
**ATLANTIC PROVINCES SPECIAL EDUCATION AUTHORITY
FINANCIAL STATEMENTS
MARCH 31, 2018**

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

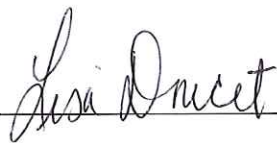
These financial statements have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is responsible for all of the notes to the financial statements and schedules, and 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:







Deloitte LLP
Purdy's Wharf Tower II
1969 Upper Water Street
Suite 1500
Halifax NS B3J 3R7
Canada

Tel: 902-422-8541
Fax: 902-423-5820
www.deloitte.ca

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, 2018, 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.

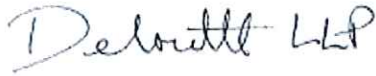
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

Atlantic Provinces Special Education Authority
Financial Statements
For the Year Ended March 31, 2018

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of Atlantic Provinces Special Education Authority as at March 31, 2018, and the results of its operations, changes in net financial assets, remeasurement gains and losses, and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

A handwritten signature in blue ink that reads "Deloitte LLP". The signature is written in a cursive, flowing style.

Chartered Professional Accountants
March 1, 2019

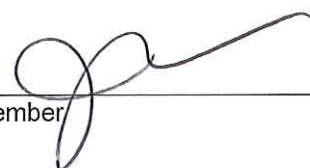
Atlantic Provinces Special Education Authority
Statement of Financial Position
As at March 31, 2018

	2018	2017
Financial Assets		
Cash and cash equivalents	\$13,991,843	\$12,220,058
Restricted cash	620,307	705,457
Accounts receivable	135,843	207,712
Receivables for early retirement incentive plan (Note 4)	1,060,500	1,120,800
Receivables for post-retirement benefits (Note 5)	2,833,600	3,335,500
Receivables for teachers' sick leave (Note 6)	550,800	556,000
Portfolio investments – blind/visually impaired	7,739,502	7,594,041
Portfolio investments – deaf/hard of hearing	<u>5,082,505</u>	<u>4,998,786</u>
	<u>32,014,900</u>	<u>30,738,354</u>
Liabilities		
Accounts payable (Note 5)	1,278,709	466,583
Public Service early retirement incentive plan (Note 4)	1,060,500	1,120,800
Post-retirement benefits (Note 5)	2,833,600	3,335,500
Teachers' sick leave (Note 6)	550,800	556,000
Operating advances (Note 7)	<u>830,000</u>	<u>830,000</u>
	<u>6,553,609</u>	<u>6,308,883</u>
Net financial assets	<u>25,461,291</u>	<u>24,429,471</u>
Non-financial assets		
Tangible capital assets, net (Note 10)	<u>4,346,648</u>	<u>4,602,065</u>
Accumulated surplus (Note 8)	<u>29,807,939</u>	<u>29,031,536</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus	26,026,032	25,123,684
Accumulated remeasurement gains	<u>3,781,907</u>	<u>3,907,852</u>
	<u>\$29,807,939</u>	<u>\$29,031,536</u>

Commitments (Note 13)

