ 27,838</u>		<u>\$ 38,666</u>

Computer equipment and software costs include \$7,543 (2016 \$5,998) of costs incurred that are not amortized because they are still in the development stage.

Note 12 Pensions

The Corporation participates in the multi-employer Alberta Management Employees Pension Plan and the Alberta Public Service Pension Plan. The Corporation also participates in the multi-employer Supplementary Retirement Plan for Alberta Public Service Managers.

AFSC does not have sufficient plan information to follow the standards for defined benefit accounting, and therefore, follows the standards for defined contribution accounting. Accordingly, pension expense recorded for the plans is comprised of employer contributions to the plan that are required for its employees during the year, which are calculated based on actuarially pre-determined amounts that are expected to provide the plan's future benefits. The expense for these pension plans is equivalent to the annual contributions of \$6,413 for the year ended March 31, 2017 (2016 \$6,646).

At December 31, 2016, the Alberta Management Employees Pension Plan reported a surplus of \$402,033 (2015 surplus \$299,051), the Alberta Public Service Pension Plan reported a surplus of \$302,975 (2015 deficiency \$133,188) and the Supplementary Retirement Plan for Public Service Managers reported a deficiency of \$50,020 (2015 deficiency \$16,305). The Corporation's share of these pension plans' deficiency is not determinable. The Corporation is not responsible for future funding of the plan deficits other than through contribution increases.

AGRICULTURE FINANCIAL SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017
(dollars in thousands)

Note 13 Contingencies, Contractual Obligations and Commitments

Contingent Liability

	<u>2017</u>	<u>2016</u>
Loan guarantees	\$ 13,112	\$ 27,465
Less allowances for losses	<u>-</u>	<u>(150)</u>
Total contingencies	<u>\$ 13,112</u>	<u>\$ 27,315</u>

Included in loan guarantees is \$9,336 (2016 \$11,922) guaranteed under the Alberta Flood Recovery Loan Guarantee Program (AFRLGP), which was established to assist Alberta businesses directly impacted by the June 2013 flood in southern Alberta. Under the AFRLGP, the Corporation has entered into agreements with financial institutions guaranteeing repayment of up to 75% of loans issued under this program.

The Corporation has been named in three (2016 none) claims of which the outcomes are not determinable. There are specified amounts totaling \$275 (2016 nil). The resolution of the indeterminable claims may result in a liability, if any, that may be significantly lower than the claimed amount.

Contractual Obligations

	<u>2017</u>	<u>2016</u>
Reinsurance	23,879	25,420
Operating leases	12,747	7,917
Other contracts	<u>7,061</u>	<u>3,462</u>
Total contractual obligations	<u>\$ 43,687</u>	<u>\$ 36,799</u>

The operating lease contractual obligations are for accommodations with terms up to twelve years.

Commitments

	<u>2017</u>	<u>2016</u>
Approved, undisbursed loans	<u>\$ 187,126</u>	<u>\$ 208,362</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2017
(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management

Financial instruments comprise the majority of AFSC's assets and liabilities. AFSC is exposed to credit, interest and liquidity risks in respect to its use of financial instruments.

Credit Risk

Credit risk is the possibility that a debtor will not pay amounts owing to AFSC, resulting in a loss to the Corporation.

AFSC's maximum possible exposure to credit risk is as follows:

	<u>2017</u>	<u>2016</u>
Loans receivable	\$ 2,240,468	\$ 2,161,466
Investments	2,124,401	1,891,416
Due from Government of Canada	196,969	194,275
Due from Government of Alberta	98,534	43,784
Accounts receivable	10,493	4,715
Loan guarantees	<u>13,112</u>	<u>27,465</u>
Total commitments	<u>\$ 4,683,977</u>	<u>\$ 4,323,121</u>

Loans receivable - Security requirements for a loan or guarantee depend on the risk involved in each individual operation. Adequate security is required for new and emerging businesses as well as for enterprises needing specialized or customized equipment. To mitigate credit risk, lending staff monitor loan accounts continually to ensure prompt response to any financial difficulties customers may encounter.

