
**ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY
FINANCIAL STATEMENTS
MARCH 31, 2016**

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Management's Report

Management's Responsibility for the Financial Statements

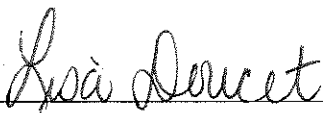
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and schedules,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

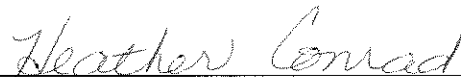
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board meets throughout the year and reviews external audited financial statements yearly.

The external auditors, Deloitte LLP, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to financial management of Atlantic Provinces Special Education Authority and meet when required.

On behalf of Atlantic Provinces Special Education Authority:







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Independent Auditor's Report

To the Board of Directors of
Atlantic Provinces Special Education Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Atlantic Provinces Special Education Authority, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus, remeasurement gains and losses, changes in net financial assets and cash flow 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

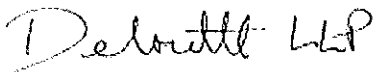
Basis for Qualified Opinion

In common with many not-for-profit organizations, Atlantic Provinces Special Education Authority derives revenue from fundraising activities the completeness of which is not susceptible to satisfactory audit verification. Accordingly, verification of these revenues was limited to the amounts recorded in the records of Atlantic Provinces Special Education Authority. Therefore, we were not able to determine whether any adjustments might be necessary to fundraising revenue, excess of revenues over expenses, and cash flows from operations for the years ended March 31, 2016 and March 31, 2015, current assets as at March 31, 2016 and March 31, 2015, and net assets as at April 1 and March 31 for both the 2016 and 2015 years.

APSEA's government grants revenue is stated as \$15,611,369 on the Statement of Operations and Accumulated Surplus. Management has not recognized all government grants received as revenue, deferring amounts not spent during the year, which constitutes a departure from Canadian public sector accounting standards. APSEA's records indicate that \$2,120,667 in government grants received during the year were inappropriately deferred. Accordingly, revenue should have been increased to \$17,732,036, and liabilities reduced by \$2,120,667. Further, the \$7,869,486 of government grants received in prior years and recorded as a liability, should have been recorded as revenue during those respective years. As a result, opening accumulated surplus would have been increased by \$7,869,486, and liabilities decreased by an equal amount.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of Atlantic Provinces Special Education Authority as at March 31, 2016, and the results of its operations, changes in net financial assets, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.





Chartered Professional Accountants
January 27, 2016

Atlantic Provinces Special Education Authority
Statement of Financial Position
As at March 31, 2016

	2016	2015
Financial Assets		
Cash and cash equivalents	\$ 8,922,467	\$ 9,666,202
Short-term investments	246,843	245,196
Accounts receivable	118,436	163,390
Accounts receivable from provinces	2,568,870	16,519
Receivables for early retirement incentive plan (Note 4)	1,143,900	1,232,100
Receivables for post-retirement benefits (Note 6)	3,325,500	3,483,400
Receivables for teachers sick leave (Note 10)	513,700	551,000
Portfolio investments – blind/visually impaired	6,898,052	7,188,461
Portfolio investments – deaf/hard of hearing	<u>4,106,889</u>	<u>4,139,274</u>
	27,844,657	26,685,542
Liabilities		
Accounts payable	501,327	1,045,534
Due to provinces (Schedule 1)	9,990,153	7,869,486
Public Service early retirement incentive plan (Note 4)	1,143,900	1,232,100
Post-retirement benefits (Note 6)	3,325,500	3,483,400
Teachers sick leave (Note 10)	513,700	551,000
Operating advances (Note 5)	<u>830,000</u>	<u>830,000</u>
	16,304,580	15,011,520
Net financial assets	<u>11,540,077</u>	<u>11,674,022</u>
Non-financial assets		
Tangible capital assets, net (Note 7)	<u>4,862,567</u>	<u>5,142,692</u>
Accumulated surplus (Note 9)	<u>16,402,644</u>	<u>16,816,714</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	13,396,183	13,251,131
Accumulated remeasurement gains	<u>3,006,461</u>	<u>3,565,583</u>
	<u>\$ 16,402,644</u>	<u>\$ 16,816,714</u>