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, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
REVENUES			
Government grants (Note 9)	<u>\$17,562,667</u>	<u>\$17,032,713</u>	<u>\$17,715,322</u>
Other income			
Shared by four provinces	30,000	157,425	73,608
Shared by three provinces	255,000	268,526	258,265
Centre-based programs	350,000	360,581	369,855
Annuities, bequests and donations	-	8,584	85,548
Investment income	-	623,220	608,328
Other	<u>-</u>	<u>16,232</u>	<u>13,808</u>
	<u>635,000</u>	<u>1,434,568</u>	<u>1,409,412</u>
	<u>18,197,667</u>	<u>18,467,281</u>	<u>19,124,734</u>
EXPENDITURES			
Administration and consultation (shared by four provinces)			
Administration	720,232	697,928	679,566
Programs – blind/visually impaired	262,316	201,978	190,984
Resource services	1,532,443	1,576,592	1,580,155
Autism in education	<u>177,715</u>	<u>197,248</u>	<u>141,766</u>
	<u>2,692,706</u>	<u>2,673,746</u>	<u>2,592,471</u>
Administration and consultation (shared by three provinces)			
Programs – deaf/hard of hearing	258,839	196,793	190,307
Audiology	515,841	546,266	528,924
Resource services	<u>79,285</u>	<u>79,728</u>	<u>59,908</u>
	<u>853,965</u>	<u>822,787</u>	<u>779,139</u>
Assessment services	<u>807,219</u>	<u>680,601</u>	<u>675,733</u>
Centre-based programs			
Short term programs	896,280	697,444	685,382
Residence	718,461	538,294	634,527
Medical	103,287	64,983	79,618
Property and buildings	907,449	923,621	969,120
Food services	<u>190,000</u>	<u>167,672</u>	<u>196,794</u>
	<u>2,815,477</u>	<u>2,392,014</u>	<u>2,565,441</u>
Provincial programs			
New Brunswick – deaf/hard of hearing	2,709,863	2,361,306	2,521,281
New Brunswick – blind/visually impaired	1,428,966	1,347,901	1,228,514
New Brunswick – other	<u>-</u>	<u>48,000</u>	<u>-</u>
	<u>4,138,829</u>	<u>3,757,207</u>	<u>3,749,795</u>
Nova Scotia – deaf/hard of hearing	3,991,079	3,781,211	3,619,968
Nova Scotia – blind/visually Impaired	<u>2,395,419</u>	<u>2,388,248</u>	<u>2,297,138</u>
	<u>6,386,498</u>	<u>6,169,459</u>	<u>5,917,106</u>
Newfoundland and Labrador – blind/visually impaired	<u>101,526</u>	<u>98,494</u>	<u>99,001</u>
Prince Edward Island – blind/visually impaired	<u>508,970</u>	<u>445,363</u>	<u>472,598</u>
Total program expenses	<u>18,305,190</u>	<u>17,039,671</u>	<u>16,851,284</u>
Early retirement incentive plan (Note 4)	42,477	38,700	42,269
Amortization of tangible capital assets (Note 10)	<u>282,000</u>	<u>285,292</u>	<u>282,305</u>
Total expenses before trust fund expenditures (Note 11)	<u>18,629,667</u>	<u>17,363,663</u>	<u>17,175,858</u>
Trust fund expenditures – blind/visually impaired (Note 12)	-	128,228	129,112
Trust fund expenditures – deaf/hard of hearing (Note 12)	<u>-</u>	<u>73,042</u>	<u>82,416</u>
Total expenses	<u>18,629,667</u>	<u>17,564,933</u>	<u>17,387,386</u>
Annual surplus (deficit)	<u>\$ (432,000)</u>	<u>\$ 902,348</u>	<u>\$ 1,737,348</u>
Accumulated operating surplus, beginning of year	<u>25,123,684</u>	<u>25,123,684</u>	<u>23,386,336</u>
Accumulated operating surplus, end of year	<u>\$24,691,684</u>	<u>\$26,026,032</u>	<u>\$25,123,684</u>

Atlantic Provinces Special Education Authority
Statement of Remeasurement Gains and Losses
For the Year Ended March 31, 2018

	2018	2017
Accumulated remeasurement gains, beginning of year	<u>\$3,907,852</u>	<u>\$3,006,461</u>
Remeasurement gains on portfolio investments quoted in an active market	76,483	1,055,180
Realized gains on portfolio investments quoted in an active market	<u>(202,428)</u>	<u>(153,789)</u>
Net remeasurement (losses) gains for the year	<u>(125,945)</u>	<u>901,391</u>
Accumulated remeasurement gains, end of year	<u>\$3,781,907</u>	<u>\$3,907,852</u>

Atlantic Provinces Special Education Authority
Statement of Changes in Net Financial Assets
For the Year Ended March 31, 2018

	2018 Budget (Unaudited)	2018 Actual	2017 Actual
Annual surplus (deficit)	\$(432,000)	\$902,348	\$1,737,348
Acquisition of tangible capital assets	-	(29,875)	(21,803)
Amortization of tangible capital assets	282,000	285,292	282,305
Operating expenditures paid from trust funds	<u>150,000</u>	<u>-</u>	<u>-</u>
	-	1,157,765	1,997,850
Net remeasurement (losses) gains	<u>-</u>	<u>(125,945)</u>	<u>901,391</u>
Increase in net financial assets	-	1,031,820	2,899,241
Net financial assets, beginning of year	<u>24,429,471</u>	<u>24,429,471</u>	<u>21,530,230</u>
Net financial assets, end of year	<u>\$24,429,471</u>	<u>\$25,461,291</u>	<u>\$24,429,471</u>

Atlantic Provinces Special Education Authority
Statement of Cash Flows
For the Year Ended March 31, 2018