Investments - AFSC invests surplus funds generated by Production and Hail Insurance operations. To decrease the risk of loss of investment, the majority of funds are invested in bonds of federal or provincial governments or securities of corporations that have superior credit ratings. The investments are managed by Alberta Investment Management Corporation, an Alberta Crown Corporation. AFSC also invests in asset-backed securities (AAA rating) and senior bank notes (A rating and higher). Both of these investments consist of securities with relatively low levels of risk.

Due from the Government of Alberta and the Government of Canada - AFSC is not exposed to significant credit risk as payment in full is typically collected when due.

Accounts receivable - Payments to some CAIS/AgriStability participants resulted in overpayments when information provided to AFSC by participants proved to be incorrect or not supported. This creates a risk of potential non-repayment of the overpayments. The Corporation may set off overpayments against any payments to customers.

AFSC provides insurance coverage on crops, effective at the acceptance of the customer's application for insurance, with or without payment of premiums in full. Non-collection of outstanding insurance premiums is a risk. To minimize this risk, a discount is offered for early payment of insurance premiums and arrangements made for a payment schedule for all customers not taking advantage of the discount. Insurance staff closely monitors outstanding premiums and promptly take collection action when required.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

The following breakdown of the Loans receivable provides an indication of the concentration of credit risk in the loan portfolio. Further information is provided throughout these statements which disclose other concentrations of credit risk.

	2017		2016	
	Dollar	Percentage	Dollar	Percentage
Loans receivable by individual sector:				
Grain and Oilseeds	\$ 1,163,570	52%	\$ 1,103,696	51%
Cattle	609,191	27%	568,043	26%
Accommodations and Other Services	147,267	7%	132,867	6%
Manufacturing	98,126	4%	101,996	5%
Other Livestock	72,254	3%	81,430	4%
Trade - Retail and Wholesale	42,441	2%	50,415	2%
Commercial and Industrial	30,565	1%	37,016	2%
Transportation and Warehousing	24,488	1%	26,718	1%
Professional Services	19,601	1%	24,632	1%
Other	69,733	3%	77,155	4%
Allowance	(36,768)	-1%	(42,502)	-2%
	<u>\$ 2,240,468</u>	<u>100%</u>	<u>\$ 2,161,466</u>	<u>100%</u>

Interest Rate Risk

Interest rate risk is the impact future changes in interest rates have on cash flows and fair values of financial assets and liabilities. AFSC's interest rate exposure relates to investments, loans receivable, and borrowing from the Government of Alberta.

Investments – Interest rate risk on investments is mitigated by AFSC's Investment Policy for surplus funds. The investment policy is approved by the Board of Directors and compliance with the policy is reported to the Board Audit Committee at least twice a year. Duration of investments are set to match management's best estimate of when investments may be needed to be liquidated to meet financial commitments.

Loans receivables – Loans receivable balances consist of loans with interest rates fixed either until maturity date or for a term with a renewable option. The Corporation allows its customers to prepay their loans without any prepayment penalties. In the normal course of business, loan customers prepay their loans in part or in full prior to the contractual maturity date. Impact of interest rate changes on performance of loan portfolio and cash flows could be significant as a result of changes in market interest rates and borrower's repayment preferences.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 14 Financial Instruments and Financial Risk Management (continued)

Borrowing from the Government of Alberta - The interest rates on borrowings are fixed until maturity. For a vast majority of borrowings, principal repayments are due in full on maturity date with no prepayment option. The Government of Alberta provides an annual contribution to the Corporation that includes an amount to bridge the gap between interest revenue from the loan portfolio and interest on borrowings annually through the budget process. Cash inflows are matched with outflows through additional borrowing as required from the Government of Alberta. Management has assessed that the interest rate risk related to borrowing is not significant.

