

Financial Statements of

**PRIMECORP - POLICE RECORDS INFORMATION
MANAGEMENT ENVIRONMENT INCORPORATED**

Year ended March 31, 2014



KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Directors of PRIMECORP - Police Records Information Management
Environment Incorporated

We have audited the accompanying financial statements of PRIMECorp - Police Records Information Management Environment Incorporated, which comprise the statement of financial position as at March 31, 2014, the statements of operations, changes in net financial assets and cash flows for the year then ended, and notes comprising 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.

Auditors' 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 an 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 our 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, we consider 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of PRIMECorp - Police Records Information Management Environment Incorporated as at March 31, 2014 and its results of operations, its changes in net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a single, long, horizontal, slightly curved line that serves as a flourish or underline.

Chartered Accountants

July 30, 2014

Burnaby, Canada

**PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT
ENVIRONMENT INCORPORATED**

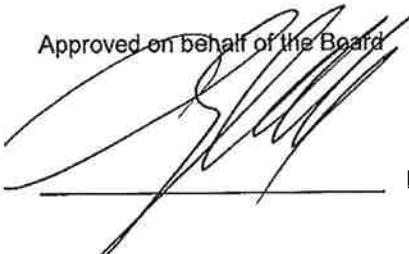
Statement of Financial Position

March 31, 2014, with comparative information for 2013

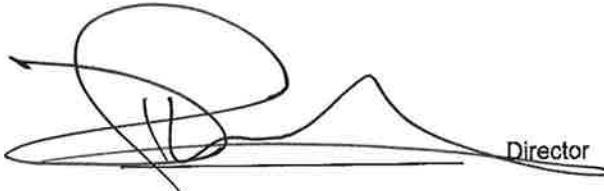
	2014	2013
Financial assets:		
Cash	\$ 1,906,768	\$ 2,143,473
Accounts receivable (note 3)	1,240,538	824,744
User license inventory	691,100	700,970
	<u>3,838,406</u>	<u>3,669,187</u>
Liabilities:		
Accounts payable and accrued liabilities	739,141	724,682
Deferred revenue (note 4)	82,324	212,838
Deferred contributions for tangible capital assets (note 5)	-	42,299
Obligation on leased tangible capital assets (note 6)	1,053,620	1,315,545
	<u>1,875,085</u>	<u>2,295,364</u>
Net financial assets	1,963,321	1,373,823
Non-financial assets:		
Tangible capital assets (note 7)	2,165,380	2,429,254
Prepaid expenses	152,028	601,888
	<u>2,317,408</u>	<u>3,031,142</u>
Commitments (note 9)		
Accumulated surplus	<u>\$ 4,280,729</u>	<u>\$ 4,404,965</u>

See accompanying notes to financial statements.

Approved on behalf of the Board



Director



Director

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Operations

Year ended March 31, 2014, with comparative information for 2013

	Budget (note 11)	2014	2013
Revenue:			
User service fees	\$ 9,748,960	\$ 9,441,500	\$ 9,396,500
Deferred contributions recognized (note 5)	42,299	42,299	216,801
Sales of computer hardware and software licenses	650,000	348,524	994,591
RTID maintenance	111,550	244,662	198,238
Sales of RTID user licenses	140,000	9,870	22,600
RSS project	-	15,593	43,435
Interest	22,800	40,697	25,850
	<u>10,715,609</u>	<u>10,143,145</u>	<u>10,898,015</u>
Expenses:			
Maintenance and technology	4,407,592	4,049,383	4,473,884
Amortization of tangible capital assets	699,900	808,223	1,175,938
Computer hardware and software licenses, cost of sales	650,000	348,524	994,591
Salaries and benefits	3,285,526	3,501,429	3,133,070
RTID user licenses, cost of sales	140,000	9,870	22,600
Premises	442,223	230,129	187,865
Professional fees	208,091	378,352	503,277
Office supplies and communication	107,372	262,609	43,670
Employee related	71,990	91,474	73,800
Interest on leased tangible capital assets	-	75,413	19,685
Other	949,076	511,975	735,373
	<u>10,961,770</u>	<u>10,267,381</u>	<u>11,363,753</u>
Annual deficit	(246,161)	(124,236)	(465,738)
Accumulated surplus, beginning of year	4,404,965	4,404,965	4,870,703
Accumulated surplus, end of year	<u>\$ 4,158,804</u>	<u>\$ 4,280,729</u>	<u>\$ 4,404,965</u>

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Changes in Net Financial Assets

