
**ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY
FINANCIAL STATEMENTS
MARCH 31, 2019**

CONTENTS

	Page
Management's Report	1
Independent Auditor's Report	2
Statement of Financial Position	4
Statement of Operations and Accumulated Surplus	5
Statement of Remeasurement Gains and Losses	6
Statement of Changes in Net Financial Assets	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Schedule 1 – Accumulated Excess of Operating Grants over Expenditures (Unaudited)	22

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 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

Opinion

We have audited the financial statements of Atlantic Provinces Special Education Authority ("APSEA"), which comprise the statement of financial position as at March 31, 2019, 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 notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of APSEA as at March 31, 2019, and the results of its operations, its remeasurement gains and losses, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards ("PSAS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of APSEA in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of APSEA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on APSEA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause APSEA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

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

Deloitte LLP


Chartered Professional Accountants
December 11, 2019

Atlantic Provinces Special Education Authority
Statement of Financial Position
As at March 31, 2019

	2019	2018
Financial Assets		
Cash and cash equivalents	\$13,937,277	\$13,991,843
Restricted cash	617,238	620,307
Accounts receivable	686,474	135,843
Receivables for early retirement incentive plan (Note 4)	1,001,600	1,060,500
Receivables for post-retirement benefits (Note 5)	2,432,400	2,833,600
Receivables for teachers' sick leave (Note 6)	567,900	550,800
Portfolio investments – blind/visually impaired	8,101,332	7,739,502
Portfolio investments – deaf/hard of hearing	<u>4,898,060</u>	<u>5,082,505</u>
	<u>32,242,281</u>	<u>32,014,900</u>
Liabilities		
Accounts payable (Note 5)	643,797	1,278,709
Public Service early retirement incentive plan (Note 4)	1,001,600	1,060,500
Post-retirement benefits (Note 5)	2,432,400	2,833,600
Teachers' sick leave (Note 6)	567,900	550,800
Operating advances (Note 7)	<u>830,000</u>	<u>830,000</u>
	<u>5,475,697</u>	<u>6,553,609</u>
Net financial assets	<u>26,766,584</u>	<u>25,461,291</u>
Non-financial assets		
Tangible capital assets, net (Note 10)	<u>4,061,356</u>	<u>4,346,648</u>
Accumulated surplus (Note 8)	<u>30,827,940</u>	<u>29,807,939</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	27,181,372	26,026,032
Accumulated remeasurement gains	<u>3,646,568</u>	<u>3,781,907</u>
	<u>\$30,827,940</u>	<u>\$29,807,939</u>
Commitments (Note 13)		
Contingent liabilities (Note 14)		