APPROVED ON BEHALF OF THE BOARD


Member


Member

Atlantic Provinces Special Education Authority
Statement of Operations and Accumulated Surplus
For the Year Ended March 31, 2016

REVENUES	2016 Budget (Unaudited)	2016 Actual	2015 Actual
Government grants	<u>\$17,854,686</u>	<u>\$15,611,369</u>	<u>\$15,826,139</u>
Other income			
Shared by four provinces	30,000	80,302	63,570
Shared by three provinces	255,000	289,633	304,247
Centre-based programs	322,000	336,049	395,517
Annuities, bequests and donations	-	3,715	147,950
Investment income	-	709,146	662,997
Other	-	<u>18,158</u>	<u>6,835</u>
	<u>607,000</u>	<u>1,437,003</u>	<u>1,581,116</u>
	<u>18,461,686</u>	<u>17,048,372</u>	<u>17,407,255</u>
EXPENDITURES			
Administration and consultation (shared by four provinces)			
Administration	788,828	655,438	676,033
Programs – blind/visually impaired	262,178	188,235	202,852
Resource services	1,572,473	1,452,483	1,364,816
Autism in education	<u>134,360</u>	<u>137,232</u>	<u>135,210</u>
	<u>2,757,839</u>	<u>2,433,388</u>	<u>2,378,911</u>
Administration and consultation (shared by three provinces)			
Programs – deaf/hard of hearing	299,948	191,892	190,028
Audiology	<u>513,976</u>	<u>569,718</u>	<u>576,674</u>
	<u>813,924</u>	<u>761,610</u>	<u>766,702</u>
Assessment services	<u>829,129</u>	<u>661,171</u>	<u>569,036</u>
Centre-based programs			
Education	928,825	654,880	765,296
Residence	700,923	551,257	574,711
Medical	84,676	77,859	77,662
Building maintenance	865,903	842,537	928,247
Food services	<u>196,000</u>	<u>172,388</u>	<u>187,507</u>
	<u>2,776,327</u>	<u>2,298,921</u>	<u>2,533,423</u>
Provincial programs			
New Brunswick – deaf/hard of hearing	2,924,624	2,625,001	2,663,117
New Brunswick – blind/visually impaired	<u>1,403,964</u>	<u>1,145,372</u>	<u>1,173,289</u>
	<u>4,328,588</u>	<u>3,770,373</u>	<u>3,836,406</u>
Nova Scotia – deaf/hard of hearing	3,894,141	3,608,881	3,584,748
Nova Scotia – blind/visually impaired	<u>2,612,305</u>	<u>2,273,335</u>	<u>2,430,182</u>
	<u>6,506,446</u>	<u>5,882,216</u>	<u>6,014,930</u>
Newfoundland and Labrador – blind/visually impaired	87,723	58,674	29,570
Prince Edward Island – blind/visually impaired	<u>513,677</u>	<u>480,736</u>	<u>458,096</u>
Total program expenses	18,613,653	16,347,089	16,587,074
Early retirement incentive plan	48,033	42,752	42,717
Amortization of tangible capital assets	270,000	280,125	281,915
Trust fund expenditures – blind/visually impaired (Note 8)	-	133,972	125,066
Trust fund expenditures – deaf/hard of hearing (Note 8)	-	<u>99,382</u>	<u>80,802</u>
	-	233,354	205,868
Total expenses	<u>18,931,686</u>	<u>16,903,320</u>	<u>17,117,574</u>
Annual (deficit) surplus	<u>(\$470,000)</u>	<u>\$ 145,052</u>	<u>\$ 289,681</u>
Accumulated operating surplus, beginning of year	<u>13,251,131</u>	<u>13,251,131</u>	<u>12,961,450</u>
Accumulated operating surplus, end of year	<u>\$12,781,131</u>	<u>\$13,396,183</u>	<u>\$13,251,131</u>

