

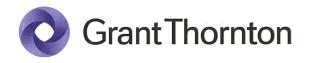
Financial Statements

Nova Scotia E911 Cost Recovery Fund

March 31, 2017

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# Management statement on financial reporting

Grant Thornton LLP Suite 1100, Cogswell Tower 2000 Barrington Street Halifax, NS B3J 3K1

T (902) 421-1734 F (902) 420-1068 www.GrantThornton.ca

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 28, 2017



### Independent auditor's report

Grant Thornton LLP Suite 1100, Cogswell Tower 2000 Barrington Street Halifax, NS B3J 3K1

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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 statement of financial position as at March 31, 2017, and the statements of operations and changes in accumulated surplus, 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

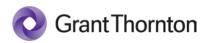
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material 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

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, 2017 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.

#### Other matter

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.

Halifax, Canada June 28, 2017 Chartered Professional Accountants Licensed Public Accountants

Grant Thornton LLP

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## **Nova Scotia E911 Cost Recovery Fund Statements of operations and changes**

in accumulated surplus Year ended March 31		Budget 2017		Actual 2017		Actual 2016
Revenue	\$	(note 7)	¢	E 070 400	ф	E 027 227
Fees Billing and collection charges Allowance for bad debts incurred by	Ф	6,124,913 (986,169)	\$	5,970,102 (890,697)	\$	5,937,337 (956,856)
carriers (note 4)	_	(75,456) 5,063,288	-	(156,585) 4,922,820	-	(72,460) 4,908,021
Investment income	<u>-</u>	46,122 5,109,410	-	51,281 4,974,101	-	42,061 4,950,082
Operating expenses 911 management, administration and						
operations (page 10) Service Nova Scotia and municipal		3,864,931		3,205,473		3,442,881
relations digital mapping		354,000		354,000		354,000
Municipalities  Department of Transportation		321,000		327,160		327,632
distance markers		8,000		8,000		8,000
	_	4,547,931	-	3,894,633	-	4,132,513
Annual operating surplus	\$_	561,479		1,079,468		817,569
Accumulated surplus, beginning of year			-	5,949,343	-	5,131,774
Accumulated surplus, end of year			\$_	7,028,811	\$.	5,949,343

## **Nova Scotia E911 Cost Recovery Fund Statement of financial position**

March 31	2017	2016
Financial assets Cash and cash equivalents Receivables (note 3) Accrued interest receivable	\$ 7,705,075 903,682 3,548 8,612,305	932,395 2,810
Liabilities Payable and accrual to the Province of Nova Scotia	1,639,960	1,768,990
Net financial assets	6,972,345	5,894,521
Non-financial assets Prepaids	56,466	54,822
Accumulated surplus	\$ 7,028,811	\$ 5,949,343

Commitments (note 6)

<b>Nova Scotia E911 Cost Recovery Fund</b>
Statement of cash flows

Year ended March 31		2017	2016
Increase (decrease) in cash and cash equivalents			
Operating Annual operating surplus	\$	1,079,468	\$ 817,569
Change in non-cash operating working capital Receivables Payable and accrual to the Province of Nova Scotia Prepaids Accrued interest receivable	_	28,713 (129,030) (1,644) (738)	54,419 17,889 (54,822) (756)
Net increase in cash and cash equivalents		976,769	834,299
Cash and cash equivalents Beginning of year End of year	- \$ _	6,728,306 7,705,075	\$ 5,894,007 6,728,306
Cash and cash equivalents is comprised of cash Short term investments	\$_	698,553 7,006,522	\$ 21,584 6,706,722
	\$_	7,705,075	\$ 6,728,306

## Nova Scotia E911 Cost Recovery Fund Notes to the financial statements

March 31, 2017

#### 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, and provision for bad debts.

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, 2017

#### 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 assets and liabilities as follows:

Financial asset/liability	<u>Classification</u>	Subsequent measurement
Cash and cash equivalents	Held for trading	Fair value
Receivables	Loans and receivables	Amortized cost
Payable and accrual to the		
Province of Nova Scotia	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

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

	<u>2017</u>	<u>2016</u>
Gross fees Provision for bad debts Collection charges	\$ 1,101,740 (55,016) (143,042)	\$ 1,129,515 (15,364) (181,756)
	\$ 903,682	\$ 932,395

#### 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.

#### 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 2017, the charge was \$80,054 (2016 - \$129,164).

### Nova Scotia E911 Cost Recovery Fund Notes to the financial statements

March 31, 2017

#### 6. Commitments

#### Rent

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 \$94,866 (2016 - \$94,662).

#### Maintenance

The Fund has a contract in place with Intrado Canada for maintenance on the 911 Call operating equipment expiring in 2017. Minimum future payment for 2017 is \$83,466.

On May 4<sup>th</sup>, 2017 The Fund signed a new contract in place with West Safety Services Canada Incorporated (parent company of Intrado Canada) for maintenance on the 911 Call operating equipment expiring in 2022. Minimum future payments are as follows:

2017	\$183,633
2018	\$244,844
2019	\$244,844
2020	\$244,844
2021	\$244,844

#### 7. Budgeted figures

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

### Nova Scotia E911 Cost Recovery Fund Schedule of 911 management, administration and

operations expenses Year ended March 31		Budget 2017		Actual 2017	Actual 2016
		(note 7)			
911 call answer charges 911 call taker equipment purchase Advertising and public information Amortization (note 5) Audit Automobile operations Call taker training Consulting Direct salaries and benefits Insurance Legal Meeting expenses Office and furniture equipment Office space rental Office supplies Postage, courier and taxi expenses Professional services Rentals of faxes and photocopiers Staff training	\$	(note 7)  1,529,148 600,000 50,000 80,055 30,000 4,000 65,000 50,000 821,128 9,225 12,500 5,000 2,000 97,375 10,500 1,000 275,000 3,000 25,000	\$	1,409,524 352,209 1,281 80,054 14,847 2,007 80,423 - 818,354 4,000 12,500 1,745 1,833 94,866 8,530 1,373 141,230 1,587 11,017	\$ 1,431,052 373,593 25,001 129,164 18,826 1,489 101,813 9,153 803,841 4,000 12,500 4,903 2,840 94,662 19,328 824 190,569 1,482 16,952
Telecommunications Travel	_	175,000 20,000	_	160,522 7,571	195,336 5,553
	\$_	3,864,931	\$	3,205,473	\$ 3,442,881