CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

FINANCIAL STATEMENTS
MARCH 31, 2019

INDEX

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of the Canada-Nova Scotia Offshore Petroleum Board and have been prepared in compliance with legislation and generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Management is also responsible for the notes and schedules to the financial statements, and for ensuring 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 Audit, Evaluation and Human Resources Committee is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through regular meetings with them. The Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The external auditors, Levy Casey Carter MacLean Chartered Professional Accountants, conducted an independent examination, in accordance with Canadian generally accepted auditing standards, and expressed their opinion on the financial statements. The external auditors have full and free access to the financial management of the Board and meet when required.

On behalf of management of the Canada-Nova Scotia Offshore Petroleum Board:

Stuart Pinks	Christine Bonnell-Eisnor
Chief Executive Officer	Director, Regulatory Affairs & Finance

May 13, 2019

INDEPENDENT AUDITORS' REPORT

Levy Casey Carter MacLean
Chartered Professional Accountants

Stuart S. MacLean Inc.
J.E. Melvin Inc.
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TO THE MEMBERS OF CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD:

Opinion

We have audited the financial statements of the Canada-Nova Scotia Offshore Petroleum Board (the "Board"), which comprise the statement of financial position as at March 31, 2019, statement of operations and accumulated operating surplus, remeasurement gains (losses), changes in net debt and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2019, and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 the Board in accordance with the ethical requirements that are relevant to our audits 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 audit 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 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.

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

Those charged with governance are responsible for overseeing the Board'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 generally accepted auditing standards 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement 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 the Board'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 the Board's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our independent 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 independent auditor's report. However, future events or conditions may cause the Board 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.

Halifax, Nova Scotia
May 13, 2019

Chartered Professional Accountants
Licensed Public Accountants

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION
MARCH 31, 2019

	2019	2018
FINANCIAL ASSETS		
Cash and cash equivalents	**$ 3,563,025**	$ 4,117,390
Receivables	**103,379**	270,725
Investments (note 2(j)) (note 3)	**2,879,538**	2,809,358
	6,545,942	7,197,473
LIABILITIES		
Payables and accruals	**860,808**	1,206,836
Payable to governments (note 4)	**2,071,523**	2,755,162
Supplementary employee retirement plan obligation (note 5)	**998,122**	922,208
Post-retirement health and retiring allowance obligation (note 6)	**1,664,710**	1,550,754
	5,595,163	6,434,960
Net financial assets	**950,779**	762,513
NON-FINANCIAL ASSETS		
Prepaid expenses	**335,553**	365,200
Tangible capital assets (page 17)	**66,897**	92,900
	402,450	458,100
Accumulated surplus	**$ 1,353,229**	$ 1,220,613
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 5)	**$ 1,338,240**	$ 1,241,387
Accumulated remeasurement gains (losses) (page 6)	**14,989**	(20,774)
	$ 1,353,229	$ 1,220,613

Commitments (note 9)

Approved by the Board

Keith MacLeod

Chair

Gina Bryson

Board member

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
YEAR ENDED MARCH 31, 2019

	(Note 11) Budget	2019	2018
Revenue			
Government grants			
Government of Canada	$ 4,305,000	$ 4,305,000	$ 4,355,000
Government of Nova Scotia	4,305,000	4,305,000	4,355,000
Government of Canada - Translation services	-	50,909	-
Costs recovered from industry	8,610,000	8,087,501	8,052,252
Interest and other	-	52,039	33,441
Interest on overdue balances	-	12,239	13,742
	17,220,000	16,812,688	16,809,435
Less:			
Costs recoveries refunded to government (page 18)	8,610,000	8,087,502	8,052,252
Interest remitted to government	-	12,239	13,742
	8,610,000	8,099,741	8,065,994
Net revenue	8,610,000	8,712,947	8,743,441
Expenses			
Regulation of petroleum activities (page 18)	8,610,000	8,118,795	8,012,105
Operating surplus before other revenue (expenses)	-	594,152	731,336
Amortization of tangible capital assets	-	(49,024)	(273,747)
Net investment income (note 7)	-	61,078	59,862
	-	12,054	(213,885)
Operating surplus	-	606,206	517,451
Accumulated operating surplus, beginning of year	-	1,241,387	725,818
Repayment to Government of Canada - prior year surplus	-	(212,138)	(941)
Repayment to Government of Nova Scotia - prior year surplus	-	(297,215)	(941)
Accumulated operating surplus, end of year	$ -	$ 1,338,240	$ 1,241,387