Atlantic Provinces Special Education Authority
Statement of Remeasurement Gains and Losses
For the Year Ended March 31, 2016



	2016	2015
Accumulated remeasurement gains, beginning of year	<u>\$3,565,583</u>	<u>\$3,190,079</u>
Remeasurement gains (losses) on portfolio investments quoted in an active market	(250,869)	655,799
Less: realized gains on portfolio investments quoted in an active market	<u>308,253</u>	<u>280,295</u>
Net remeasurement gains (losses) for the year	<u>(559,122)</u>	<u>375,504</u>
Accumulated remeasurement gains, end of year	<u>\$3,006,461</u>	<u>\$3,565,583</u>

Atlantic Provinces Special Education Authority
Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2016



	2016 Budget (Unaudited)	2016 Actual	2015 Actual
Annual (deficit) surplus	\$(470,000)	\$145,052	\$289,681
Acquisition of tangible capital assets	-	-	(60,000)
Amortization of tangible capital assets	270,000	280,125	281,915
Operating expenditures paid from trust funds	<u>200,000</u>	<u>-</u>	<u>-</u>
	-	425,177	511,596
 Net remeasurement gains (losses)	 <u>-</u>	 <u>(559,122)</u>	 <u>375,504</u>
 Increase (decrease) in net financial assets	 <u>-</u>	 <u>(133,945)</u>	 <u>887,100</u>
 Net financial assets, beginning of year	 <u>11,674,022</u>	 <u>11,674,022</u>	 <u>10,786,922</u>
 Net financial assets, end of year	 <u>\$11,674,022</u>	 <u>\$11,540,077</u>	 <u>\$11,674,022</u>

Atlantic Provinces Special Education Authority
Statement of Cash Flows
For the Year Ended March 31, 2016

	2016	2015
Cash flows from operating activities		
Annual surplus	\$145,052	\$289,681
Amortization of tangible capital assets	<u>280,125</u>	<u>281,915</u>
	<u>425,177</u>	<u>571,596</u>
Add (deduct) changes in non-cash working capital		
Changes in accounts receivable	44,954	56,444
Changes in accounts receivable from provinces	(2,552,351)	221,789
Changes in accounts payable	(544,207)	(11,422)
Changes in due to provinces	2,120,667	1,356,047
Changes in deferred revenue	<u>-</u>	<u>(9,178)</u>
	<u>(930,937)</u>	<u>1,613,680</u>
Net cash and cash equivalents provided by operating activities	<u>(505,760)</u>	<u>2,185,276</u>
Cash flows from capital activity		
Purchase of tangible capital assets	<u>-</u>	<u>(60,000)</u>
Cash flows from investing activities		
Proceeds of sale of investments	1,268,117	815,982
Purchase of investments	<u>(1,506,092)</u>	<u>(939,915)</u>
Net cash and cash equivalents used in investing activities	<u>(237,975)</u>	<u>(123,933)</u>
(Decrease) increase in cash and cash equivalents	(743,735)	2,001,343
Cash and cash equivalents, beginning of year	<u>9,666,202</u>	<u>7,664,859</u>
Cash and cash equivalents, end of year	<u>\$8,922,467</u>	<u>\$9,666,202</u>

1. Authority

The Atlantic Provinces Special Education Authority (APSEA) is an inter-provincial cooperative agency established in 1975 by joint agreement among the Ministers of Education of the Atlantic Provinces. The agreement provides for the creation of the APSEA and authorizes it to provide educational services, programs and opportunities for children and youth who are deaf, hard of hearing, blind, or visually impaired and who are residents in Atlantic Canada.

2. Accounting Policies

Basis of Accounting

These financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards (PSAS) established by the Canadian Public Sector Accounting Board (PSAB).