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, 2019

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
REVENUES			
Government grants (Note 9)	<u>\$17,681,695</u>	<u>\$17,246,369</u>	<u>\$17,032,713</u>
Other income			
Shared by four provinces	30,000	247,775	157,425
Shared by three provinces	255,000	221,252	268,526
New Brunswick	-	6,800	-
Centre-based programs	350,000	348,322	360,581
Annuities, bequests and donations	-	8,420	8,584
Investment income	-	609,102	623,220
Other	<u>-</u>	<u>15,816</u>	<u>16,232</u>
	<u>635,000</u>	<u>1,457,487</u>	<u>1,434,568</u>
	<u>18,316,695</u>	<u>18,703,856</u>	<u>18,467,281</u>
EXPENDITURES			
Administration and consultation (shared by four provinces)			
Administration	737,192	696,948	697,928
Programs – blind/visually impaired	255,644	187,607	201,978
Resource services	1,563,804	1,539,656	1,576,592
Autism in education	<u>179,433</u>	<u>155,971</u>	<u>197,248</u>
	<u>2,736,073</u>	<u>2,580,182</u>	<u>2,673,746</u>
Administration and consultation (shared by three provinces)			
Programs – deaf/hard of hearing	307,089	208,688	196,793
Audiology	545,935	482,861	546,266
Resource services	<u>80,596</u>	<u>83,542</u>	<u>79,728</u>
	<u>933,620</u>	<u>775,091</u>	<u>822,787</u>
Assessment services	<u>809,312</u>	<u>753,739</u>	<u>680,601</u>
Centre-based programs			
Short term programs	882,344	719,943	697,444
Residence	655,212	599,667	538,294
Medical	85,590	-	64,983
Property and buildings	934,402	887,016	923,621
Food services	<u>190,000</u>	<u>154,529</u>	<u>167,672</u>
	<u>2,747,548</u>	<u>2,361,155</u>	<u>2,392,014</u>
Provincial programs			
New Brunswick – deaf/hard of hearing	2,755,955	2,311,769	2,361,306
New Brunswick – blind/visually impaired	1,379,848	1,412,937	1,347,901
New Brunswick – other	<u>-</u>	<u>-</u>	<u>48,000</u>
	<u>4,135,803</u>	<u>3,724,706</u>	<u>3,757,207</u>
Nova Scotia – deaf/hard of hearing	3,951,230	3,706,366	3,781,211
Nova Scotia – blind/visually impaired	<u>2,469,285</u>	<u>2,526,850</u>	<u>2,388,248</u>
	<u>6,420,515</u>	<u>6,233,216</u>	<u>6,169,459</u>
Newfoundland and Labrador – blind/visually impaired	<u>103,507</u>	<u>101,805</u>	<u>98,494</u>
Prince Edward Island – blind/visually impaired	<u>538,736</u>	<u>490,804</u>	<u>445,363</u>
Total program expenses	<u>18,425,114</u>	<u>17,020,698</u>	<u>17,039,671</u>
Early retirement incentive plan (Note 4)	41,581	37,800	38,700
Amortization of tangible capital assets (Note 10)	<u>282,000</u>	<u>285,292</u>	<u>285,292</u>
Total expenses before trust fund expenditures (Note 11)	18,748,695	17,343,790	17,363,663
Trust fund expenditures – blind/visually impaired (Note 12)	-	131,080	128,228
Trust fund expenditures – deaf/hard of hearing (Note 12)	<u>-</u>	<u>73,646</u>	<u>73,042</u>
Total expenses	<u>18,748,695</u>	<u>17,548,516</u>	<u>17,564,933</u>
Annual surplus (deficit)	<u>\$ (432,000)</u>	<u>\$ 1,155,340</u>	<u>\$ 902,348</u>
Accumulated operating surplus, beginning of year	<u>26,026,032</u>	<u>26,026,032</u>	<u>25,123,684</u>
Accumulated operating surplus, end of year	<u>\$25,594,032</u>	<u>\$27,181,372</u>	<u>\$26,026,032</u>

Atlantic Provinces Special Education Authority
Statement of Remeasurement Gains and Losses
For the Year Ended March 31, 2019

	2019	2018
Accumulated remeasurement gains, beginning of year	<u>\$3,781,907</u>	<u>\$3,907,852</u>
Remeasurement gains on portfolio investments quoted in an active market	37,269	76,483
Realized gains on portfolio investments quoted in an active market	<u>(172,608)</u>	<u>(202,428)</u>
Net remeasurement gains for the year	<u>(135,339)</u>	<u>(125,945)</u>
Accumulated remeasurement gains, end of year	<u>\$3,646,568</u>	<u>\$3,781,907</u>

Atlantic Provinces Special Education Authority
Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2019

	2019 Budget (Unaudited)	2019 Actual	2018 Actual
Annual surplus (deficit)	\$(432,000)	\$1,155,340	\$902,348
Acquisition of tangible capital assets	-	-	(29,875)
Amortization of tangible capital assets	282,000	285,292	285,292
Operating expenditures paid from trust funds	<u>150,000</u>	<u>-</u>	<u>-</u>
	-	1,440,632	1,157,765
Net remeasurement gains	<u>-</u>	<u>(135,339)</u>	<u>(125,945)</u>
Increase in net financial assets	-	1,305,293	1,031,820
Net financial assets, beginning of year	<u>25,461,291</u>	<u>25,461,291</u>	<u>24,429,471</u>
Net financial assets, end of year	<u>\$25,461,291</u>	<u>\$26,766,584</u>	<u>\$25,461,291</u>

Atlantic Provinces Special Education Authority
Statement of Cash Flows
For the Year Ended March 31, 2019