The following position of the Corporation's loan portfolio and borrowing provides additional information on interest rate risk.

	Scheduled Repayment ⁽¹⁾				Not ⁽²⁾ Interest Rate Sensitive	2017	2016
	Within 1 Year	1 to 5 Years	6 to 10 Years	Over 10 Years		Total	Total
Loan balances	\$ 223,417	\$ 652,827	\$ 624,264	\$ 750,480	\$ (10,520)	\$ 2,240,468	\$ 2,161,466
Yield	3.69%	3.75%	3.78%	3.26%	-	3.68%	3.88%
Borrowing from							
Government of Alberta	\$ 168,780	\$ 885,633	\$ 886,583	\$ 250,000	\$ 15,544	\$ 2,206,540	\$ 2,146,362
Yield ⁽³⁾	3.28%	3.28%	3.21%	3.04%	-	3.25%	3.42%
Net gap	<u>\$ 54,637</u>	<u>\$ (232,806)</u>	<u>\$ (262,319)</u>	<u>\$ 500,480</u>	<u>\$ (26,064)</u>	<u>\$ 33,928</u>	<u>\$ 15,104</u>

⁽¹⁾ For loan balances, scheduled repayments of principal are based on amortization of loans for the remaining term up to maturity at applicable interest rates. For borrowing from the Government of Alberta, scheduled repayments reflect contractual repayment of principal.

⁽²⁾ Includes specific and general allowance, accrued interest and unamortized loan discount.

⁽³⁾ Yield represents the rate which discounts future cash receipts to the carrying amount.

Liquidity Risk

Liquidity risk relates to AFSC's ability to access sufficient funds to meet its financial commitments.

AFSC's primary liquidity risk relates to its liability for insurance claims. Insurance claims are funded firstly with current year premiums collected, which normally exceeds cash requirements. In addition, the investment portfolio of surplus funds in insurance operations is structured in such a way that a portion of the portfolio is accessible at short notice to fund claim payments. The Corporation also carries private sector reinsurance for AgrilInsurance and Hail Insurance providing significant protection against catastrophic losses. If all of the above are exhausted, the AgrilInsurance program has a reinsurance agreement with the Government of Canada and the Government of Alberta to provide additional funding for claim payments. Additionally, the Corporation has access to advances from the Government of Alberta to meet short-term cash flow needs.

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 15 Related Party Transactions

Related parties are those entities consolidated or accounted for on the modified equity basis in the Government of Alberta's financial statements. Related parties also include management in the Corporation.

The Corporation had the following transactions with related parties recorded on the Statement of Operations and the Statement of Financial Position at the amount of consideration agreed upon between the related parties:

	2017	2016
Revenues:		
Grants	\$ 375,481	\$ 278,535
Other	-	-
	<u>\$ 375,481</u>	<u>\$ 278,535</u>
Expenses:		
Accommodation	\$ 641	\$ 661
Other services	2,066	2,372
Interest	67,900	69,214
	<u>\$ 70,607</u>	<u>\$ 72,247</u>
Payable to:		
Ministry of Agriculture and Forestry	\$ 650	\$ 520
Ministry of Treasury Board and Finance	2,206,540	2,146,362
Ministry of Service Alberta	-	1
Receivable from:		
Ministry of Agriculture and Forestry	98,534	46,563
Deferred Revenue from:		
Ministry of Agriculture and Forestry	<u>7,519</u>	<u>7,291</u>
	<u>\$ 2,313,243</u>	<u>\$ 2,200,737</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

MARCH 31, 2017

(dollars in thousands)

Note 16 Crop Reinsurance Funds

The contributions, withdrawals and accumulated net asset positions of the Crop Reinsurance Fund of Alberta and the Crop Reinsurance Fund of Canada for Alberta are as follows (see Note 2(m)):

	AgrilInsurance Reinsurance Fund of Alberta		AgrilInsurance Reinsurance Fund of Canada for Alberta	
	2017	2016	2017	2016
Opening net assets	\$ 33,641	\$ 33,641	\$ 34,530	\$ 34,530
Contributions	1	-	1	-
Closing net assets	<u>\$ 33,642</u>	<u>\$ 33,641</u>	<u>\$ 34,531</u>	<u>\$ 34,530</u>

The net assets balance in the Crop Reinsurance Fund of Alberta is consolidated in the AgrilInsurance Fund in Schedule 1.

