

---

**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

FINANCIAL STATEMENTS  
MARCH 31, 2020

---

---

## INDEX

---

	<u>Page</u>
Statement of Management's Responsibility	1
Independent Auditors' Report	2
Statement of Financial Position	4
Statement of Operations and Accumulated Operating Surplus	5
Statement of Remeasurement Gains (Losses)	6
Statement of Changes in Net Assets	7
Statement of Cash Flows	8
Notes to Financial Statements	9
Schedule of Tangible Capital Assets	18
Schedule of Expenses	19

---

---

## 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 CNSOPB and meet when required.

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

*Christine Bonnell-Eisnor*

Christine Bonnell-Eisnor  
Acting Chief Executive Officer

May 12, 2020

---

## INDEPENDENT AUDITORS' REPORT

---

**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 "CNSOPB"), which comprise the statement of financial position as at March 31, 2020, 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, 2020, 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 CNSOPB 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 CNSOPB'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 CNSOPB or to cease operations, or has no realistic alternative but to do so.

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

### **Auditors' 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 auditors' 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)

---

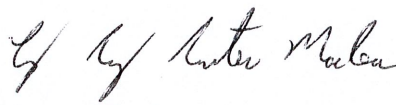
### Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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 CNSOPB'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 CNSOPB'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 auditors' 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 auditors' report. However, future events or conditions may cause the CNSOPB 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 12, 2020

  
Chartered Professional Accountants

---

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## STATEMENT OF FINANCIAL POSITION MARCH 31, 2020

---

	<u>2020</u>	<u>2019</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 4,039,035	\$ 3,563,025
Receivables	126,223	103,379
Investments (note 2(j)) (note 3)	<u>2,728,919</u>	<u>2,879,538</u>
	<u>6,894,177</u>	<u>6,545,942</u>
<b>LIABILITIES</b>		
Payables and accruals	881,791	860,808
Payable to governments (note 4)	1,979,472	2,071,523
Supplementary employee retirement plan obligation (note 5)	1,070,586	998,122
Post-retirement health and retiring allowance obligation (note 6)	<u>1,585,930</u>	<u>1,664,710</u>
	<u>5,517,779</u>	<u>5,595,163</u>
Net financial assets	<u>1,376,398</u>	<u>950,779</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	240,792	335,554
Tangible capital assets (page 18)	<u>121,674</u>	<u>66,896</u>
	<u>362,466</u>	<u>402,450</u>
Accumulated surplus	<u>\$ 1,738,864</u>	<u>\$ 1,353,229</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 5)	\$ 1,681,736	\$ 1,338,239
Accumulated remeasurement gains (losses) (page 6)	<u>57,128</u>	<u>14,990</u>
	<u>\$ 1,738,864</u>	<u>\$ 1,353,229</u>
<b>Commitments (note 9)</b>		

---

Approved by the Board

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Board member

---

## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS YEAR ENDED MARCH 31, 2020

---

	(Note 11) <u>Budget</u>	<u>2020</u>	<u>2019</u>
<b>Revenue</b>			
Government grants			
Government of Canada	\$ 4,305,000	\$ 4,305,000	\$ 4,305,000
Government of Nova Scotia	4,305,000	4,305,000	4,305,000
Government of Canada - Translation services	-	-	50,909
Costs recovered from industry	8,610,000	7,919,010	8,087,501
Interest and other	-	67,604	52,039
Interest on overdue balances	-	-	12,239
	<u>17,220,000</u>	<u>16,596,614</u>	<u>16,812,688</u>
Less:			
Cost recoveries refunded to government (page 19)	8,610,000	7,919,010	8,087,502
Cost recoveries refundable to industry	-	335,564	-
Interest remitted to government	-	-	12,239
	<u>8,610,000</u>	<u>8,254,574</u>	<u>8,099,741</u>
<b>Net revenue</b>	<b>8,610,000</b>	<b>8,342,040</b>	<b>8,712,947</b>
<b>Expenses</b>			
Regulation of petroleum activities (page 19)	<u>8,610,000</u>	<u>7,481,161</u>	<u>8,118,795</u>
<b>Operating surplus before other revenue (expenses)</b>	<u>-</u>	<u>860,879</u>	<u>594,152</u>
Amortization of tangible capital assets	-	(47,508)	(49,024)
Net investment income (note 7)	-	49,220	61,078
	<u>-</u>	<u>1,712</u>	<u>12,054</u>
<b>Operating surplus</b>	<b>-</b>	<b>862,591</b>	<b>606,206</b>
<b>Accumulated operating surplus, beginning of year</b>	<b>-</b>	<b>1,338,239</b>	<b>1,241,386</b>
Repayment to Government of Canada - prior year surplus	-	(259,547)	(212,138)
Repayment to Government of Nova Scotia - prior year surplus	-	(259,547)	(297,215)
	<u>-</u>	<u>(259,547)</u>	<u>(297,215)</u>
<b>Accumulated operating surplus, end of year</b>	<b>\$ -</b>	<b>\$ 1,681,736</b>	<b>\$ 1,338,239</b>