	2019	2018
Cash flows from operating activities		
Annual surplus	\$ 1,155,340	\$ 902,348
Amortization of tangible capital assets	<u>285,292</u>	<u>285,292</u>
	<u>1,440,632</u>	<u>1,187,640</u>
Changes in non-cash working capital		
Changes in accounts receivable	(550,631)	71,869
Changes in accounts payable	<u>(634,912)</u>	<u>812,126</u>
	<u>(1,185,543)</u>	<u>883,995</u>
Net cash flow from operating activities	<u>255,089</u>	<u>2,071,635</u>
Cash flows from capital activity		
Purchase of tangible capital assets	<u>-</u>	<u>(29,875)</u>
Cash flows from investing activities		
Proceeds of sale of investments	1,438,472	1,049,378
Purchase of investments	<u>(1,751,196)</u>	<u>(1,404,503)</u>
Net cash flow from investing activities	<u>(312,724)</u>	<u>(355,125)</u>
Decrease (increase) in cash and cash equivalents and restricted cash	(57,635)	1,686,635
Cash and cash equivalents and restricted cash, beginning of year	<u>14,612,150</u>	<u>12,925,515</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$14,554,515</u>	<u>\$14,612,150</u>
Cash and cash equivalents and restricted cash is comprised of:		
Cash and cash equivalents:		
Cash	\$13,682,510	\$13,740,953
Cash equivalents	<u>254,767</u>	<u>250,890</u>
	<u>13,937,277</u>	<u>13,991,843</u>
Restricted cash:		
Internally restricted – blind/visually impaired trust fund	192,871	336,340
Internally restricted – deaf/hard of hearing trust fund	<u>424,367</u>	<u>283,967</u>
	<u>617,238</u>	<u>620,307</u>
	<u>\$14,554,515</u>	<u>\$14,612,150</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"). 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") as 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 2016 quinquennial census figures released by Statistics Canada.

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

	2019	2018
Nova Scotia	39.6%	40.1%
New Brunswick	32.0%	32.0%
Newfoundland and Labrador	22.3%	21.7%
Prince Edward Island	6.1%	6.2%
	<u>100.0%</u>	<u>100.0%</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2019

2. Accounting Policies (continued)

Cost Sharing (continued)

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

	2019	2018
Nova Scotia	50.9%	51.3%
New Brunswick	41.2%	40.8%
Prince Edward Island	<u>7.9%</u>	<u>7.9%</u>
	<u>100.0%</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:

	2019	2018
Nova Scotia	66.9%	66.9%
New Brunswick	22.9%	22.0%
Newfoundland and Labrador	5.2%	5.4%
Prince Edward Island	<u>5.0%</u>	<u>5.7%</u>
	<u>100.0%</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:

	2019	2018
Nova Scotia	58.1%	56.0%
New Brunswick	29.9%	29.0%
Newfoundland and Labrador	5.3%	8.7%
Prince Edward Island	<u>6.7%</u>	<u>6.3%</u>
	<u>100.0%</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. The recoveries of early retirement incentive plan, post-retirement benefits and teachers' sick leave, which are fully funded by the provinces, are included in government grants in the period the related expenses are incurred and are recorded as a receivable.

2. Accounting Policies (continued)

Revenue Recognition (continued)

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.

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.

Cash equivalents - Cash equivalents comprises short-term investments with a term to maturity of three months or less at the date of acquisition.

Restricted cash - Restricted cash includes internally restricted funds held in the trust funds for future investments and expenditures.

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 - Accounts payable 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 - 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.

2. Accounting Policies (continued)

Financial Instruments (continued)

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.

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, accounts receivable, and accounts payable approximate their carrying values as presented in the statement of financial position.

Use of Estimates

The preparation of financial statements in conformity with 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 reporting period. The most significant estimates used in these financial statements include the useful lives of tangible capital assets and post-employment benefits. Actual results could differ materially from these estimates.

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.

2. Accounting Policies (continued)

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.

Post-Retirement Benefits

The liability for post-retirement benefits is accrued over time, as the employees render the services necessary to earn future benefits.

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, liquidity, 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.

Liquidity risk

Liquidity risk is the risk that APSEA will encounter difficulty in meeting its financial obligations as they become due. APSEA is exposed to this risk mainly in respect of its accounts payable, which is the only financial liability due within one year. APSEA monitors its cash balance and cash flows generated from operations in order to meet its requirements.

3. Exposure to Risks Arising from Financial Instruments (continued)

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) Price risk

Price risk refers to the risk that the fair value of the financial instrument will vary as a result of changes in market prices of the financial instrument. Fluctuation in the market price of an instrument may result from perceived changes in the underlying economic characteristics of the investment, the relative price of alternative investments, and general market conditions. Therefore, there is a risk that an amount realized in the subsequent sale of portfolio investments which are quoted in an active market may significantly differ from their reported value.