Year ended March 31, 2014, with comparative information for 2013

	Budget (note 11)	2014	2013
Annual deficit	\$ (246,161)	\$ (124,236)	\$ (465,738)
Acquisition of tangible capital assets	(42,299)	(544,349)	(1,594,120)
Amortization of tangible capital assets	699,900	808,223	1,175,938
Acquisition of prepaids	-	(2,521,261)	(819,681)
Use of prepaids	-	2,971,121	827,788
Change in net financial assets	411,440	589,498	(875,813)
Net financial assets, beginning of year	1,373,823	1,373,823	2,249,636
Net financial assets, end of year	\$ 1,785,263	\$ 1,963,321	\$ 1,373,823

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Cash Flows

Year ended March 31, 2014, with comparative information for 2013

	2014	2013
Cash provided by (used in):		
Operations:		
Annual deficit	\$ (124,236)	\$ (465,738)
Amortization of tangible capital assets, an item not involving cash	808,223	1,175,938
Changes in non-cash items:		
Accounts receivable	(415,794)	(340,783)
Prepaid expenses	449,860	8,107
User license inventory	9,870	22,600
Accounts payable and accrued liabilities	14,459	467,196
Deferred revenue	(130,514)	(8,916)
	611,868	858,404
Capital:		
Acquisition of tangible capital assets	(523,546)	(216,801)
Financing:		
Use of deferred contributions for tangible capital assets	(42,299)	(216,801)
Repayment of obligation on leased tangible capital assets	(282,728)	(61,774)
	(325,027)	(278,575)
Increase (decrease) in cash	(236,705)	363,028
Cash, beginning of year	2,143,473	1,780,445
Cash, end of year	\$ 1,906,768	\$ 2,143,473
Non-cash transactions:		
Acquisition of leased tangible capital assets	\$ 20,803	\$ 1,377,319

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements

Year ended March 31, 2014

1. Operations:

PRIMECorp - Police Records Information Management Environment Incorporated (the "Company" or "PRIMECorp") is incorporated under the Business Corporations Act (British Columbia). E-Comm Emergency Communications for Southwest British Columbia Incorporated ("E-Comm") owns the sole issued and outstanding share of the Company. E-Comm has transferred its voting rights as the sole shareholder to the Province of British Columbia, Ministry of Public Safety and Solicitor General. The board of directors is comprised of various members of police agencies, municipal representatives, an appointee of the Government of the Province of British Columbia, and an appointee from E-Comm.

The mandate of the Company is to ensure that the Records Management System and Computer Aided Dispatch system is delivered and consistent in all police agencies in British Columbia. The operational requirements are funded by a user fee system assessed on all police agencies in British Columbia which is collected and remitted to PRIMECorp. The Company recovers its expenses from the user fees based on the annual budget. The capital requirements are funded by this same user fee as well as grants previously received from the Province of British Columbia, Ministry of Public Safety and Solicitor General (the "Province").

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian public sector accounting standards as prescribed by the Canadian Public Sector Accounting Board ("PSAB"), incorporating the following significant accounting policies:

(a) Revenue recognition:

Contributions restricted for specific types of operations or specific periods are deferred and recognized when the restrictions have been met. Government transfers received for the acquisition of capital assets are initially deferred and recorded as revenue when the stipulations associated with the contributions have been met, provided no liability exists.

User service fees, interest and other revenue is recognized when earned or over the service period.

Other revenue consists of various computer hardware and software licenses and maintenance which are purchased and resold to participating agencies at cost.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(b) User license inventory:

The user license inventory consists of software user licenses to be sold to participating agencies at cost. Cost is measured on a weighted average basis of items in inventory at the time of sale and includes all the costs of purchase. During the year, \$9,870 (2013 - \$22,600) was recognized as an expense.

(c) Deferred revenue:

Deferred revenue is comprised of contributions restricted for RTID maintenance and road safety systems. When qualifying expenditures are incurred, the deferred amounts are recognized as revenue at amounts equal to the qualifying expenses.

(d) Tangible capital assets:

Tangible capital assets are recorded at cost less accumulated amortization. Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Period
Furniture and fixtures	10 years
Computer hardware and system software	3 - 5 years
Computer Aided Dispatch ("CAD")	5 years
Records Management System ("RMS")	5 years
Real Time Identification System ("RTID")	5 years
Software licenses	5 years

(e) Use of estimates:

In preparing the financial statements, management makes 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 the reported amounts of revenue and expenses during the year. A significant area of estimate relates to the useful lives for amortization of tangible capital assets. Actual results could differ from those estimates.