Note 17 Budget

The budget reported in the Statement of Operations was included in the 2016/17 Government Estimates.

Note 18 Comparative Figures

The 2016 figures have been reclassified and restated where necessary to conform to 2017 presentation.

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF OPERATIONS
YEAR ENDED MARCH 31, 2017
(dollars in thousands)

Schedule 1

	2017	2016	2017	2016	2017	2016
	AgrilInsurance	AgrilInsurance	Agriculture Income Support	Agriculture Income Support	Lending	Lending
	Note 2(n)	Note 2(n)				
Revenues:						
Premiums from insured persons	\$ 302,691	\$ 247,760	\$ -	\$ -	\$ -	\$ -
Interest	549	485	84	(234)	86,976	88,003
Contribution from Government of Alberta	258,738	214,921	85,685	46,444	11,672	12,851
Contribution from Government of Canada	222,140	187,487	92,039	28,515	-	-
Investment income	40,969	43,554	275	241	419	350
Fees and other income	85	150	10,330	10,464	2,915	3,513
	<u>825,172</u>	<u>694,357</u>	<u>188,413</u>	<u>85,430</u>	<u>101,982</u>	<u>104,717</u>
Expenses:						
Indemnities	501,310	485,631	174,069	71,893	-	-
Salaries, wages and employee benefits	26,447	26,927	10,343	11,839	20,642	20,341
Supplies and services	11,816	11,059	3,961	4,093	5,742	6,125
Amortization of tangible capital assets	3,451	3,246	999	2,669	2,878	2,739
Interest	-	-	-	-	68,590	69,690
Reinsurance	24,204	23,887	-	-	-	-
Allowance for doubtful accounts and for losses (Note 3 & 4)	807	333	(1,537)	(3,825)	2,475	8,257
	<u>568,035</u>	<u>551,083</u>	<u>187,835</u>	<u>86,669</u>	<u>100,327</u>	<u>107,152</u>
Net operating results	257,137	143,274	578	(1,239)	1,655	(2,435)
Net assets at beginning of year	2,174,140	2,030,866	643	1,882	81,617	84,052
Net assets at end of year	<u>\$ 2,431,277</u>	<u>\$ 2,174,140</u>	<u>\$ 1,221</u>	<u>\$ 643</u>	<u>\$ 83,272</u>	<u>\$ 81,617</u>