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF REMEASUREMENT GAINS (LOSSES)
YEAR ENDED MARCH 31, 2019

	2019	2018
Accumulated remeasurement gains (losses), beginning of the year	**$ (20,774)**	$ 41,964
Unrealized gain (loss) arising during the year on investments	**35,763**	(62,738)
Accumulated remeasurement gains (losses), end of year	**$ 14,989**	$ (20,774)

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2019

	(Note 11) **Budget**	**2019**	2018
Operating surplus	**$ -**	**$ 606,206**	$ 517,451
Repayment to Government of Canada	**-**	**(212,138)**	(941)
Repayment to Government of Nova Scotia	**-**	**(297,215)**	(941)
	-	**96,853**	515,569
Change in tangible capital assets			
Acquisition of tangible capital assets (page 17)	**(55,000)**	**(23,020)**	(44,636)
Amortization of tangible capital assets (page 17)	**-**	**49,024**	273,747
Increase (decrease) in tangible capital assets	**(55,000)**	**26,004**	229,111
Change in other non-financial assets			
Use (acquisition) of prepaid expense	**-**	**29,646**	(167,335)
Net remeasurement loss (page 6)	**-**	**35,763**	(62,738)
Increase (decrease) in net financial assets	**(55,000)**	**188,266**	514,607
Net financial assets, beginning of the year	**762,513**	**762,513**	247,906
Net financial assets, end of the year	**$ 707,513**	**$ 950,779**	$ 762,513

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2019

	2019	2018
Operating Activities		
Operating surplus	**$ 606,206**	$ 517,451
Amortization of tangible capital assets	**49,024**	273,747
Loss on disposal of investments	**6,598**	1,540
Repayment to Government of Canada	**(212,138)**	(941)
Repayment to Government of Nova Scotia	**(297,215)**	(941)
Increase in supplementary employee retirement plan obligation	**75,914**	90,031
Increase (decrease) in post-retirement health and retiring allowance obligation	**113,956**	(255,874)
	342,345	625,013
Net change in non-cash working capital balances related to operations (note 8)	**(832,676)**	423,000
	(490,331)	1,048,013
Investing Activities		
Increase in accrued interest on investments	**(1,757)**	(1,422)
Purchase of investments	**(402,072)**	(754,681)
Proceeds on disposal of investments	**366,590**	452,794
	(37,239)	(303,309)
Capital Activities		
Purchase of		
Computer equipment	**(19,980)**	(44,636)
Equipment	**(3,040)**	-
	(23,020)	(44,636)
Increase (decrease) in cash and cash equivalents during year	**(550,590)**	700,068
Cash and cash equivalents, beginning of year	**4,125,803**	3,425,735
Cash and cash equivalents, end of year	**$ 3,575,213**	$ 4,125,803
Represented by:		
Cash	**$ 3,563,025**	$ 4,117,390
Investment cash	**12,188**	8,413
	$ 3,575,213	$ 4,125,803

1. Purpose of organization

The Canada-Nova Scotia Offshore Petroleum Board was formed to administer the relevant provisions of the Canada-Nova Scotia Offshore Petroleum Resources Accord Implementation Acts as enacted by the Parliament of Canada and the Legislature of Nova Scotia. The Board is funded primarily by grants from the Federal and Provincial Governments in equal contributions. The Board also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 100% of the Board's approved budget. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada) and reflect the following significant accounting policies.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and cash held within the investment portfolio.

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the operating surplus or deficit and the net remeasurement gains or losses, provides the change in net financial assets or net debt for the year.

(d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all costs directly attributable to the acquisition, construction, development, installation or betterment of the tangible capital asset. The Board capitalizes assets with a value greater than $2,500 and a useful life greater than one year. Amortization is recorded using the straight-line method over four years for furniture, fixtures and equipment and over three years for computer equipment and software. Leasehold improvements are amortized over the life of the lease.