	2018	2017
Cash flows from operating activities		
Annual surplus	\$ 902,348	\$ 1,737,348
Amortization of tangible capital assets	<u>285,292</u>	<u>282,305</u>
	<u>1,187,640</u>	<u>2,019,653</u>
Changes in non-cash working capital		
Changes in accounts receivable	71,869	2,479,594
Changes in accounts payable	<u>812,126</u>	<u>(34,744)</u>
	<u>883,995</u>	<u>2,444,850</u>
Net cash flow from operating activities	<u>2,071,635</u>	<u>4,464,503</u>
Cash flows from capital activity		
Purchase of tangible capital assets	<u>(29,875)</u>	<u>(21,803)</u>
Cash flows from investing activities		
Proceeds of sale of investments	1,049,378	1,701,911
Purchase of investments	<u>(1,404,503)</u>	<u>(2,388,406)</u>
Net cash flow from investing activities	<u>(355,125)</u>	<u>(686,495)</u>
Increase in cash and cash equivalents and restricted cash	1,686,635	3,756,205
Cash and cash equivalents and restricted cash, beginning of year	<u>12,925,515</u>	<u>9,169,310</u>
Cash and cash equivalents and restricted cash, end of year	<u>\$14,612,150</u>	<u>\$12,925,515</u>
Cash and cash equivalents and restricted cash is comprised of:		
Cash and cash equivalents:		
Cash	\$13,740,953	\$11,971,470
Cash equivalents	<u>250,890</u>	<u>248,588</u>
	<u>13,991,843</u>	<u>12,220,058</u>
Restricted cash:		
Internally restricted – blind/visually impaired trust fund	336,340	478,788
Internally restricted – deaf/hard of hearing trust fund	<u>283,967</u>	<u>226,669</u>
	<u>620,307</u>	<u>705,457</u>
	<u>\$14,612,150</u>	<u>\$12,925,515</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 2011 quinquennial census figures released by Statistics Canada.

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

	2018	2017
Nova Scotia	40.1%	40.1%
New Brunswick	32.0%	32.0%
Newfoundland and Labrador	21.7%	21.7%
Prince Edward Island	<u>6.2%</u>	<u>6.2%</u>
	<u>100.0%</u>	<u>100.0%</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2018

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:

	2018	2017
Nova Scotia	51.3%	51.3%
New Brunswick	40.8%	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:

	2018	2017
Nova Scotia	66.9%	65.7%
New Brunswick	22.0%	21.6%
Newfoundland and Labrador	5.4%	5.5%
Prince Edward Island	<u>5.7%</u>	<u>7.2%</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:

	2018	2017
Nova Scotia	56.0%	55.4%
New Brunswick	29.0%	28.8%
Newfoundland and Labrador	8.7%	8.7%
Prince Edward Island	<u>6.3%</u>	<u>7.1%</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 \$1,060,500 (2017 - \$1,120,800) was based on a March 31, 2017 actuarial calculation extrapolated to March 31, 2018. The liability is fully funded by the provinces, thus an offsetting accounts receivable is recorded. Of the \$1,060,500 receivable from Provinces to fund the liability, \$615,407 relates to the Province of Nova Scotia (2017 - \$643,404), and the remaining \$445,093 relates to the other Atlantic Provinces (2017 - \$477,396). 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:

	2018	2017
Discount rate	3.42%	3.71%
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:

	2018	2017
ERIP liability, beginning of year	\$1,120,800	\$1,179,900
Fiscal expense	38,700	40,600
Fiscal payments by APSEA	<u>(99,000)</u>	<u>(99,700)</u>
Accrued liability and obligation, end of year	<u>\$1,060,500</u>	<u>\$1,120,800</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, 2018

5. Post-Retirement Benefits (continued)

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

	2018	2017
Discount rate	3.42%	3.71%
Inflation	2.0%	2.0%
Mortality (post-retirement only)	CPM 2014 Mortality Table ¹	CPM 2014 Mortality Table ¹
Extended health care cost increases	6.0% ²	6.33% ²
Retirement age assumption	58 years	58 years
Salary increase	2.5% in 2019 2.0% in 2020 2.0% in 2021 and onward	1.5% in 2018 2.5% in 2019 2.0% in 2020 and onward