Operating Account and Trust Fund Accounts

These statements include the operating accounts for APSEA's program delivery and administrative activity and trust accounts, which are internally restricted. There are two trust accounts, the trust fund for students who are blind or visually impaired (BVI) and the trust fund for students who are deaf or hard of hearing (DHH).

Cost Sharing

Pursuant to the agreement and amendments thereto, program expenditures are shared on the following basis:

Certain administration and consultation expenditures are allocated to the provinces in the ratio of their general population to the total population, based on the 2011 quinquennial census figures released by Statistics Canada.

Administration and consultation expenditures shared by the four provinces are allocated as follows:

Nova Scotia	40.1%
New Brunswick	32.0%
Newfoundland and Labrador	21.7%
Prince Edward Island	<u>6.2%</u>
	<u>100.0%</u>

2. Accounting Policies (continued)

Other administration and consultation costs for the program for students who are deaf or hard of hearing are shared by three provinces and allocated as follows:

Nova Scotia	51.3%
New Brunswick	40.8%
Prince Edward Island	<u>7.9%</u>
	<u>100.0%</u>

Certain centre-based expenditures are allocated on the basis of respective student enrolments for the five preceding school years as follows:

Nova Scotia	65.7%
New Brunswick	21.7%
Newfoundland and Labrador	5.0%
Prince Edward Island	<u>7.6%</u>
	<u>100.0%</u>

Portions of the assessment services expenditures are allocated to the provinces using the administration and consultation formula (4 provinces), the administration formula (3 provinces) and the centre-based formula with the following results:

Nova Scotia	55.5%
New Brunswick	28.8%
Newfoundland and Labrador	8.4%
Prince Edward Island	<u>7.3%</u>
	<u>100.0%</u>

Provincial program expenditures are charged directly to the province in which the program is conducted.

Revenue Recognition

Government contributions are recognized as revenue in the period the transfer is authorized, and all eligibility criteria have been met, except when and to the extent the transfer includes stipulations which have not yet been met. Government contributions with stipulations are initially deferred and recognized as revenue as the related stipulations are met.

Investment revenue includes dividends, capital gains and losses as well as interest on cash balances and fixed income securities. Dividend income is recognized as revenue at the record date and interest income is recognized on an accrual basis. Gains or losses on disposal of investments are recorded as realized.

2. Accounting Policies (continued)

Annuities, bequests and donations are recognized as income in the period received except when and to the extent the annuities, bequests and donations includes stipulations which have not yet been met. Annuities, bequests and donations with stipulations are initially deferred and recognized as revenue as the related stipulations are met.

Other revenues, including rent, parking, audiology and revenue generated from provision of short-term programs and assessments, are recognized as revenue in the period the service is provided.

Financial Instruments

Cash - Cash includes petty cash and amounts on deposit with financial institutions and is measured at fair value.

Short-term investments – Short-term investments include mutual funds and guaranteed investment certificates with a maturity less than one year. They are measured at fair value.

Accounts receivable and accounts receivable from provinces - Accounts receivable and accounts receivable from provinces are measured at amortized cost using the effective interest rate method. A valuation allowance is used to reduce the recorded value to the lower of its cost or net recoverable value. Gains and losses are recognized in the statement of operations in the period the receivable is derecognized or impaired.

Portfolio investments - Portfolio investments include investments which are publicly traded and quoted in an active market. They are measured at fair value whereby unrealized gains and losses are reported in the statement of remeasurement gains and losses until they are derecognized or impaired, at which time the cumulative gain or loss is transferred to the statement of operations.

Accounts payable and due to provinces - Accounts payable and amounts due to provinces are measured at amortized cost using the effective interest method with gains and losses recognized in the statement of operations in the period the liability is derecognized. The amounts due to provinces are non-interest bearing and have no set date of repayment.

Operating advances – Operating advances are measured at amortized cost using the effective interest method with gains and losses recognized in the statement of operations in the period the liability is derecognized. Operating advances are non-interest bearing and have no set date of repayment.