(e) Impairment of long-lived assets

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer contributes to the Board's ability to provide services resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

2. Significant accounting policies (continued)

(f) Use of estimates

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material difference between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. The supplementary employee retirement plan obligation and the post-retirement health and retiring allowance obligation are items requiring the use of significant estimates because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace.

Estimates are based upon the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from these estimates.

(g) Revenue recognition

Revenues are recorded on the accrual basis. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Government transfers are recognized when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

Cost recoveries from industry are recognized when invoiced which are based upon estimated costs and units of Board time for the fiscal year, as per the Cost Recovery Guidelines. Cost recoveries are adjusted at the end of each fiscal year based upon the actual full cost of providing regulatory services, as defined in the Cost Recovery Guidelines.

Investment income is recorded as earned.

(h) Supplementary employee retirement plan obligation

The projected unit credit method prorated on services has been used to determine the accrued benefit obligation and current service cost. The objective under this method is to expense each participant's benefits under the plan as they would accrue, taking into consideration future salary increases and the plan's benefit allocation formula.

Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

(i) Post-retirement health and retiring allowance obligation

Employees of the Board participate in the Province of Nova Scotia Pensioners Extended Health Plan upon retirement. This plan provides health care coverage to age 65. Employees are also eligible for one week of salary for each year of pensionable service, to a maximum of 26 weeks for Board staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate.

2. Significant accounting policies (continued)

(i) Post-retirement health and retiring allowance obligation (continued)

Effective June 30, 2015, employees are no longer eligible to earn and accrue a retirement allowance. In 2018, those Employees who were employed by the CNSOPB prior to this date, were offered a one-time option to receive a service payout in place of the retirement allowance. Employees who did not choose this option have been advised in writing of their accrued entitlement, which will be payable to them on their retirement date so long as they are eligible to retire and are entitled to receive benefits from the Public Service Superannuation Plan.

(j) Investments

The Board has designated its investment portfolio to fund the Board's obligations for supplementary employee retirement plans and post-retirement health and retiring allowances.

(k) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method. Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses until such time that the financial instrument is derecognized. When the financial instrument is derecognized the accumulated remeasurement gain or loss is reversed and recognized on the statement of operations. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, payables and accruals, payable to governments, supplementary employee retirement plan obligation and post-retirement health and retiring allowance obligations are recorded using the cost method. Cash and investments are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

3. Investments

	2019	2018
Investments, at cost	**$ 2,826,471**	$ 2,797,587
Accrued investment income	**25,889**	24,132
Unrealized gain (losses) on investments	**14,990**	(20,774)
Investment cash	**12,188**	8,413
Investments, at fair market value	**$ 2,879,538**	$ 2,809,358

4. Payable to governments

	2019	2018
Federal government - cost recovery funds	**$ 1,023,716**	$ 1,377,581
Federal government - unused translation services grant	**24,091**	-
Provincial government - cost recovery funds	**1,023,716**	1,377,581
	$ 2,071,523	$ 2,755,162

5. Pension obligations

(a) Supplementary employee retirement plan (SERP)

The Board Supplementary Employee Retirement Plan provides benefits to its employees who are members of the Public Service Superannuation Plan (PSSP). Employees are eligible for membership in this plan once their pensionable earnings have reached a level such that their benefits under the PSSP are limited by the maximum pension limits under the Income Tax Act.

The Board measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. An actuarial valuation of the retirement plan for funding purposes was completed as of June 30, 2017 and was extrapolated to March 31, 2019. An updated actuarial valuation is completed at least every three years.