(b) Interest rate risk

Interest rate risk is the risk that market values of a financial instrument will vary as a result of changes in underlying interest rates. Short and long-term instruments held in trust by APSEA are exposed to interest rate risk. APSEA has minimal exposure to interest rate risk, as substantially all of APSEA's investments subjected to interest are held at fixed rates. The receivables for early retirement incentive plan, post-retirement benefits, and teachers' sick leave, as well as the operating advances are non-interest bearing. However, the fair value of these instruments could fluctuate because of changes in market rates.

(c) Foreign exchange risk

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

(d) Fair Value

Fair value estimates are made as of the reporting date, using available information about the financial instruments and market conditions. APSEA's only financial instruments measured at fair value are portfolio investments quoted in an active market. These financial instruments are measured using Level 1 inputs, which are quoted prices in active markets for identical financial instruments.

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 \$1,001,600 (2018 - \$1,060,500) was based on a March 31, 2018 actuarial calculation extrapolated to March 31, 2019. The liability is fully funded by the provinces, thus an offsetting accounts receivable is recorded. Of the \$1,001,600 receivable from Provinces to fund the liability, \$576,859 relates to the Province of Nova Scotia (2018 - \$615,407), and the remaining \$424,741 relates to the other Atlantic Provinces (2018 - \$445,093). These amounts are non-interest bearing and 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:

	2019	2018
Discount rate	3.29%	3.42%
Inflation	2.0 %	2.0 %
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:

	2019	2018
ERIP liability, beginning of year	\$1,060,500	\$1,120,800
Fiscal expense	37,800	38,700
Fiscal payments by APSEA	<u>(96,700)</u>	<u>(99,000)</u>
Accrued liability and obligation, end of year	<u>\$1,001,600</u>	<u>\$1,060,500</u>

5. 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 New Brunswick Public Service Pension Plan, the Nova Scotia Teachers' Pension Act or the New Brunswick Teachers' Pension Act. The plans are funded by equal employee and employer contributions.

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.

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2019

5. Post-Retirement Benefits (continued)

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

	2019	2018
Discount rate	3.29%	3.42%
Inflation	2.0%	2.0%
Mortality (post-retirement only)	CPM 2014 Mortality Table ¹	CPM 2014 Mortality Table ¹
Extended health care cost decreases	0.00% ²	6.0% ²
Retirement age assumption	58 years	58 years
Salary increase	2.0% in 2020 2.5% in 2021 2.0% in 2022 and onward	2.5% in 2019 2.0% in 2020 2.0% in 2021 and onward

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

² decreasing annually by 0.167% (2018 – 0.167%) to a rate of 4.5% (2018 – 4.5%)

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	2019	2018
Retirement benefit liability, beginning of year	\$563,600	\$206,200	\$2,063,800	\$2,833,600	\$3,335,500
Fiscal retirement benefit expenses	220,700	30,400	97,400	348,500	306,900
Fiscal benefit payments by APSEA	(111,500)	(14,600)	(38,900)	(165,000)	(211,400)
Early payout of service awards	<u>(584,700)</u>	<u>-</u>	<u>-</u>	<u>(584,700)</u>	<u>(597,400)</u>
Accrued benefit liability, end of year	88,100	222,000	2,122,300	2,432,400	2,833,600
Less: unamortized actuarial experience loss (gain)	<u>45,700</u>	<u>(61,000)</u>	<u>(294,200)</u>	<u>(309,500)</u>	<u>(140,200)</u>
Accrued benefit obligations, end of year	<u><u>\$133,800</u></u>	<u><u>\$161,000</u></u>	<u><u>\$1,828,100</u></u>	<u><u>\$2,122,900</u></u>	<u><u>\$2,693,400</u></u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2019

5. Post-Retirement Benefits (continued)

The liability of \$2,432,400 (2018 - \$2,833,600) 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:

	2019	2018
Nova Scotia	\$1,330,178	\$1,625,537
New Brunswick	780,091	875,865
Newfoundland and Labrador	233,251	223,866
Prince Edward Island	<u>88,880</u>	<u>108,332</u>
	<u>\$2,432,400</u>	<u>\$2,833,600</u>

Service awards for APSEA employees were frozen when the Province of Nova Scotia proclaimed the Public Services Sustainability Act on August 22, 2017. Service for purposes of the service awards was frozen as at March 31, 2015 for non-teachers and August 31, 2015 for teachers. As was the case in the Province, APSEA non-union staff and members of the Nova Scotia Government & General Employee's Union were able to opt to receive an early payout of their service award. 90% of eligible employees opted for the early payout. Accounts payable includes \$nil (2018 - \$597,400) for the early payout of the post-retirement benefits.