---

**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

STATEMENT OF REMEASUREMENT GAINS (LOSSES)  
YEAR ENDED MARCH 31, 2020

---

	<u>2020</u>	<u>2019</u>
Accumulated remeasurement gains (losses), beginning of the year	\$ 14,990	\$ (20,773)
Unrealized gain arising during the year on investments	<u>42,138</u>	<u>35,763</u>
Accumulated remeasurement gains, end of year	<u>\$ 57,128</u>	<u>\$ 14,990</u>



---

## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF CHANGES IN NET ASSETS YEAR ENDED MARCH 31, 2020

---

	(Note 11) <u>Budget</u>	<u>2020</u>	<u>2019</u>
<b>Operating surplus</b>	\$ -	\$ 862,591	\$ 606,206
Repayment to Government of Canada	-	(259,547)	(212,138)
Repayment to Government of Nova Scotia	-	(259,547)	(297,215)
	<u>-</u>	<u>343,497</u>	<u>96,853</u>
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets (page 18)	(165,000)	(102,285)	(23,020)
Amortization of tangible capital assets (page 18)	-	47,508	49,024
<b>Increase (decrease) in tangible capital assets</b>	<u>(165,000)</u>	<u>(54,777)</u>	<u>26,004</u>
<b>Change in other non-financial assets</b>			
Use of prepaid expense	-	94,761	29,646
Net remeasurement gain (page 6)	-	42,138	35,763
Increase (decrease) in net financial assets	(165,000)	425,619	188,266
Net financial assets, beginning of the year	<u>950,779</u>	<u>950,779</u>	<u>762,513</u>
<b>Net financial assets, end of the year</b>	<u>\$ 785,779</u>	<u>\$ 1,376,398</u>	<u>\$ 950,779</u>

---

## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF CASH FLOWS YEAR ENDED MARCH 31, 2020

---

	<u>2020</u>	<u>2019</u>
<b>Operating Activities</b>		
Operating surplus	\$ 862,591	\$ 606,206
Amortization of tangible capital assets	47,508	49,024
Loss on disposal of investments	15,877	6,598
Repayment to Government of Canada	(259,547)	(212,138)
Repayment to Government of Nova Scotia	(259,547)	(297,215)
Increase in supplementary employee retirement plan obligation	72,464	75,914
Increase (decrease) in post-retirement health and retiring allowance obligation	<u>(78,780)</u>	<u>113,956</u>
	400,566	342,345
Net change in non-cash working capital balances related to operations (note 8)	<u>849</u>	<u>(832,677)</u>
	<u>401,415</u>	<u>(490,332)</u>
<b>Investing Activities</b>		
Decrease (increase) in accrued interest on investments	1,847	(1,757)
Purchase of investments	(472,377)	(402,072)
Proceeds on disposal of investments	<u>643,916</u>	<u>366,590</u>
	<u>173,386</u>	<u>(37,239)</u>
<b>Capital Activities</b>		
Purchase of		
Furniture and equipment	(18,566)	-
Computer equipment	(42,631)	(19,980)
Computer software	(12,441)	-
Equipment	<u>(28,647)</u>	<u>(3,040)</u>
	<u>(102,285)</u>	<u>(23,020)</u>
<b>Increase (decrease) in cash and cash equivalents during year</b>	472,516	(550,591)
<b>Cash and cash equivalents, beginning of year</b>	<u>3,575,213</u>	<u>4,125,804</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 4,047,729</u>	<u>\$ 3,575,213</u>
<b>Represented by:</b>		
Cash	\$ 4,039,035	\$ 3,563,025
Investment cash	<u>8,694</u>	<u>12,188</u>
	<u>\$ 4,047,729</u>	<u>\$ 3,575,213</u>

---

---

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

### 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 CNSOPB is funded primarily by grants from the Federal and Provincial Governments in equal contributions. The CNSOPB also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 100% of the CNSOPB's approved budget. The CNSOPB 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 CNSOPB 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 CNSOPB'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.

---

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

### 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 CNSOPB 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 CNSOPB 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 CNSOPB staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate.

---

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

### 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 CNSOPB has designated its investment portfolio to fund the CNSOPB'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

	<u>2020</u>	<u>2019</u>
Investments, at cost	\$ 2,639,056	\$ 2,826,471
Accrued investment income	24,041	25,889
Unrealized gain on investments	57,128	14,990
Investment cash	<u>8,694</u>	<u>12,188</u>
Investments, at fair market value	<u>\$ 2,728,919</u>	<u>\$ 2,879,538</u>

The reduction in investments during the year was due to the pay out of retiring allowances and not as a result of any downturn in the investment portfolio.

