



Financial Statements

Nova Scotia E911 Cost Recovery Fund

March 31, 2011

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Independent auditor's report

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To the Members of the
Nova Scotia E911 Cost Recovery Fund

We have audited the accompanying financial statements of the Nova Scotia E911 Cost Recovery Fund, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and fund equity and cash flows 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 generally accepted accounting principles, 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.

Basis for qualified opinion

The Fund is managed by the Nova Scotia Emergency Management Office (EMO), and the EMO and the Government of Nova Scotia have the ability to incur expenses on behalf of the Fund, which may not have been charged to the Fund; therefore, the completeness of the expenses of the Fund are not susceptible to satisfactory audit verification. Accordingly, our verification of these expenses was limited to the amounts recorded in the records of the Fund and we were not able to determine whether any adjustments might be necessary to expenses, excess of revenues over expenses, current liabilities, net of assets and Fund equity.

Opinion

Our audit was conducted for the purposes of forming an opinion of the financial statements taken as a whole. The schedule on page 8 is presented for purposes of additional information and is not required as part of the financial statements. Such information has been subjected to the auditing procedures applied, only to the extent necessary to express an opinion in the audit of the financial statements taken as a whole.

In our opinion, except for the effects of the matter described in the *Basis for qualified opinion*, the financial statements referred to above present fairly, in all material respects, the financial position of the Nova Scotia E911 Cost Recovery Fund as at March 31, 2011, and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Halifax, Canada
June 29, 2011



Chartered Accountants

Nova Scotia E911 Cost Recovery Fund

Statements of operations and fund equity

Year ended March 31	Budget 2011	Actual 2011	Actual 2010
	(unaudited)		
Revenue			
Fees	\$ 5,503,000	\$ 5,629,120	\$ 5,451,787
Billing and collection charges	(896,000)	(907,187)	(877,347)
Allowance for bad debts incurred by carriers (note 4)	(48,000)	(60,077)	(60,509)
	<u>4,559,000</u>	<u>4,661,856</u>	<u>4,513,931</u>
Investment income	<u>10,000</u>	<u>12,446</u>	<u>8,051</u>
	<u>4,569,000</u>	<u>4,674,302</u>	<u>4,521,982</u>
Operating expenses			
911 management, administration and operations (schedule)	3,450,000	3,078,020	3,435,780
IWK Poison Centre Operations	821,000	821,104	821,104
Service Nova Scotia and municipal relations digital mapping	475,000	475,000	491,000
Municipalities	310,000	310,535	310,479
Department of Transportation distance markers	10,000	10,000	8,000
	<u>5,066,000</u>	<u>4,694,659</u>	<u>5,066,363</u>
Deficiency of revenue over expenses	\$ <u>(497,000)</u>	\$ <u>(20,357)</u>	\$ <u>(544,381)</u>
Fund equity, beginning of year	\$ 2,548,440	\$ 2,548,440	\$ 3,092,821
Deficiency of revenue over expenses	<u>(497,000)</u>	<u>(20,357)</u>	<u>(544,381)</u>
Fund equity, end of year	\$ <u>2,051,440</u>	\$ <u>2,528,083</u>	\$ <u>2,548,440</u>

See accompanying notes to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Statement of financial position

March 31 2011 2010

Assets

Current

Cash and cash equivalents	\$ 2,248,605	\$ 1,611,849
Receivables (note 3)	1,271,601	939,124
Receivable from the Province of Nova Scotia	-	12,016
Accrued interest receivable	<u>930</u>	<u>454</u>
	\$ 3,521,136	\$ 2,563,443

Liabilities

Current

Payables and accruals	\$ 15,003	\$ 15,003
Payable to the Province of Nova Scotia	<u>978,050</u>	<u>-</u>
	993,053	15,003

Fund equity	<u>2,528,083</u>	<u>2,548,440</u>
	\$ 3,521,136	\$ 2,563,443

Commitment (note 6)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Statement of cash flows

Year ended March 31

2011

2010

Increase (decrease) in cash and cash equivalents

Operating

Deficiency of revenue over expenses	\$ (20,357)	\$ (544,381)
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Change in non-cash operating working capital

Receivables	(332,477)	51,582
Payable to/from Province of Nova Scotia, net	990,066	(1,855,343)
Accrued interest receivable	(476)	222
Payables and accruals	<u>-</u>	<u>(2,632,865)</u>

Net increase (decrease) in cash and cash equivalents	636,756	(4,980,785)
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Cash and cash equivalents

Beginning of year	<u>1,611,849</u>	<u>6,592,634</u>
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End of year	<u>\$ 2,248,605</u>	<u>\$ 1,611,849</u>
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Cash and cash equivalents is comprised of

Cash	\$ 1,174,001	\$ 120,300
Short-term investments	<u>1,074,604</u>	<u>1,491,549</u>

	<u>\$ 2,248,605</u>	<u>\$ 1,611,849</u>
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See accompanying notes to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Notes to the financial statements

March 31, 2011

1. Description of the Fund

The Nova Scotia E911 Cost Recovery Fund (the "Fund") was established on February 2, 2001, pursuant to the *Emergency 911 Act*. The purpose of the Fund is to recover costs incurred to carry out Emergency 911 operations by charging a monthly fee to telephone subscribers in Nova Scotia.