6. 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:

	2019	2018
Discount rate	3.29%	3.42%
Inflation	2.0 %	2.0 %
Mortality	No pre-retirement mortality	No pre-retirement mortality
Retirement age	58 years	58 years
Salary Increase	2.0% in 2020	2.5% in 2019
	2.5% in 2021	2.0% in 2020
	2.0% in 2022 and onward	2.0% in 2021 and onward

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

	2019	2018
Teachers' sick leave liability, beginning of year	\$550,800	\$556,000
Fiscal expense	156,600	92,700
Fiscal payments	<u>(139,500)</u>	<u>(97,900)</u>
Accrued teachers' sick leave liability, end of year	567,900	550,800
Unamortized actuarial experience losses	<u>289,000</u>	<u>247,000</u>
Accrued teachers' sick leave obligation, end of year	<u>\$856,900</u>	<u>\$797,800</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2019

6. Teachers' Sick Leave (continued)

The liability of \$567,900 (2018 - \$550,800) 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:

	2019	2018
Nova Scotia	\$328,487	\$315,423
New Brunswick	198,535	198,326
Newfoundland and Labrador	9,178	7,652
Prince Edward Island	<u>31,700</u>	<u>29,399</u>
	<u>\$567,900</u>	<u>\$550,800</u>

7. 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:

	2019	2018
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>

8. Accumulated Surplus

Accumulated surplus is comprised of:	2019	2018
Excess of operating grants over expenditures (Schedule 1)	\$13,618,663	\$12,490,029
Internally restricted – trust fund BVI	8,120,284	7,889,995
Internally restricted – trust fund DHH	5,282,056	5,364,460
Unrestricted operating fund	(254,419)	(283,193)
Net assets invested in capital assets	<u>4,061,356</u>	<u>4,346,648</u>
Total accumulated surplus	<u>\$30,827,940</u>	<u>\$29,807,939</u>

9. Government Grants Revenue

	2019	2018
Total payments from provinces	\$17,689,369	\$17,576,693
Less: received toward benefit payments (Notes 4, 5 & 6)	(401,200)	(403,100)
Less: received towards early payout of service awards (Note 5)	(584,700)	(597,400)
Add: Recovery of current period benefit expenses (Notes 4, 5 & 6)	<u>542,900</u>	<u>456,520</u>
Government grants revenue	<u>\$17,246,369</u>	<u>\$17,032,713</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2019

10. Tangible Capital Assets

March 31, 2019

	Land	Buildings	Parking Lot	Equipment	Total
<u>Cost</u>					
Opening balance	\$2,324,930	\$9,729,956	\$105,094	\$237,327	\$12,397,307
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>237,327</u>	<u>12,397,307</u>
<u>Accumulated amortization</u>					
Opening balance	-	7,857,681	105,094	87,884	8,050,659
Amortization	-	261,560	-	23,732	285,292
Disposals	-	-	-	-	-
Closing balance	-	<u>8,119,241</u>	<u>105,094</u>	<u>111,616</u>	<u>8,335,951</u>
Net book value	<u>\$2,324,930</u>	<u>\$1,610,715</u>	<u>\$ -</u>	<u>\$125,711</u>	<u>\$4,061,356</u>

March 31, 2018

	Land	Buildings	Parking Lot	Equipment	Total
<u>Cost</u>					
Opening balance	\$2,324,930	\$9,729,956	\$105,094	\$207,452	\$12,367,432
Additions	-	-	-	29,875	29,875
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>237,327</u>	<u>12,397,307</u>
<u>Accumulated amortization</u>					
Opening balance	-	7,596,121	105,094	64,152	7,765,367
Amortization	-	261,560	-	23,732	285,292
Closing balance	-	<u>7,857,681</u>	<u>105,094</u>	<u>87,884</u>	<u>8,050,659</u>
Net book value	<u>\$2,324,930</u>	<u>\$1,872,275</u>	<u>\$ -</u>	<u>\$149,443</u>	<u>\$ 4,346,648</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2019