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

² decreasing annually by 0.167% (2017 – 0.167%) to a rate of 4.5% (2017 – 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	2018	2017
Retirement benefit liability, beginning of year	\$645,400	\$829,100	\$1,861,000	\$3,335,500	\$3,457,900
Fiscal retirement benefit expenses	17,500	46,300	243,100	306,900	62,900
Fiscal benefit payments by APSEA	(99,300)	(71,800)	(40,300)	(211,400)	(185,300)
Early payout of service awards reclassified as accounts payable	-	(597,400)	-	(597,400)	-
Accrued benefit liability, end of year	563,600	206,200	2,063,800	2,833,600	3,335,500
Less: unamortized actuarial experience gains	-	-	(140,200)	(140,200)	-
Accrued benefit obligations, end of year	<u>\$563,600</u>	<u>\$206,200</u>	<u>\$1,923,600</u>	<u>\$2,693,400</u>	<u>\$3,335,500</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2018

5. Post-Retirement Benefits (continued)

The liability of \$2,833,600 (2017 - \$3,335,500) 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:

	Accrued Benefit Liability	Service Award Payout	2018	2017
Nova Scotia	\$1,970,160	\$(344,623)	\$1,625,537	\$1,915,691
New Brunswick	1,027,957	(152,092)	875,865	990,944
Newfoundland and Labrador	295,295	(71,429)	223,866	279,900
Prince Edward Island	137,588	(29,256)	108,332	148,965
	<u>\$3,431,000</u>	<u>\$(597,400)</u>	<u>\$2,833,600</u>	<u>\$3,335,500</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 by the March 30, 2018 deadline. The \$597,400 value of the early payout has been reclassified from post-retirement benefits to accounts payable.

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:

	2018	2017
Discount rate	3.42%	3.71%
Inflation	2.0 %	2.0 %
Mortality	No pre-retirement mortality	No pre-retirement mortality
Retirement age	58	58
Salary Increase	2.5% in 2019	1.5% in 2018
	2.0% in 2020	2.5% in 2019
	2.0% in 2021 and onward	2.0% in 2020 and onward

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

	2018	2017
Teachers' sick leave liability, beginning of year	\$556,000	\$549,700
Fiscal expense	92,700	81,700
Fiscal payments	<u>(97,900)</u>	<u>(75,400)</u>
Accrued teachers' sick leave liability, end of year	550,800	556,000
Unamortized actuarial experience losses	<u>247,000</u>	<u>-</u>
Accrued teachers' sick leave obligation, end of year	<u>\$797,800</u>	<u>\$556,000</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2018

6. Teachers' Sick Leave (continued)

The liability of \$550,800 (2017 - \$556,000) 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:

	2018	2017
Nova Scotia	\$315,423	\$315,328
New Brunswick	198,326	199,928
Newfoundland and Labrador	7,652	8,168
Prince Edward Island	<u>29,399</u>	<u>32,576</u>
	<u>\$550,800</u>	<u>\$556,000</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:

	2018	2017
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:	2018	2017
Excess of operating grants over expenditures (Schedule 1)	\$12,490,029	\$11,632,541
Internally restricted – trust fund BVI	7,889,995	7,842,123
Internally restricted – trust fund DHH	5,364,460	5,250,787
Unrestricted operating fund	(283,193)	(295,980)
Net assets invested in capital assets	<u>4,346,648</u>	<u>4,602,065</u>
Total accumulated surplus	<u>\$29,807,939</u>	<u>\$29,031,536</u>

9. Government Grants Revenue

	2018	2017
Total payments from provinces		
Less: received toward benefit payments	\$17,576,693	\$17,715,322
Less: received towards early payout of service awards (Note 5)	(403,100)	(302,969)
Add: Recovery of current period benefit expenses	(597,400)	-
Government grants revenue	<u>456,520</u>	<u>302,969</u>
	<u>\$17,032,713</u>	<u>\$17,715,322</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2018

10. Tangible Capital Assets

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	2,324,930	9,729,956	105,094	237,327	12,397,307
<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	-	7,857,681	105,094	87,884	8,050,659
Net book value	<u>\$2,324,930</u>	<u>\$1,872,275</u>	<u>\$ -</u>	<u>\$149,443</u>	<u>\$ 4,346,648</u>