On behalf of the Province of Nova Scotia, the 911 service is managed, operated and administered by the Nova Scotia Emergency Management Office. These financial statements do not include the assets and liabilities of the Nova Scotia Emergency Management Office.

The Fund is exempt from income tax under Section 149 of the *Income Tax Act*.

2. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents consist of amounts held on account at financial institutions and short-term investments readily convertible to cash.

Revenue

The Fund follows the deferral method of accounting for its revenue. The Fund recognizes revenue when remittances from telecommunication carriers are received or receivable and collection is likely.

Capital expenditures

Expenditures of a capital nature are expensed in the Fund as the resultant assets are owned and operated by the Nova Scotia Emergency Management Office.

Financial instruments

Financial assets and liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below.

Financial assets must be classified as held for trading, available for sale, held to maturity or loans and receivables. Financial liabilities are required to be classified as held for trading or other financial liabilities. All financial instruments are measured at fair value on the balance sheet with the exception of loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost.

Changes in fair values of financial assets and financial liabilities classified as held for trading are reported in earnings.

The Fund has classified its financial instruments as follows:

Held for trading	Cash and cash equivalents
Other financial liabilities	Payables and accruals, amount payable/receivable to/from the Province of Nova Scotia
Loans and receivables	Receivables

Unless otherwise noted, it is management's opinion that the Fund is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Nova Scotia E911 Cost Recovery Fund

Notes to the financial statements

March 31, 2011

2. Summary of significant accounting policies (continued)

Use of estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reported period. Actual results could differ from those reported.

Future accounting policy

The Canadian financial reporting standards (Canadian CAAP) are in the process of transition. Not-for-profit organizations and select public sector entities have a free choice of accounting frameworks. The transition date is fiscal years beginning on or after January 1, 2011 with early adoption permitted. The Fund will be adopting accounting standards issued by the Public Sector Accounting Board (PSAB). Management is in the process of determining the impact, if any, to the financial statements as a result of the adoption of these new standards.

3. Accounts receivable

Accounts receivable represents the net of gross fees receivable less a provision for bad debts and collection charges as follows:

	<u>2011</u>	<u>2010</u>
Gross fees	\$ 1,536,054	\$ 1,133,588
Provision for bad debts	(16,910)	(11,640)
Collection charges	<u>(247,543)</u>	<u>(182,824)</u>
	<u>\$ 1,271,601</u>	<u>\$ 939,124</u>

4. Allowance for doubtful accounts

Under the terms of the Billing and Collections Agreement, prior to remitting fees to the Fund, each carrier may deduct from the gross billings an amount equal to the rate of bad debts experienced by the carrier in the previous month.

5. Equipment usage

New equipment which is purchased by the Province of Nova Scotia and is being charged to the Fund based on the amortization recorded by the Province. This is a charge by the Province of Nova Scotia for equipment used by the Fund. During 2011 the charge was \$92,990 (2010 - \$165,000).

6. Commitment

The Fund leases space for its office location. The future operating lease commitments are as follows:

2012	\$ 189,000
2013	189,000
2014	189,000
2015	31,514

The Fund has the option to renew the lease for one consecutive term.

Nova Scotia E911 Cost Recovery Fund

Schedule of 911 management, administration and operations expenses

(unaudited) Year ended March 31	Budget 2011	Actual 2011	Actual 2010
911 call answer charges	\$ 1,265,000	\$ 1,100,122	\$ 952,469
911 call taker equipment purchase	376,600	364,998	488,216
Advertising and public information	175,000	93,058	73,204
Amortization	93,000	92,990	165,060
Audit	21,000	20,880	20,800
Automobile leases	6,500	17,351	6,468
Automobile operations	3,600	2,933	3,884
Building alteration	-	-	21,922
Call taker training	173,000	59,389	172,874
Consulting services	-	56,117	104,915
Direct salaries and benefits	723,100	738,819	678,197
Insurance	10,500	4,500	1,038
Legal	12,500	12,500	12,500
Meeting expenses	5,000	4,029	9,078
Office and furniture equipment	6,300	-	43,936
Office space rental	96,000	91,252	95,543
Office supplies	17,200	7,822	11,387
Parking	1,300	1,273	2,364
Postage, courier and taxi expenses	3,400	767	2,812
Professional services	300,000	266,965	404,805
Rentals of faxes and photocopiers	3,000	3,374	3,186
Staff training	10,000	1,641	7,916
Telecommunications	130,000	128,332	135,770
Travel	18,000	8,908	17,436
	<u>\$ 3,450,000</u>	<u>\$ 3,078,020</u>	<u>\$ 3,435,780</u>