---

## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

#### 4. Payable to governments

	<u>2020</u>	<u>2019</u>
Federal government - cost recovery funds	\$ 989,736	\$ 1,023,716
Federal government - unused translation services grant	-	24,091
Provincial government - cost recovery funds	<u>989,736</u>	<u>1,023,716</u>
	<u>\$ 1,979,472</u>	<u>\$ 2,071,523</u>

---

#### 5. Pension obligations

##### (a) Supplementary employee retirement plan (SERP)

The CNSOPB 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 CNSOPB 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, 2020. An updated actuarial valuation is completed at least every three years.

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

	<u>2020</u>	<u>2019</u>
<u>Components of Supplementary Employee Retirement Plan Cost</u>		
Current service cost	\$ 37,096	\$ 34,894
Interest cost	37,510	37,076
Amortization of net actuarial losses	<u>35,873</u>	<u>32,415</u>
Supplementary Employee Retirement Plan Cost	<u>\$ 110,479</u>	<u>\$ 104,385</u>
 <u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>3.29 %</u>	<u>3.42 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>
 <u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>3.29 %</u>	<u>3.42 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>

---

---

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

### 5. Pension obligations (continued)

<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 1,097,244	\$ 1,029,533
Current service cost	37,096	34,894
Interest cost	37,510	37,076
Benefits paid	(38,015)	(28,471)
Actuarial loss	<u>19,076</u>	<u>24,212</u>
Accrued benefit obligation at the end of the year	\$ <u>1,152,911</u>	\$ <u>1,097,244</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at end of year	\$ 1,152,911	\$ 1,097,244
Unamortized net actuarial loss	<u>(82,325)</u>	<u>(99,122)</u>
Accrued benefit liability	\$ <u>1,070,586</u>	\$ <u>998,122</u>

#### (b) Multiemployer defined benefit pension plan

The CNSOPB contributes to a pension plan under the Public Service Superannuation Act administered by the Public Service Superannuation Plan Trustee Inc. The CNSOPB matches employees' contributions calculated as follows: 8.4% (2019 - 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% (2019 - 10.9%) on the part of their salary that is in excess of the YMPE. The CNSOPB has recognized contributions of \$378,687 in 2020 (2019 - \$407,641). There is no further liability with respect to past service at March 31, 2020.

---

### 6. Post-retirement health and retiring allowance obligation

The CNSOPB 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 CNSOPB. Both benefits are funded on a pay-as-you-go basis. The CNSOPB funds on a cash basis as contributions are made.

An actuarial valuation of the retirement plan for funding purposes was completed as of June 30, 2017 and extrapolated to March 31, 2020. 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 CNSOPB's best estimates.

---

**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2020

---

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

	<u>2020</u>	<u>2019</u>
<u>Components of Post-Retirement Health and Retiring Allowance Cost</u>		
Current service cost (employer portion)	\$ 74,551	\$ 68,929
Interest cost	54,990	55,359
Actuarial loss	<u>4,490</u>	<u>391</u>
Post-Retirement Health and Retiring Allowance Cost	<u>\$ 134,031</u>	<u>\$ 124,679</u>
<u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>3.29 %</u>	<u>3.42 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>
Initial weighted average health care trend rate	<u>6.17 %</u>	<u>6.33 %</u>
Ultimate weighted average health care trend rate	<u>4.50 %</u>	<u>4.50 %</u>
Year ultimate rate reached	<u>2030</u>	<u>2030</u>
<u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>3.29 %</u>	<u>3.42 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>
Initial weighted average health care trend rate	<u>6.17 %</u>	<u>6.33 %</u>
Ultimate weighted average health care trend rate	<u>4.50 %</u>	<u>4.50 %</u>
Year ultimate rate reached	<u>2030</u>	<u>2030</u>
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 1,677,034	\$ 1,512,916
Current service cost (employer portion)	74,551	68,929
Interest cost	54,990	55,359
Benefits paid	(212,811)	(10,723)
Actuarial loss	<u>42,275</u>	<u>50,553</u>
Accrued benefit obligation at the end of the year	<u>\$ 1,636,039</u>	<u>\$ 1,677,034</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at the end of year	\$ 1,636,039	\$ 1,677,034
Unamortized net actuarial gain	<u>(50,109)</u>	<u>(12,324)</u>
Accrued benefit liability	<u>\$ 1,585,930</u>	<u>\$ 1,664,710</u>



---

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

### 7. Net investment income

	<u>2020</u>	<u>2019</u>
Investment income	\$ 80,357	\$ 84,338
Loss on disposal of investments	(15,877)	(6,598)
Portfolio management fees	<u>(15,260)</u>	<u>(16,662)</u>
	<u>\$ 49,220</u>	<u>\$ 61,078</u>