Fair value - Fair value is the estimated amount for which a financial instrument could be exchanged between willing parties, based on the current market for instruments with the same risk, principal and remaining maturity. Certain fair value estimates are significantly affected by the assumptions for the amount and timing of estimated cash flows and discount rates, all of which reflect varying degrees of risk. As a result, the fair values may not necessarily be indicative of the amounts that would be realized if these instruments were actually settled. The methods and assumptions used to estimate the fair value of financial instruments are described in the following paragraphs.

2. Accounting Policies (continued)

The fair values of investments in securities which are publicly held and quoted in an active market are based on quoted closing prices.

Due to the short period to maturity, the fair value of cash, receivables, and payables approximate their carrying values as presented in the statement of financial position.

Use of Estimates

The preparation of financial statements in conformity with Canadian PSAS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ materially from those reported. The most significant estimates used in these financial statements include accrued liabilities, useful lives of tangible capital assets and post-employment benefits.

Tangible Capital Assets

Tangible capital assets are recorded at cost and amortized at the following annual rates:

Buildings	40 years straight line
Parking lot	10 years straight line
Equipment	10 years straight line

Tangible capital assets are written down when conditions indicate that they no longer contribute to APSEA'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 write downs are accounted for as expenses in the statement of operations and are not reversed.

APSEA expenses individual asset purchases below a \$10,000 threshold.

Early Retirement Incentive Plan

APSEA participated in the early retirement incentive plan (ERIP), offered by the Province of Nova Scotia, from November 1993 to March 1998. The programs offered additional years of pensionable service for those who qualified and elected to retire. The portion of pension payable attributable to this additional service is receivable from the Province and is not paid from the Public Service Superannuation Fund. The accrued benefit obligation is determined by an actuarial assessment, using a discount rate consistent with the rate used to determine the unfunded liability for the Province of Nova Scotia.

2. Accounting Policies (continued)

Pension Plan

The employees of APSEA are entitled to receive pension benefits pursuant to the Nova Scotia Public Service Superannuation Act, the Nova Scotia Teachers' Pension Plan Act or the New Brunswick Teachers' Pension Act. These are multi-employer joint trustee, defined benefit plans. The joint trustee board of the plan determines the required plan contributions annually. The contributions to the plan by APSEA are recorded as an expense for the year.

3. Exposure to Risks Arising from Financial Instruments

APSEA is exposed to credit risk, liquidity risks, and market risks through transactions involving financial instruments. The Board of Directors has the overall responsibility for the oversight of these risks and reviews APSEA's policies on an ongoing basis to ensure that these risks are appropriately managed. The following provides helpful information in assessing the extent of APSEA's exposure to these risks:

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. APSEA's revenue is derived mainly from the four provincial governments of Atlantic Canada and other entities that do not present a credit risk. Amounts subject to credit risk are nominal and APSEA does not anticipate significant loss for non-performance. Furthermore, credit risk is reduced inherently for APSEA due to the fact that the majority of their receivables are with other government entities that will not fail to discharge their obligations. Amounts subject to credit risk are nominal and APSEA does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that APSEA will encounter difficulty in meeting obligations associated with financial liabilities. APSEA is exposed to this risk mainly in respect of its accounts payable and accrued liabilities. APSEA monitors its cash balance and cash flows generated from operations to meet its requirements.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates, and equity prices will affect APSEA's excess of revenue over expenditures or the value of its financial instruments.

(a) Interest rate risk

Short and long-term instruments held in trust by APSEA are exposed to market risk, which consists of both interest rate and price risks. APSEA has minimal exposure to interest rate risk. Substantially all of APSEA's investments subjected to interest are held in fixed rate securities.

(b) Foreign exchange risk

APSEA's functional currency is Canadian dollars and it has limited transactions in foreign currencies limiting its exposure to foreign currency risk.