The Board has adopted the recommendations of Section 3250 of the Public Sector Accounting Standards Handbook. The following is required for disclosure purposes:

	2019	2018
Components of Supplementary Employee Retirement Plan Cost		
Current service cost	**$ 34,894**	$ 33,003
Interest cost	**37,076**	35,561
Amortization of net actuarial losses	**32,415**	49,698
Supplementary Employee Retirement Plan Cost	**$ 104,385**	$ 118,262
Weighted-Average Assumptions for Expense		
Discount rate	**4.10 %**	4.10 %
Rate of compensation increase	**2.25 %**	2.25 %
Weighted-Average Assumptions for Disclosure		
Discount rate	**4.10 %**	4.10 %
Rate of compensation increase	**2.25 %**	2.25 %

5. Pension obligations (continued)

Change in Accrued Benefit Obligation		
Accrued benefit obligation at the end of the prior year	**$ 1,029,533**	$ 956,134
Current service cost	**34,894**	33,003
Interest cost	**37,076**	35,561
Benefits paid	**(28,471)**	(28,231)
Actuarial loss	**24,212**	33,066
Accrued benefit obligation at the end of the year	**$ 1,097,244**	$ 1,029,533
Reconciliation of Funded Status to Accrued Benefit Liability		
Benefit obligation at end of year	**$ 1,097,244**	$ 1,029,533
Unamortized net actuarial loss	**(99,122)**	(107,325)
Accrued benefit liability	**$ 998,122**	$ 922,208

(b) Multiemployer defined benefit pension plan

The Board contributes to a pension plan under the Public Service Superannuation Act administered by the Public Service Superannuation Plan Trustee Inc. The Board matches employees' contributions calculated as follows: 8.4% (2018 - 8.4%) on that part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan and 10.9% (2018 - 10.9%) on the part of their salary that is in excess of the YMPE. The Board has recognized contributions of $407,641 in 2019 (2018 - $398,440). There is no further liability with respect to past service at March 31, 2019.

6. Post-retirement health and retiring allowance obligation

The Board provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program and also provides retiring allowance benefits to those employees who retire from the Board. Both benefits are funded on a pay-as-you-go basis. The Board funds on a cash basis as contributions are made.

An actuarial valuation of the retirement plan for funding purposes was completed as of March 31, 2019. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

6. Post-retirement health and retiring allowance obligation (continued)

	2019	2018
Components of Post-Retirement Health and Retiring Allowance Cost		
Current service cost (employer portion)	**$ 68,929**	$ 58,369
Interest cost	**55,359**	67,356
Actuarial loss	**391**	6,932
Settlement loss	**-**	158,382
Recognition of unamortized net actuarial losses	**-**	5,641
Post-Retirement Health and Retiring Allowance Cost	**$ 124,679**	$ 296,680
Weighted-Average Assumptions for Expense		
Discount rate	**4.10 %**	4.10 %
Rate of compensation increase	**2.25 %**	2.25 %
Initial weighted average health care trend rate	**6.67 %**	6.83 %
Ultimate weighted average health care trend rate	**4.50 %**	4.50 %
Year ultimate rate reached	**2030**	2030
Weighted-Average Assumptions for Disclosure		
Discount rate	**3.59 %**	3.59 %
Rate of compensation increase	**2.25 %**	2.25 %
Initial weighted average health care trend rate	**6.50 %**	6.50 %
Ultimate weighted average health care trend rate	**4.50 %**	4.50 %
Year ultimate rate reached	**2030**	2030
Change in Accrued Benefit Obligation		
Accrued benefit obligation at the end of the prior year	**$ 1,512,916**	$ 1,857,194
Current service cost (employer portion)	**68,929**	58,369
Interest cost	**55,359**	67,356
Impact of settlement	**-**	158,382
Benefits to be settled	**-**	(410,816)
Benefits paid	**(10,723)**	(141,738)
Actuarial loss (gain)	**50,553**	(75,831)
Accrued benefit obligation at the end of the year	**$ 1,677,034**	$ 1,512,916
Reconciliation of Funded Status to Accrued Benefit Liability		
Benefit obligation at the end of year	**$ 1,677,034**	$ 1,512,916
Unamortized net actuarial loss (gain)	**(12,324)**	37,838
Accrued benefit liability	**$ 1,664,710**	$ 1,550,754

7. Net investment income

	2019	2018
Investment income	**$ 84,338**	$ 77,057
Loss on disposal of investments	**(6,598)**	(1,540)
Portfolio management fees	**(16,662)**	(15,655)
	$ 61,078	$ 59,862