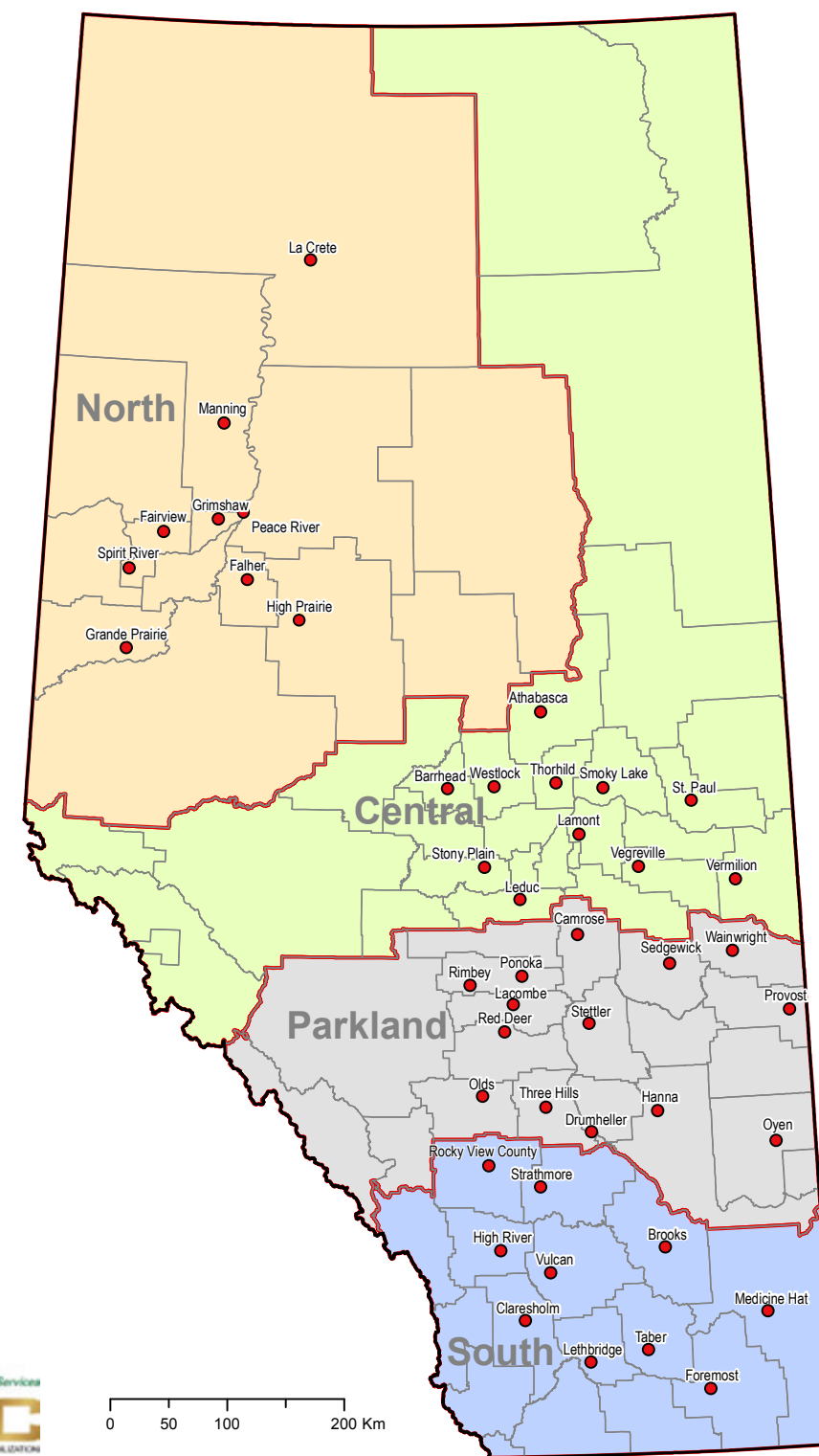
	2017	2016	2017	2016	2017	2016	2017	2016
	Hail Insurance	Hail Insurance	Livestock Insurance	Livestock Insurance	Wildlife Damage Compensation	Wildlife Damage Compensation	Total	Total
	\$ 45,361	\$ 44,574	\$ 22,282	\$ 6,556	\$ -	\$ -	\$ 370,334	\$ 298,890
	93	98	37	46	-	-	87,739	88,398
	-	-	806	784	18,580	3,535	375,481	278,535
	-	-	1,199	1,169	17,246	3,339	332,624	220,510
	138	127	175	189	(22)	(7)	41,954	44,454
	<u>2,884</u>	<u>352</u>	<u>2,120</u>	<u>713</u>	<u>82</u>	<u>58</u>	<u>18,416</u>	<u>15,250</u>
	<u>48,476</u>	<u>45,151</u>	<u>26,619</u>	<u>9,457</u>	<u>35,886</u>	<u>6,925</u>	<u>1,226,548</u>	<u>946,037</u>
	51,304	32,623	18,400	8,423	35,201	6,412	780,284	604,982
	1,248	995	1,179	1,337	371	261	60,230	61,700
	908	794	719	510	181	126	23,327	22,707
	744	708	613	613	44	26	8,729	10,001
	-	-	-	-	-	-	68,590	69,690
	1,569	1,644	3,169	1,009	-	-	28,942	26,540
	<u>67</u>	<u>50</u>	<u>-</u>	<u>24</u>	<u>194</u>	<u>-</u>	<u>2,006</u>	<u>4,839</u>
	<u>55,840</u>	<u>36,814</u>	<u>24,080</u>	<u>11,916</u>	<u>35,991</u>	<u>6,825</u>	<u>972,108</u>	<u>800,459</u>
	(7,364)	8,337	2,539	(2,459)	(105)	100	254,440	145,578
	<u>20,070</u>	<u>11,733</u>	<u>23,956</u>	<u>26,415</u>	<u>1,399</u>	<u>1,299</u>	<u>2,301,825</u>	<u>2,156,247</u>
	<u>\$ 12,706</u>	<u>\$ 20,070</u>	<u>\$ 26,495</u>	<u>\$ 23,956</u>	<u>\$ 1,294</u>	<u>\$ 1,399</u>	<u>\$ 2,556,265</u>	<u>\$ 2,301,825</u>

