



Financial Statements

Nova Scotia E911 Cost Recovery Fund

March 31, 2019

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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:



Mr. David Wilson, ECNS Director, Provincial 911
Emergency Management Office Nova Scotia
June 25, 2019

Independent auditor's report

Grant Thornton LLP

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To the Members of the
Nova Scotia E911 Cost Recovery Fund

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Opinion

We have audited the financial statements of the Nova Scotia E911 Cost Recovery Fund (the "Fund"), which comprise the statement of financial position as at March 31, 2019, and the statements of operations, changes in accumulated surplus and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion, the accompanying financial statements present fairly in all material respects, the financial position of the Nova Scotia E911 Cost Recovery Fund as at March 31, 2019, and its results of operations, its changes in its accumulated surplus, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Qualified 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 Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

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.

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 the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund'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.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 auditor's report. However, future events or conditions may cause the Fund 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, Canada
June 25, 2019



Chartered Professional Accountants
Licensed Public Accountants

Nova Scotia E911 Cost Recovery Fund
Statements of operations and changes
in accumulated surplus

Year ended March 31	Budget 2019 (note 7)	Actual 2019	Actual 2018
Revenue			
Fees	\$ 5,996,710	\$ 5,739,818	\$ 6,083,995
Billing and collection charges	(966,425)	(695,464)	(745,883)
Allowance for bad debts incurred by carriers (note 4)	<u>(73,185)</u>	<u>(305,665)</u>	<u>(319,112)</u>
	4,957,100	4,738,689	5,019,000
Investment income	<u>44,164</u>	<u>150,075</u>	<u>81,310</u>
	5,001,264	4,888,764	5,100,310
Operating expenses			
911 management, administration and operations (page 10)	4,442,300	4,089,197	3,779,553
Service Nova Scotia and municipal relations digital mapping	354,000	354,000	354,000
Municipalities	321,000	327,721	327,160
Department of Transportation distance markers	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>
	5,125,300	4,778,918	4,468,713
Annual operating (deficit) surplus	\$ <u>(124,036)</u>	109,846	631,597
Accumulated surplus, beginning of year		<u>7,660,408</u>	<u>7,028,811</u>
Accumulated surplus, end of year		\$ <u>7,770,254</u>	\$ <u>7,660,408</u>

See accompanying notes and schedule to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Statement of financial position

March 31	2019	2018
Financial assets		
Cash and cash equivalents	\$ 8,745,918	\$ 8,125,187
Receivables (note 3)	700,942	1,088,659
Accrued interest receivable	<u>5,096</u>	<u>4,347</u>
	<u>9,451,956</u>	<u>9,218,193</u>
Liabilities		
Payable and accrual to the Province of Nova Scotia	<u>1,681,702</u>	<u>1,557,785</u>
Net financial assets	<u>7,770,254</u>	<u>7,660,408</u>
Accumulated surplus	\$ <u>7,770,254</u>	\$ <u>7,660,408</u>

Commitments (note 6)

On behalf of the Board



Director

See accompanying notes and schedule to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Statement of cash flows

Year ended March 31	2019	2018
Increase (decrease) in cash and cash equivalents		
Operating		
Annual operating surplus	\$ 109,846	\$ 631,597
Change in non-cash operating working capital		
Receivables	387,718	(184,977)
Payable and accrual to the Province of Nova Scotia	123,916	(82,175)
Prepays	-	56,466
Accrued interest receivable	<u>(749)</u>	<u>(799)</u>
Net increase in cash and cash equivalents	620,731	420,112
Cash and cash equivalents		
Beginning of year	<u>8,125,187</u>	<u>7,705,075</u>
End of year	<u>\$ 8,745,918</u>	<u>\$ 8,125,187</u>
Cash and cash equivalents is comprised of:		
Cash	\$ 1,288,546	\$ 1,391,060
Short term investments	<u>7,457,372</u>	<u>6,734,127</u>
	<u>\$ 8,745,918</u>	<u>\$ 8,125,187</u>

See accompanying notes and schedule to the financial statements.

Nova Scotia E911 Cost Recovery Fund

Notes to the financial statements

March 31, 2019

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.

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, 2019

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:

<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
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>2019</u>	<u>2018</u>
Gross fees	\$ 850,312	\$ 1,321,293
Provision for bad debts	(50,844)	(58,154)
Collection charges	<u>(98,526)</u>	<u>(174,480)</u>
	<u>\$ 700,942</u>	<u>\$ 1,088,659</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.

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 2019, the charge was \$384,702 (2018 - \$65,549).

Nova Scotia E911 Cost Recovery Fund

Notes to the financial statements

March 31, 2019

6. Commitments

Rent

The Fund cost shares rent expense with the Nova Scotia 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 \$95,033 (2018 - \$98,461).

Maintenance

On May 4, 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:

2019	\$	244,844
2020	\$	244,844
2021	\$	244,844
2022	\$	61,211

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 2019 (note 7)	Actual 2019	Actual 2018
911 call answer charges	\$ 2,073,000	\$ 1,772,050	\$ 1,698,929
911 call taker equipment purchase	355,000	462,664	397,303
Advertising and public information	50,000	2,811	292
Amortization (note 5)	420,000	384,702	65,549
Audit	25,000	15,500	15,500
Automobile operations	4,000	3,730	2,480
Call taker training	120,000	71,642	91,066
Consulting	100,000	-	-
Direct salaries and benefits	835,000	676,508	819,985
Insurance	4,000	4,000	4,000
Legal	12,500	12,500	12,500
Meeting expenses	4,800	1,843	852
Office and furniture equipment	4,000	-	1,412
Office space rental	110,000	95,033	98,461
Office supplies	15,000	22,587	14,709
Postage, courier and taxi expenses	2,000	408	2,351
Professional services	-	262,519	271,544
Rentals of faxes and photocopiers	3,000	-	-
Staff training	25,000	12,834	8,973
Telecommunications	260,000	275,778	251,829
Travel	20,000	12,088	21,818
	<u>\$ 4,442,300</u>	<u>\$ 4,089,197</u>	<u>\$ 3,779,553</u>