(f) Segment disclosure and functional presentation of expenses:

A segment is defined as a distinguishable activity or group of activities of a government for which it is appropriate to separately report financial information to achieve the objectives of the standard. Management believes that the Company's activities comprise only one segment and hence no additional disclosure is required. Furthermore, as the operations of the Company are comprised of a single function, delivery of a police records management system, the statement of operations presents expenses by object.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Derivative instruments and equity instruments that are quoted in an active market are reported at fair value. All other financial instruments are subsequently recorded at cost or amortized cost unless management has elected to carry the Instruments at fair value.

Unrealized changes in fair value are recognized in the statement of remeasurement gains and losses until they are realized, when they are transferred to the statement of operations.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair values are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

All financial assets are assessed for impairment on an annual basis. When a decline is determined to be other than temporary, the amount of the loss is reported in the statement of operations and any unrealized gain is adjusted through the statement of remeasurement gains and losses.

When the asset is sold, the unrealized gains and losses previously recognized in the statement of remeasurement gains and losses are reversed and recognized in the statement of operations.

The Standards require an organization to classify fair value measurements using a fair value hierarchy, which includes three levels of information that may be used to measure fair value:

- Level 1 - Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 - Observable or corroborated inputs, other than level 1, such as quoted prices for similar assets or liabilities in inactive markets or market data for substantially the full term of the assets or liabilities; and
- Level 3 - Unobservable Inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities

There are no financial instruments carried at fair value as at year end and as a result, the statement of remeasurement gains and losses has not been prepared.

3. Accounts receivable:

Accounts receivable includes \$603,679 (2013 - \$229,030) receivable from the RCMP.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

4. Deferred revenue:

	2014	2013
Balance, beginning of year	\$ 212,838	\$ 221,754
Contributions received during the year	129,741	232,758
Amounts recognized as revenue in the year	(260,255)	(241,674)
Balance, end of year	\$ 82,324	\$ 212,838

During the year, the Company received contributions of \$129,741 (2013 - \$232,758) of which \$112,962 (2013 - \$112,758) was received from the RCMP and police agencies in British Columbia restricted for RTID maintenance expenditures to be incurred when the related agencies commence using the system.

5. Deferred contributions for tangible capital assets:

Deferred contributions for tangible capital assets represent unspent grants restricted for specific purchases.

	2014	2013
Balance, beginning of year	\$ 42,299	\$ 259,100
Amounts recognized as revenue	(42,299)	(216,801)
Balance, end of year	\$ -	\$ 42,299

6. Obligation on leased tangible capital assets:

The Company has entered into two leases for information technology infrastructure with interest rates ranging from 2.63% to 7.4%. These leases expire on December 31, 2017. Future minimum lease payments on the tangible capital lease obligations are as follows:

	2014	2013
Future minimum lease payments	\$ 1,114,502	\$ 1,411,702
Less imputed interest ranging from 2.63% to 7.4%	(60,882)	(96,157)
	\$ 1,053,620	\$ 1,315,545

Future minimum lease payments under these leases are as follows:

2015	\$ 297,201
2016	297,201
2017	297,201
2018	222,899
	\$ 1,114,502

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

7. Tangible capital assets:

Year ended March 31, 2014	Opening balance	Additions	Disposals	Closing balance
Cost				
Furniture and fixtures	\$ 129,919	\$ -	\$ 57,847	\$ 72,072
Computer hardware and system software	8,895,451	358,712	5,978,078	3,276,085
CAD	3,326,230	-	4,689	3,321,541
RMS	7,409,512	164,834	42,094	7,532,252
RTID	639,679	-	-	639,679
Software licenses	2,978,268	-	96,304	2,881,964
Leased equipment	1,377,319	20,803	-	1,398,122
Total cost	24,756,378	544,349	6,179,012	19,121,715
Accumulated amortization				
Furniture and fixtures	97,892	10,757	57,847	50,802
Computer hardware and system software	8,645,307	252,129	5,978,078	2,919,358
CAD	3,227,473	5,483	4,689	3,228,267
RMS	7,270,959	120,640	42,094	7,349,505
RTID	115,356	99,364	-	214,720
Software licenses	2,904,171	22,973	96,304	2,830,840
Leased equipment	65,966	296,877	-	362,843
Accumulated amortization	22,327,124	808,223	6,179,012	16,956,335
Net book value				
Furniture and fixtures	32,027			21,270
Computer hardware and system software	250,144			356,727
CAD	98,757			93,274
RMS	138,553			182,747
RTID	524,323			424,959
Software licenses	74,097			51,124
Leased equipment	1,311,353			1,035,279
Net book value	\$ 2,429,254			\$ 2,165,380

