



Financial Statements

Nova Scotia E911 Cost Recovery Fund

March 31, 2014

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Management statement on financial reporting

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To the Members of
Nova Scotia E911 Cost Recovery Fund

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 also 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 Minister is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises these responsibilities through the E911 Cost Recovery Committee. The E911 Cost Recovery Committee reviews internal data on a quarterly basis and external audited financial statements yearly.

The external auditors, Grant Thornton 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 the financial management of E911 Cost Recovery Committee and meet when required.

On behalf of the E911 Cost Recovery Committee:

Paul Mason, Director
Emergency Services
June 27, 2014

Andrew Lathem, Chair
E911 Cost Recovery Committee
June 27, 2014

Independent auditor's report

Grant Thornton LLP
Suite 1100, Cogswell Tower
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To the Members of the
Nova Scotia E911 Cost Recovery Fund

We have audited the accompanying financial statements of Nova Scotia E911 Cost Recovery Fund (the Fund), which comprise the financial position as at March 31, 2014, and the results of operations, changes in net financial assets, 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 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 Fund'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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

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, annual operating surplus, current liabilities and net financial assets.

Qualified opinion

Our audit was conducted for the purposes of forming an opinion of the financial statements taken as a whole. The schedule on page 10 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 present fairly, in all material respects, the financial position of the Nova Scotia E911 Cost Recovery Fund as at March 31, 2014 and the results of its operations, changes in net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Halifax, Canada
June 27, 2014



Chartered Accountants

Nova Scotia E911 Cost Recovery Fund
Statements of operations and change
in net financial assets

Year ended March 31	Budget 2014 (note 7)	Actual 2014	Actual 2013
Revenue			
Fees	\$ 5,809,014	\$ 5,944,780	\$ 5,769,189
Billing and collection charges	(925,421)	(957,166)	(928,569)
Allowance for bad debts incurred by carriers (note 4)	<u>(63,569)</u>	<u>(73,237)</u>	<u>(69,197)</u>
	4,820,024	4,914,377	4,771,423
Investment income	<u>28,858</u>	<u>43,462</u>	<u>33,388</u>
	4,848,882	4,957,839	4,804,811
Operating expenses			
911 management, administration and operations (page 10)	3,844,834	3,435,564	3,741,556
Service Nova Scotia and municipal relations digital mapping	354,000	354,000	389,000
Municipalities	317,000	316,887	316,887
Department of Transportation distance markers	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
	4,523,834	4,114,451	4,455,443
Annual operating surplus	\$ <u>325,048</u>	843,388	349,368
Accumulated surplus, beginning of year		<u>3,422,992</u>	<u>3,073,624</u>
Accumulated surplus, end of year		\$ <u>4,266,380</u>	\$ <u>3,422,992</u>

See accompanying notes and schedule to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Statement of financial position

March 31	2014	2013
Financial assets		
Cash and cash equivalents	\$ 4,767,242	\$ 3,925,427
Receivables (note 3)	1,002,798	1,069,786
Accrued interest receivable	671	443
	<u>5,770,711</u>	<u>4,995,656</u>
Liabilities		
Payables and accruals	188,258	19,500
Payable to the Province of Nova Scotia	1,359,549	1,553,164
	<u>1,547,807</u>	<u>1,572,664</u>
Net financial assets	<u>4,222,904</u>	<u>3,422,992</u>
Non-financial assets		
Prepays	<u>43,476</u>	-
Accumulated surplus	\$ <u>4,266,380</u>	\$ <u>3,422,992</u>

Commitment (note 6)

On behalf of the Board

_____ Director _____ Director

See accompanying notes and schedule to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Statement of cash flows

Year ended March 31	2014	2013
Increase (decrease) in cash and cash equivalents		
Operating		
Annual operating surplus	\$ 843,388	\$ 349,368
Change in non-cash operating working capital		
Receivables	66,988	(189,436)
Payable to Province of Nova Scotia	(193,615)	128,793
Payables and accruals	168,758	-
Prepays	(43,476)	-
Accrued interest receivable	(228)	266
Net increase in cash and cash equivalents	841,815	288,991
Cash and cash equivalents		
Beginning of year	3,925,427	3,636,436
End of year	\$ 4,767,242	\$ 3,925,427
Cash and cash equivalents is comprised of		
Cash	\$ 466,106	\$ 1,068,707
Short-term investments	4,301,136	2,856,720
	\$ 4,767,242	\$ 3,925,427

See accompanying notes and schedule to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Notes to the financial statements

March 31, 2014

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

Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards for provincial reporting entities established by the Canadian Public Sector Accounting Board.

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.

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.

Revenues

Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. All revenues are recorded on an accrual basis, based on when remittances from the telecommunication carriers are received or receivable and collection is likely.

Measurement uncertainty

The preparation of 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 the revenues and expenses during the period. Items requiring the use of significant estimates include the accrual for revenue receivable.

Estimates are based on 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. Actual results could differ from these estimates.

Nova Scotia E911 Cost Recovery Fund

Notes to the financial statements

March 31, 2014

2. Summary of significant accounting policies (continued)

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 and liabilities as follows:

<u>Financial asset/liability</u>	<u>Classification</u>	<u>Subsequent measurement</u>
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payables and accruals	Other financial liabilities	Amortized cost
Payable to the Province of NS	Other financial liabilities	Amortized cost

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.

3. Receivables

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

	<u>2014</u>	<u>2013</u>
Gross fees	\$ 1,215,160	\$ 1,295,440
Provision for bad debts	(16,621)	(17,035)
Collection charges	<u>(195,741)</u>	<u>(208,619)</u>
	<u>\$ 1,002,798</u>	<u>\$ 1,069,786</u>

4. Allowance for bad debts incurred by carriers

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.

Nova Scotia E911 Cost Recovery Fund

Notes to the financial statements

March 31, 2014

5. Equipment usage

New equipment which is purchased by the Province of Nova Scotia 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 2014, the charge was \$379,117 (2013 - \$601,643).

6. Commitment

The Fund cost shares rent expense with the Emergency Management Office. There is not a formal agreement in place for upcoming years and the rent varies from year to year. In the current year, the Fund's portion of rent expense was \$85,251 (2013 - \$84,871).

7. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the estimates approved by the E911 Cost Recovery Committee.

Nova Scotia E911 Cost Recovery Fund

Schedule of 911 management, administration and operations expenses

Year ended March 31	Budget 2014 (note 7)	Actual 2014	Actual 2013
911 call answer charges	\$ 1,680,817	\$ 1,289,159	\$ 1,537,455
911 call taker equipment purchase	300,000	358,548	103,402
Advertising and public information	50,000	-	4,936
Amortization (note 5)	379,117	379,117	601,643
Audit	25,000	21,835	18,750
Automobile operations	4,000	2,211	6,991
Call taker training	65,000	56,704	147,952
Consulting	10,000	-	-
Direct salaries and benefits	747,400	763,018	801,109
Insurance	4,500	9,000	-
Legal	12,500	12,500	12,500
Meeting expenses	5,000	3,015	2,380
Office and furniture equipment	2,000	387	1,760
Office space rental	95,000	85,251	84,871
Office supplies	10,500	18,944	10,174
Postage, courier and taxi expenses	1,000	1,897	377
Professional services	275,000	258,983	256,426
Rentals of faxes and photocopiers	3,000	2,684	5,809
Staff training	20,000	19,848	10,366
Telecommunications	135,000	143,426	118,759
Travel	20,000	9,037	15,896
	<u>\$ 3,844,834</u>	<u>\$ 3,435,564</u>	<u>\$ 3,741,556</u>