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2016

4. Early Retirement Incentive Plan (ERIP)

In November 1993, the Province of Nova Scotia announced its intention to implement an ERIP. As an outside agency, APSEA was invited to participate, providing it agreed to pay the province all costs of the plan not covered by the Public Service Superannuation Fund. The Board approved APSEA's participation in the plan. The plan ceased on March 31, 1998.

The liability of \$1,143,900 was based on a March 31, 2016 actuarial calculation (2015 - \$1,232,100). Of the \$1,143,900 receivable from Provinces, \$710,637 relates to the Province of Nova Scotia (2015 - \$710,637), and the remaining \$658,822 relates to the other Atlantic Provinces (2015 - \$521,463). These amounts will be collected in the year in which the related payments to the plan are made.

The significant actuarial assumptions adopted in measuring the obligation are as follows:

	2016	2015
Discount rate	4.1%	4.1%
Inflation	2.0%	2.25%
Future mortality rate	CPM 2014 Mortality Table ¹	CPM 2014 Mortality Table ¹

¹ Canadian Pensioners' Mortality (CPM) Table with generational projection using improvement scale CPM-B

The accrued liability as a result of the above noted assumptions is:

	2016	2015
ERIP liability, beginning of year	\$1,232,100	\$1,275,700
Fiscal 2016 expense	48,000	57,400
Fiscal 2016 payments by APSEA	<u>(100,200)</u>	<u>(101,000)</u>
Accrued liability, end of year	<u>1,179,900</u>	<u>1,232,100</u>
Less: unamortized actuarial experience gain	36,000	-
Accrued obligation, end of year	<u>\$1,143,900</u>	<u>\$1,232,100</u>

5. Operating Advances

This amount represents operating advances from the Provinces of Nova Scotia and New Brunswick. The amounts are non-interest bearing and have no set terms of repayment. The amounts owed to the provinces are as follows:

	2016	2015
Province of Nova Scotia	\$480,000	\$480,000
Province of New Brunswick	<u>350,000</u>	<u>350,000</u>
	<u>\$830,000</u>	<u>\$830,000</u>

6. Post-Retirement Benefits

Pension benefits - Employees of APSEA are entitled to receive pension benefits pursuant to the provisions of the Nova Scotia Public Service Superannuation Act, the Nova Scotia Teachers' Pension Act or the New Brunswick Teachers' Pension Act. The plans are funded by equal employee and employer contributions. The employer's contributions are included in APSEA's expenditures. APSEA is not responsible for any unfunded liability except for amounts disclosed in Note 4.

Retirement allowance and post-employment health benefits - APSEA has provided for post-employment benefits other than pensions consisting of retirement allowances, and post-employment health benefits using the projected benefit method prorated on services.

The significant actuarial assumptions adopted in measuring these accrued benefit obligations are as follows:

	2016	2015
Discount rate	4.1%	4.1%
Inflation	2.0%	2.25%
Mortality (post-retirement only)	CPM 2014 Mortality Table ¹	CPM 2014 Mortality Table ¹
Extended health care cost increases	6.5% ²	6.67% ²
Retirement age assumption	58 years	58 years
Salary increase	1.0% in 2017 1.5% in 2018 2.5% in 2019	2.5%

¹ Canadian Pensioners' Mortality (CPM) Table with generational projection using improvement scale CPM-B

² decreasing annually by 0.167% (2015 – 0.167%) to a rate of 4.5% (2015 – 4.5%)

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2016

6. Post-Retirement Benefits (continued)

The accrued benefit liability as a result of the above noted plans and actuarial assumptions is as follows:

	Teacher Service Award	Non-Teacher Service Award	Non-Teacher Post-Retirement Health	2016	2015
Retirement benefit liability, beginning of year	\$1,015,300	\$737,700	\$1,784,000	\$3,537,000	\$3,391,700
Fiscal 2016 retirement benefit expenses	(135,800)	135,300	132,400	131,900	325,800
Fiscal 2016 benefit payments by APSEA	<u>(149,700)</u>	<u>(24,400)</u>	<u>(36,900)</u>	<u>(211,000)</u>	<u>(180,500)</u>
Accrued benefit liability, end of year	<u>729,800</u>	<u>848,600</u>	<u>1,879,500</u>	<u>3,457,900</u>	<u>3,537,000</u>
Less: Unamortized actuarial experience (gain)/loss	<u>(51,600)</u>	<u>(52,800)</u>	<u>(28,000)</u>	<u>(132,400)</u>	<u>(53,600)</u>
Accrued benefit obligations, end of year	<u>\$678,200</u>	<u>\$795,800</u>	<u>\$1,851,500</u>	<u>\$3,325,500</u>	<u>\$3,483,400</u>

The liability of \$3,325,500 (2015 - \$3,483,400) is fully funded by the provinces, thus an offsetting accounts receivable is recorded. Based on current cost sharing formulas, the liability and receivable are divided among the provinces as follows:

	2016	2015
Nova Scotia	\$1,759,274	\$1,860,993
New Brunswick	1,112,898	1,201,284
Newfoundland and Labrador	282,176	243,413
Prince Edward Island	<u>171,152</u>	<u>177,710</u>
	<u>\$3,325,500</u>	<u>\$3,483,400</u>

7. Tangible Capital Assets

March 31, 2016

	Land	Buildings	Parking Lot	Equipment	2016 Total
<u>Cost</u>					
Opening balance	\$2,324,930	\$9,729,956	\$105,094	\$203,553	\$12,363,533
Additions	-	-	-	-	-
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>203,553</u>	<u>12,363,533</u>
<u>Accumulated amortization</u>					
Opening balance	-	7,073,001	105,094	42,746	7,220,841
Amortization	-	<u>261,560</u>	-	<u>18,565</u>	<u>280,125</u>
Closing balance	-	<u>7,334,561</u>	<u>105,094</u>	<u>61,311</u>	<u>7,500,966</u>
Net book value	<u>\$2,324,930</u>	<u>\$2,395,395</u>	<u>\$ -</u>	<u>\$142,242</u>	<u>\$4,862,567</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2016

7. Tangible Capital Assets (continued)

March 31, 2015

	Land	Buildings	Parking Lot	Equipment	2015 Total
<u>Cost</u>					
Opening balance	\$ 2,324,930	\$9,729,956	\$ 105,094	\$143,553	\$12,303,533
Additions	-	-	-	60,000	60,000
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>203,553</u>	<u>12,363,533</u>
<u>Accumulated amortization</u>					
Opening balance	-	6,811,441	105,094	22,391	6,938,926
Amortization	-	261,560	-	20,355	281,915
Closing balance	-	<u>7,073,001</u>	<u>105,094</u>	<u>42,746</u>	<u>7,220,841</u>
Net book value	<u>\$ 2,324,930</u>	<u>\$ 2,656,955</u>	<u>\$ -</u>	<u>\$160,807</u>	<u>\$5,142,692</u>

8. Trust Fund Expenditures

Trust fund expenditures consist of the following:

	Trust Funds – Blind & Visually Impaired		Trust Funds – Deaf & Hard of Hearing	
	2016	2015	2016	2015
Recreational/social/cultural grants	\$36,322	\$46,546	\$11,843	\$9,353
Teacher education grants	8,500	2,700	4,000	4,000
Student prizes	9,525	8,150	1,524	2,227
Scholarships	3,660	4,500	29,400	36,710
Professional development	-	2,917	19,339	1,140
Investment fees	47,490	45,799	25,877	25,788
Other	<u>28,475</u>	<u>14,454</u>	<u>7,399</u>	<u>1,584</u>
	<u>\$133,972</u>	<u>\$125,066</u>	<u>\$99,382</u>	<u>\$80,802</u>

9. Accumulated Surplus

	2016	2015
Accumulated surplus is comprised of:		
Internally restricted – trust fund BVI	\$7,397,123	\$7,545,364
Internally restricted – trust fund DHH	4,501,134	4,482,237
Unrestricted operating fund	(358,180)	(353,579)
Net assets invested in capital assets	<u>4,862,567</u>	<u>5,142,692</u>
Total accumulated surplus	<u>\$16,402,644</u>	<u>\$16,816,714</u>

**Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2016**

10. Teachers' Sick Leave

Teachers are entitled to accumulate up to 195 sick days for use over their term of employment.