---

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

	<u>2020</u>	<u>2019</u>
<b>Increase (decrease) in cash from changes in:</b>		
Receivables	\$ (22,844)	\$ 167,344
Prepaid expenses	94,761	29,646
Payables and accruals	20,983	(346,028)
Payable to governments	<u>(92,051)</u>	<u>(683,639)</u>
	<u>\$ 849</u>	<u>\$ (832,677)</u>

---

### 9. Commitments

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

2021	\$ 348,724
2022	\$ 356,863
2023	\$ 357,988
2024	\$ 122,811

---

### 10. Financial instruments

The following are the significant risks that the CNSOPB 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 CNSOPB's main credit risks relate to its accounts receivable. In order to reduce its credit risk, the CNSOPB 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 CNSOPB 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.

---

---

# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

### 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 CNSOPB 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 CNSOPB'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 CNSOPB's investment portfolio expose the CNSOPB 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 CNSOPB will encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The CNSOPB'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

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2020

---

### 12. Impact of COVID-19 pandemic

During the fiscal year, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long indefinite periods of time. The CNSOPB has successfully continued operations to regulate an essential service during the pandemic by implementing work from home policies for all staff and enhanced safety measures for staff travelling offshore. The CNSOPB has worked closely with the federal and provincial governments to ensure that all relevant health directives are being followed by staff and adequate measures are being taken by operators in the CNSOPB's jurisdiction.

The CNSOPB has considered these events while preparing the year end financial statements in order to ensure the financial position and results of operations present fairly at March 31, 2020.

The CNSOPB is funded primarily by grants from the Federal and Provincial Governments in equal contributions. These grants are expected to continue, so the CNSOPB does not face the same financial uncertainty as many organizations. The CNSOPB also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 100% of the CNSOPB's approved budget. The impact on industry due to the COVID-19 pandemic is unknown at this time and may affect future cost recovery received by the CNSOPB.

The CNSOPB has considered this and any other COVID-19 related subsequent events and has determined that these events are non-adjusting subsequent events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the CNSOPB for future periods.

---

**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

SCHEDULE OF TANGIBLE CAPITAL ASSETS  
YEAR ENDED MARCH 31, 2020

---

**COST**

	<u>Opening</u>	<u>Additions</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ -	\$ -	\$ 78,061
Furniture and fixtures	453,564	18,566	-	472,130
Computer equipment	659,351	42,631	185,637	516,345
Computer software	550,553	12,441	-	562,994
Equipment	<u>201,470</u>	<u>28,647</u>	<u>12,877</u>	<u>217,240</u>
	<u>\$ 1,942,999</u>	<u>\$ 102,285</u>	<u>\$ 198,514</u>	<u>\$ 1,846,770</u>

**ACCUMULATED AMORTIZATION**

	<u>Opening</u>	<u>Amortization</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ -	\$ -	\$ 78,061
Furniture and fixtures	452,831	1,491	-	454,322
Computer equipment	597,448	40,867	185,637	452,678
Computer software	548,952	3,674	-	552,626
Equipment	<u>198,810</u>	<u>1,476</u>	<u>12,877</u>	<u>187,409</u>
	<u>\$ 1,876,102</u>	<u>\$ 47,508</u>	<u>\$ 198,514</u>	<u>\$ 1,725,096</u>

**NET BOOK VALUE**

	<u>2020</u>	<u>2019</u>
Furniture and fixtures	\$ 17,808	\$ 733
Computer equipment	63,667	61,903
Computer software	10,368	1,600
Equipment	<u>29,831</u>	<u>2,660</u>
	<u>\$ 121,674</u>	<u>\$ 66,896</u>

---

## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2020

---

	(Note 11) <u>Budget</u>	<u>2020</u>	<u>2019</u>
<b>Cost recoveries refunded to government</b>			
Government of Canada	\$ 4,305,000	\$ 3,959,505	\$ 4,043,751
Government of Nova Scotia	<u>4,305,000</u>	<u>3,959,505</u>	<u>4,043,751</u>
Total cost recoveries refunded to government	\$ <u>8,610,000</u>	\$ <u>7,919,010</u>	\$ <u>8,087,502</u>
<b>Regulation of petroleum activities</b>			
Personnel and Board members	\$ 6,045,000	\$ 5,078,471	\$ 5,360,093
General office and support	1,204,500	897,324	1,105,301
Office and laboratory premise costs	708,000	739,473	698,555
Consulting and legal	412,500	511,383	705,782
Supplementary employee retirement plan cost	125,000	110,479	104,385
Post-retirement health and retiring allowance cost	105,000	134,031	124,679
Diving certification & standards development	<u>10,000</u>	<u>10,000</u>	<u>20,000</u>
Total regulation of petroleum activities	\$ <u>8,610,000</u>	\$ <u>7,481,161</u>	\$ <u>8,118,795</u>