March 31, 2017

	Land	Buildings	Parking Lot	Equipment	Total
<u>Cost</u>					
Opening balance	\$2,324,930	\$9,729,956	\$105,094	\$203,553	\$12,363,533
Additions	-	-	-	21,803	21,803
Disposals	-	-	-	17,904	17,904
Closing balance	<u>2,324,930</u>	<u>9,729,956</u>	<u>105,094</u>	<u>207,452</u>	<u>12,367,432</u>
<u>Accumulated amortization</u>					
Opening balance	-	7,334,561	105,094	61,311	7,500,966
Amortization	-	261,560	-	20,745	282,305
Disposals	-	-	-	17,904	17,904
Closing balance	-	<u>7,596,121</u>	<u>105,094</u>	<u>64,152</u>	<u>7,765,367</u>
Net book value	<u>\$2,324,930</u>	<u>\$2,133,835</u>	<u>\$ -</u>	<u>\$143,300</u>	<u>\$4,602,065</u>

Atlantic Provinces Special Education Authority
Notes to the Financial Statements
For the Year Ended March 31, 2018

11. Operating Expenses by Object

	2018	2017
Salaries and benefits	\$13,615,970	\$13,661,171
Travel	639,033	606,980
Equipment	604,004	379,167
Utilities	237,132	291,402
Amortization	285,292	282,305
Operating supplies	304,621	278,648
Resources services supplies	247,966	249,791
Maintenance (building, property, vehicle)	200,497	239,365
Audiology	230,032	213,421
Professional services	207,587	198,659
Cafeteria operations	167,672	193,003
Other	163,733	134,317
Security	99,929	104,321
Student transportation	95,213	81,607
Professional development	57,584	68,039
Summer programs	39,720	60,286
Insurance	45,834	45,536
Early retirement incentive plan	38,700	42,269
Telephone	61,071	23,239
Bank and payroll fees	22,073	22,332
	<u>\$17,363,663</u>	<u>\$17,175,858</u>

12. Trust Fund Expenditures

Trust fund expenditures consist of the following:

	Trust Funds – Blind & Visually Impaired		Trust Funds – Deaf & Hard of Hearing	
	2018	2017	2018	2017
Recreational/social/cultural grants	\$ 33,829	\$ 31,254	\$ 1,700	\$ 7,997
Teacher education grants	4,700	8,000	1,000	6,000
Student prizes	10,810	11,875	1,535	1,906
Scholarships	1,500	9,000	28,500	30,300
Professional development	7,842	4,825	3,114	2,942
Investment fees	50,984	49,500	30,934	28,370
Other	18,563	14,658	6,259	4,901
	<u>\$128,228</u>	<u>\$129,112</u>	<u>\$73,042</u>	<u>\$82,416</u>

13. Commitments

APSEA has commitments for photocopier leases that expire at various dates up to December 23, 2021. The annual commitment is indicated below:

2019	\$16,906
2020	16,906
2021	15,559
2022	9,521
2023	2,353

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Atlantic Provinces Special Education Authority
Schedule 1
Accumulated Excess of Operating Grants over Expenditures
For the Year Ended March 31, 2018
(Unaudited)

	Nova Scotia	New Brunswick	Newfoundland and Labrador	Prince Edward Island	2018 Total	2017 Total
Accumulated excess of operating grants over expenditures, beginning of year	\$7,279,373	\$3,559,785	\$354,325	\$439,058	\$11,632,541	\$9,990,153
Add: payments received	9,827,717	6,000,424	838,688	909,864	17,576,693	17,715,322
Less: post-retirement benefits	<u>(300,401)</u>	<u>(161,175)</u>	<u>(58,052)</u>	<u>(24,352)</u>	<u>(543,980)</u>	-
	<u>9,527,316</u>	<u>5,839,249</u>	<u>780,636</u>	<u>885,512</u>	<u>17,032,713</u>	<u>17,715,322</u>
Deduct: expenditures						
Administration and consultation (4 provinces)	948,895	757,223	513,492	146,711	2,366,321	2,368,863
Administration and consultation (3 provinces)	284,336	226,138	-	43,787	554,261	519,874
Assessment services	381,137	197,374	59,212	42,878	680,601	675,733
Centre-based programs	1,359,029	446,915	109,697	115,792	2,031,433	2,195,586
Provincial programs	6,169,459	3,757,207	98,494	445,363	10,470,523	10,238,500
ERIP	15,480	12,384	8,514	2,322	38,700	42,269
Amortization	<u>21,552</u>	<u>7,803</u>	<u>2,089</u>	<u>1,942</u>	<u>33,386</u>	<u>32,109</u>
Total deductions	<u>9,179,888</u>	<u>5,405,044</u>	<u>791,498</u>	<u>798,795</u>	<u>16,175,225</u>	<u>16,072,934</u>
Accumulated excess of operating grants over expenditures, end 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>