AGRICULTURE FINANCIAL SERVICES CORPORATION
SCHEDULE OF SALARIES AND BENEFITS
YEAR ENDED MARCH 31, 2017
(dollars in thousands)

	2017			2016	
	Base Salary ⁽¹⁾	Other Cash Benefits ⁽²⁾	Other Non-cash Benefits ⁽³⁾	Total	Total
Chairman of Board ⁽⁴⁾	\$ 13	\$ -	\$ -	\$ 13	\$ 49
Board members ⁽⁵⁾	31	-	1	32	137
President and Managing Director	518	184	136	838	698
Executive Members					
Interim CEO ⁽⁶⁾	-	39	3	42	-
Chief Operating Officer	305	30	79	414	346
Vice-President, Innovation & Product Development	243	249	64	556	337
Chief Financial Officer	224	4	61	289	289
Chief Information Officer	174	4	49	227	233
Chief Communication and Marketing Officer ⁽⁷⁾	23	217	4	244	204
Senior Manager, Human Resources & Communications	149	1	43	193	125
Vice-President, Legal & Compliance, General Counsel ⁽⁸⁾	108	3	31	142	-
Interim Vice-President, Innovation & Product Development ⁽⁹⁾	85	17	25	127	-
Interim Vice-President, Business & Strategy ⁽¹⁰⁾	89	-	25	114	-
Interim Vice-President, Operation & Sales ⁽¹¹⁾	74	9	23	106	-

(1) Base salaries are fees for Chair and Board members and base pay for employees.
(2) Other cash benefits include vacation payments and lump sum payments including retirement allowances. There were no bonuses paid during the year.
(3) Other non-cash benefits include employer's share of all employee benefits and contributions or payments made on behalf of employees, including health care, dental, medical and vision care, group life insurance benefits, pension and supplementary retirement plan, employment insurance, accidental death/dismemberment and long-term disability insurance, workers' compensation and professional memberships. No amount is included in other non-cash benefits for an automobile provided to the President and Managing Director.
(4) The amounts relate to two and one half (2.5) months during 2016/17 (twelve in 2015/16).
(5) The amounts relate to two and one half (2.5) months during 2016/17 (twelve in 2015/16).
(6) Position was for nine and one half (9.5) months during 2016/17.
(7) Position was for one (1) month during 2016/17 (twelve in 2015/16). Included in other cash benefits is \$200 in severance benefits paid as a result of a termination agreement.
(8) Position was for seven (7) months during 2016/17.
(9) Position was for five (5) months during 2016/17.
(10) Position was for four and one half (4.5) months during 2016/17.
(11) Position was for five (5) months during 2016/17.