8. Net change in non-cash working capital balances related to operations

Increase (decrease) in cash from changes in:

	2019	2018
Receivables	**$ 167,344**	$ (152,604)
Prepaid expenses	**29,646**	(167,335)
Payables and accruals	**(346,027)**	250,210
Payable to governments	**(683,639)**	492,729
	$ (832,676)	$ 423,000

9. Commitments

The Board has entered into various lease agreements for premises and equipment. The approximate minimum payments required over the next five fiscal years are as follows:

2020	$	354,658
2021	$	348,724
2022	$	356,863
2023	$	357,988
2024	$	122,811

10. Financial instruments

The following are the significant risks that the Board is exposed to through its financial instruments:

(a) 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. The carrying amount of financial assets represents the maximum credit exposure. The Board's main credit risks relate to its accounts receivable. In order to reduce its credit risk, the Board has adopted credit policies which include the analysis of the financial position of its regulated entities and the regular review of their credit limits. The Board does not have a significant exposure to any individual regulated entity or counterpart. Management reviews accounts receivable on a case by case basis to determine if an allowance is necessary to reflect an impairment in collectability.

10. Financial instruments (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board has investments in guaranteed investment certificates, debentures, bonds, mid and medium term notes and high-interest savings accounts which bear interest at fixed rates ranging between 1.95% and 5.04%. Consequently, the Board's exposure to interest rate risk on these investments is minimal.

(c) Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The debentures, bonds and mid and medium term notes held in the Board's investment portfolio expose the Board to market risk as such investments are subject to price changes in the open market.

(d) Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The Board's ability to meet its obligations depends on the receipt of funds whether in the form of revenue or advances.

11. Budget information

The budget figures presented are for comparison purposes and are unaudited. Amortization was not contemplated in the development of the budget and, as such, has not been included.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2019

COST

	Opening	Additions	Write Downs/ Disposals	Closing
Leasehold improvements	$ 78,061	$ -	$ -	$ 78,061
Furniture and fixtures	453,564	-	-	453,564
Computer equipment	647,652	19,980	8,281	659,351
Computer software	625,539	-	74,987	550,552
Equipment	198,430	3,040	-	201,470
	$ 2,003,246	$ 23,020	$ 83,268	$ 1,942,998

ACCUMULATED AMORTIZATION

	Opening	Amortization	Write Downs/ Disposals	Closing
Leasehold improvements	$ 66,358	$ 11,703	$ -	$ 78,061
Furniture and fixtures	451,489	1,342	-	452,831
Computer equipment	578,676	27,053	8,281	597,448
Computer software	619,192	4,747	74,987	548,952
Equipment	194,630	4,179	-	198,809
	$ 1,910,345	$ 49,024	$ 83,268	$ 1,876,101

NET BOOK VALUE

	2019	2018
Leasehold improvements	**$ -**	$ 11,703
Furniture and fixtures	**733**	2,075
Computer equipment	**61,903**	68,976
Computer software	**1,600**	6,347
Equipment	**2,661**	3,799
	$ 66,897	$ 92,900

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31, 2019

	(Note 11) Budget	2019	2018
Cost recoveries refunded to government			
Government of Canada	**$ 4,305,000**	**$ 4,043,751**	$ 4,026,126
Government of Nova Scotia	**4,305,000**	**4,043,751**	4,026,126
Total cost recoveries refunded to government	**$ 8,610,000**	**$ 8,087,502**	$ 8,052,252
Regulation of petroleum activities			
Personnel and Board members	**$ 5,585,000**	**$ 5,360,093**	$ 5,358,338
General office and support	**1,290,000**	**1,105,301**	951,013
Office and laboratory premise costs	**700,000**	**698,555**	693,937
Consulting and legal	**775,000**	**705,782**	643,497
Supplementary employee retirement plan cost	**108,000**	**104,385**	118,717
Post-retirement health and retiring allowance cost	**142,000**	**124,679**	211,603
Diving certification & standards development	**10,000**	**20,000**	35,000
Total regulation of petroleum activities	**$ 8,610,000**	**$ 8,118,795**	$ 8,012,105