11. Operating Expenses by Object

	2019	2018
Salaries and benefits	\$13,959,245	\$13,615,970
Travel	619,344	639,033
Equipment	451,143	604,004
Utilities	267,923	237,132
Amortization	285,292	285,292
Operating supplies	194,426	304,621
Resources services supplies	162,678	247,966
Maintenance (building, property, vehicle)	218,124	200,497
Audiology	190,444	230,032
Professional services	196,002	207,587
Cafeteria operations	154,529	167,672
Other	115,414	163,733
Security	99,579	99,929
Student transportation	115,552	95,213
Professional development	84,831	57,584
Summer programs	53,582	39,720
Insurance	47,826	45,834
Early retirement incentive plan	41,020	38,700
Telephone	65,302	61,071
Bank and payroll fees	21,534	22,073
	<u>\$17,343,790</u>	<u>\$17,363,663</u>

12. Trust Fund Expenditures

Trust fund expenditures consist of the following:

	Trust Funds – Blind & Visually Impaired		Trust Funds – Deaf & Hard of Hearing	
	2019	2018	2019	2018
Recreational/social/cultural grants	\$ 37,609	\$ 33,829	\$ 3,409	\$ 1,700
Teacher education grants	7,592	4,700	1,000	1,000
Student prizes	7,250	10,810	2,090	1,535
Scholarships	-	1,500	25,900	28,500
Professional development	5,777	7,842	6,902	3,114
Investment fees	50,996	50,984	30,607	30,934
Other	21,856	18,563	3,738	6,259
	<u>\$131,080</u>	<u>\$128,228</u>	<u>\$73,646</u>	<u>\$73,042</u>

13. Commitments

APSEA has commitments for photocopier leases that expire at various dates up to September 8, 2022. The annual commitment is indicated below:

2020	16,906
2021	15,559
2022	9,521
2023	2,353

14. Contingent liabilities

APSEA has been named as a co-defendant in a Class Action lawsuit; however, the probable outcome, including the likelihood of the confirming future event, cannot be reasonably predicted, and therefore no liability has been recognized on the statement of financial position. Any potential settlement resulting from the resolution of these claims will only be recognized as a charged to the statement of operations if and when the confirming future event becomes likely and the amount can be reasonably estimated.

Atlantic Provinces Special Education Authority
Schedule 1
Accumulated Excess of Operating Grants over Expenditures
For the Year Ended March 31, 2019
(Unaudited)

	Nova Scotia	New Brunswick	Newfoundland and Labrador	Prince Edward Island	2019 Total	2018 Total
Accumulated excess of operating grants over expenditures, beginning of year	<u>\$7,626,801</u>	<u>\$3,993,990</u>	<u>\$343,463</u>	<u>\$525,775</u>	<u>\$12,490,029</u>	<u>\$11,632,541</u>
Add: payments received	9,840,524	6,080,901	838,632	929,312	17,689,369	17,576,693
Less: post-retirement benefits	<u>(231,439)</u>	<u>(170,523)</u>	<u>(3,287)</u>	<u>(37,751)</u>	<u>(443,000)</u>	<u>(543,980)</u>
	<u>9,609,085</u>	<u>5,910,378</u>	<u>835,345</u>	<u>891,561</u>	<u>17,246,369</u>	<u>17,032,713</u>
Deduct: expenditures						
Administration and consultation (4 provinces)	864,233	698,370	486,677	133,127	2,182,407	2,366,321
Administration and consultation (3 provinces)	280,265	226,855	-	43,499	550,619	554,261
Assessment services	437,922	225,368	39,948	50,501	753,739	680,601
Centre-based programs	1,346,585	460,939	104,667	100,642	2,012,833	2,031,433
Provincial programs	6,233,216	3,717,906	101,805	490,804	10,543,731	10,470,523
ERIP	-	26,283	9,330	5,407	41,020	38,700
Amortization	<u>21,535</u>	<u>8,078</u>	<u>2,042</u>	<u>1,731</u>	<u>33,386</u>	<u>33,386</u>
Total deductions	<u>9,183,756</u>	<u>5,363,799</u>	<u>744,469</u>	<u>825,711</u>	<u>16,117,735</u>	<u>16,175,225</u>
Accumulated excess of operating grants over expenditures, end of year	<u>\$8,052,130</u>	<u>\$4,540,569</u>	<u>\$434,339</u>	<u>\$591,625</u>	<u>\$13,618,663</u>	<u>\$12,490,029</u>