AFSC OFFICES (AS OF MARCH 31, 2017)



0 50 100 200 Km

AFSC OFFICE LOCATIONS (AS OF MARCH 31, 2017)

ATHABASCA

Provincial Building
100 - 4903 - 50th Street
Athabasca AB T9S 1E2
Ph: 780-675-4007
Fax: 780-675-3827

BARRHEAD

PO Box 4533
4924 50th Avenue
Barrhead AB T7N 1A4
Ph: 780-674-8782
Fax: 780-674-8787

BROOKS

Provincial Building
220 - 4th Avenue W
Brooks AB T1R 0G1
Ph: 403-362-1262
Fax: 403-362-8078

CAMROSE

4910 - 52nd Street
Camrose, AB T4V 2V4
Ph: 780-679-1739
Fax: 780-679-1758

CLARESHOLM

Provincial Building
109 - 46th Avenue W
PO Box 1227
Claresholm AB T0L 0T0
Ph: 403-625-3534
Fax: 403-625-2862

DRUMHELLER

PO Box 2319
111 Railway Avenue West
Drumheller AB T0J 0Y0
Ph: 403-823-3042
Fax: 403-823-5083

EDMONTON CORPORATE OFFICE

O.S. Longman Building
6909 116 ST NW
Edmonton, AB T6H 4P2
Phone: 780-427-2140
Fax: 780-638-4350

FAIRVIEW

PO Box 1188
Provincial Building
10209 - 109th Street
Fairview AB T0H 1L0
Ph: 780-835-4975
Fax: 780-835-3994

FALHER

PO Box 658
Municipal District Building
701 Main Street
Falher AB T0H 1M0
Ph: 780-837-2521
Fax: 780-837-8223

FOREMOST

PO Box 37
218 Main Street
Foremost AB T0K 0X0
Ph: 403-867-3666
Fax: 403-867-2038

GRANDE PRAIRIE

102 - 10625 Westside Drive
Grande Prairie AB T8V 8E6
Ph: 780-538-5220
Fax: 780-532-2560

GRIMSHAW

PO Box 802
5306 - 50th Street
Grimshaw AB T0H 1W0
Ph: 780-332-4494
Fax: 780-332-1044

HANNA

PO Box 339
Provincial Building
401 Centre Street
Hanna AB T0J 1P0
Phone: 403-854-5525
Fax: 403-854-2590

HIGH PRAIRIE

Provincial Building
PO Box 1259
5226 - 53rd Avenue
High Prairie AB T0G 1E0
Phone: 780-523-6507
Fax: 780-523-6569

HIGH RIVER

309 - 1st Street SW
PO Box 5208
High River AB T1V 1M4
Ph: 403-652-8313
Fax: 403-652-8306

LACOMBE CENTRAL OFFICE

5718 - 56 Avenue
Lacombe AB T4L 1B1
Phone: 403-782-8200

LACOMBE BRANCH OFFICE

4712 - 49B Avenue
Lacombe AB T4L 1K2
Ph: 403-782-6800
Fax: 403-782-6753

LA CRETE

PO Box 1420
10105 94th Avenue
La Crete AB T0H 2H0
Phone: 780-928-2178
Fax: 780-928-2819

LAMONT

PO Box 487
5014 - 50th Avenue
Lamont AB T0B 2R0
Ph: 780-895-2266
Fax: 780-895-7755

LEDUC

6547 Sparrow Drive
Leduc AB T9E 7C7
Ph: 780-986-4088
Fax: 780-986-1085

LETHBRIDGE

County of Lethbridge Building
200 905 - 4th Avenue S.
Lethbridge, AB T1J 0P4
Ph: 403-381-5240
Fax: 403-382-4527

MANNING

PO Box 147
116 - 4th Avenue SW
Manning AB T0H 2M0
Ph: 780-836-3573
Fax: 780-836-2844

MEDICINE HAT

111 - 7 Strachan Bay SE
Medicine Hat AB T1B 4Y2
Phone: 403-488-4509
Fax: 403-488-4516