The significant actuarial assumptions adopted in measuring the obligation are:

	2016	2015
Discount rate	4.1%	4.1%
Inflation	2.0%	2.25%
Mortality	No pre-retirement mortality	No pre-retirement mortality
Retirement age	58	58
Salary Increase	1.0% in 2017 1.5% in 2018 2.5% in 2019	2.5%

The accrued liability as a result of the above noted actuarial assumptions is as follows:

	2016	2015
Teachers sick leave liability, beginning of year	\$540,200	\$552,200
Fiscal 2016 expense	88,600	86,700
Fiscal 2016 payments	<u>(79,100)</u>	<u>(98,700)</u>
Accrued teachers sick leave liability, end of year	549,700	540,200
Less: unamortized actuarial experience (gain)/loss	<u>(36,000)</u>	<u>10,800</u>
Accrued teachers sick leave obligations, end of year	<u>\$513,700</u>	<u>\$551,000</u>

The liability of \$513,700 (2015 - \$551,000) is fully funded by the provinces, thus an offsetting accounts receivable is recorded. Based on current cost sharing formulas the liability and receivable are divided among the provinces as follows:

	2016	2015
Nova Scotia	\$297,497	\$318,849
New Brunswick	177,198	195,226
Newfoundland and Labrador	7,247	5,396
Prince Edward Island	<u>31,758</u>	<u>31,529</u>
	<u>\$513,700</u>	<u>\$551,000</u>

11. Commitments

APSEA has commitments for photocopier leases that expire at various dates up to November 17, 2020. The annual commitment is indicated below:

2017	\$14,541
2018	9,371
2019	5,388
Thereafter	10,776

Atlantic Provinces Special Education Authority
Schedule 1
Schedule of Continuity – Due to Provinces
For the Year Ended March 31, 2016

	Nova Scotia	New Brunswick	Newfoundland and Labrador	Prince Edward Island	2016 Total	2015 Total
Due to provinces, beginning of year	\$5,295,127	\$2,033,976	\$265,897	\$274,486	\$7,869,486	\$6,513,439
Add: payments received	<u>9,827,000</u>	<u>6,156,138</u>	<u>778,938</u>	<u>969,960</u>	<u>17,732,036</u>	<u>17,682,186</u>
Deduct: withdrawals	-	-	-	-	-	<u>500,000</u>
Administration and consultation (4 provinces)	902,519	720,214	488,395	139,541	2,250,669	2,243,304
Administration and consultation (3 provinces)	242,124	192,567	-	37,286	471,977	462,455
Assessment services	366,951	190,417	55,538	48,265	661,171	569,036
Centre-based programs	1,289,607	425,943	98,144	149,178	1,962,872	2,137,906
Provincial programs	5,882,216	3,770,373	58,674	480,736	10,191,999	10,339,002
ERIP	-	26,709	8,782	7,261	42,752	42,717
Amortization	<u>19,663</u>	<u>6,495</u>	<u>1,496</u>	<u>2,275</u>	<u>29,929</u>	<u>31,719</u>
Total deductions	<u>8,703,080</u>	<u>5,332,718</u>	<u>711,029</u>	<u>864,542</u>	<u>15,611,369</u>	<u>15,826,139</u>
Due to Provinces, end of year	<u>\$6,419,047</u>	<u>\$2,857,396</u>	<u>\$333,806</u>	<u>\$379,904</u>	<u>\$9,990,153</u>	<u>\$7,869,486</u>