OLDS

Provincial Building
101 - 5030 - 50th Street
Olds AB T4H 1S1
Ph: 403-556-4334
Fax: 403-556-4255

OYEN

PO Box 426
201 Main Street
Oyen AB T0J 2J0
Ph: 403-664-3677
Fax: 403-664-2687

PEACE RIVER

9809 - 98th Avenue
Peace River AB T8S 1J5
Ph: 780-617-7225
Fax: 780-617-7229

PONOKA

PO Box 4426
Provincial Building
250 5110 - 49th Avenue
Ponoka AB T4J 1S1
Ph: 403-783-7071
Fax: 403-783-7925

PROVOST

PPO Box 716
Provincial Building
5419 - 44th Street
Provost AB T0B 3S0
Ph: 780-753-2150
Fax: 780-753-2876

RED DEER

Unit #1 - 7710 Gaetz Avenue
Red Deer AB T4P 2A5
Ph: 403-340-5379
Fax: 403-340-7999

RIMBEY

PO Box 888
Provincial Building
5025 - 55th Street
Rimbey AB T0C 2J0
Ph: 403-843-4516
Fax: 403-843-4150

ROCKY VIEW COUNTY

Unit #2, 261024 Dwight Mclellan Trail
Rocky View County, AB T4A 0T5
Ph: 403-297-6281
Fax: 403-297-8461

SEDGEWICK

PO Box 266
4701 - 48th Avenue
Sedgewick AB T0B 4C0
Ph: 780-384-3880
Fax: 780-384-2156

SMOKY LAKE

PO Box 602
Provincial Building
108 Wheatland Avenue
Smoky Lake AB T0A 3C0
Ph: 780-656-3644
Fax: 780-656-3669

SPIRIT RIVER

PO Box 547
Provincial Building
4602 - 50th Street
Spirit River AB T0H 3G0
Ph: 780-864-3896
Fax: 780-864-2529

ST. PAUL

104, 5025 - 49th Avenue
Provincial Building Box 406
St. Paul AB T0A 3A4
Ph: 780-645-6453
Fax: 780-645-2848

STETTLER

PO Box 1807
5020 50th Street
Stettler AB T0C 2L0
Ph: 403-740-4200
Fax: 403-740-4210

STONY PLAIN

Provincial Building
4709 - 44th Avenue
Stony Plain AB T7Z 1N4
Ph: 780-963-0600
Fax: 780-963-1251

STRATHMORE

325 - 3rd Avenue
Strathmore AB T1P 1B4
Ph: 403-934-3616
Fax: 403-934-5018

TABER

Provincial Building
5011 - 49th Avenue
PO Box 4
Taber AB T1G 1V9
Ph: 403-223-7900
Fax: 403-223-7985

THORHILD

County Administration Building
PO Box 400
801 - 1st Street
Thorhild AB T0A 3J0
Ph: 780-398-3933
Fax: 780-398-2087

THREE HILLS

Provincial Building
PO Box 40
128 - 3rd Avenue S
Three Hills AB T0M 2A0
Ph: 403-443-8515
Fax: 403-443-7519

VEGREVILLE

PO Box 1440
Vinet's Village Mall
Suite 138 4925 - 50th Avenue
Vegreville AB T9C 1S6
Ph: 780-603-2332
Fax: 780-632-3385

VERMILION

5039 - 49th Avenue
Vermilion AB T9X 1B8
Ph: 780-581-2345
Fax: 780-853-1982

VULCAN

104 Centre Street East
PO Box 847
Vulcan AB T0L 2B0
Ph: 403-485-2766
Fax: 403-485-2947

WAINWRIGHT

2710-15 Avenue
Wainwright AB T9W 0A4
Phone: 780-842-7547
Fax: 780-842-4948

WESTLOCK

11207-104 Avenue
Westlock AB T7P 1B2
Ph: 780-349-4544
Fax: 780-349-5240



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