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

7. Tangible capital assets (continued):

Year ended March 31, 2013	Opening balance	Additions	Disposals	Closing balance
Cost				
Furniture and fixtures	\$ 114,419	\$ 15,500	\$ -	\$ 129,919
Computer hardware and system software	8,720,599	174,852	-	8,895,451
CAD	3,326,230	-	-	3,326,230
RMS	7,409,512	-	-	7,409,512
RTID	639,679	-	-	639,679
Software licenses	2,951,819	26,449	-	2,978,268
Leased equipment	-	1,377,319	-	1,377,319
Total cost	23,162,258	1,594,120	-	24,756,378
Accumulated amortization				
Furniture and fixtures	86,259	11,633	-	97,892
Computer hardware and system software	8,083,998	561,309	-	8,645,307
CAD	3,198,830	28,643	-	3,227,473
RMS	6,960,368	310,591	-	7,270,959
RTID	15,992	99,364	-	115,356
Software licenses	2,805,739	98,432	-	2,904,171
Leased equipment	-	65,966	-	65,966
Accumulated amortization	21,151,186	1,175,938	-	22,327,124
Net book value				
Furniture and fixtures	28,160			32,027
Computer hardware and system software	636,601			250,144
CAD	127,400			98,757
RMS	449,144			138,553
RTID	623,687			524,323
Software licenses	146,080			74,097
Leased equipment	-			1,311,353
Net book value	\$ 2,011,072			\$ 2,429,254

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

8. Related party transactions:

During the year ended March 31, 2014, E-Comm provided the Company with GIS Services in the amount of \$297,605 (2013 - \$295,608), IT Support Services of \$127,964 (2013 - \$126,381), Executive Services for \$331,325 (2013 - \$19,150), Technical Services for \$186,104 and employee secondments for \$215,675 (2013 - \$242,510). Included in accounts payable as at March 31, 2014 is an amount payable of \$62,585 (2013 - \$182,255) to E-Comm for these services.

During the year ended March 31, 2014, the RCMP provided technical implementation, network, infrastructure and application and mapping data and license services support and maintenance of \$2,445,458 (2013 - \$3,650,842) charged on a cost recovery basis for staff costs, including benefits, and other out-of-pocket expenses.

The above balances and transactions are in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

9. Commitments:

E-Comm agreements:

The Company has a Technical Services agreement with E-Comm for five years, expiring December 31, 2018. The value of the contract is approximately \$2,153,000 per annum. The Company has a GIS contract and an Information Technology Services contract with E-Comm that were amended and renewed, expiring December 31, 2015. The value of the contracts is approximately \$427,000 per annum. The Company entered into an Executive Services Agreement with E-Comm on March 1, 2013 for three years, expiring February 29, 2016 with a contract value of approximately \$338,000 per annum.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

10. Financial risks and concentration of credit risk:

(a) Credit risk:

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. The Company is exposed to credit risk with respect to accounts receivable and cash.

The Company assesses, on a continuous basis, accounts receivable and provides for any amounts that are not collectible in the allowance for doubtful accounts. The maximum exposure to credit risk of the Company at March 31, 2014 is the carrying value of these assets.

The carrying amount of accounts receivable is valued with consideration for an allowance for doubtful accounts. The amount of any related impairment loss is recognized in the statement of operations. Subsequent recoveries of impairment losses related to accounts receivable are credited to the statement of operations. The balance of provision for doubtful accounts at March 31, 2014 is nil.

There have been no significant changes to the credit risk exposure from 2013.

(b) Liquidity risk:

Liquidity risk is the risk that the Company will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Company manages its liquidity risk by monitoring its operating requirements.

Accounts payable and accrued liabilities are generally due within 45 days of receipt of an invoice.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

11. Budget data:

The budget data presented in these financial statements is based upon the 2014 budget approved by the Board on April 19, 2012. The figures have been classified to conform with the presentation in the statement of operations. The table below reconciles the approved cash-based budget to the budget figures reported in accordance with PSAB in these financial statements.

	Budget as approved	Adjustments		Budget as presented
Revenue:				
User service fees	\$ 9,748,960	\$ -		\$ 9,748,960
Deferred contributions recognized	660,688	(618,389)	(a)	42,299
Sales of computer hardware and software licenses	650,000	-		650,000
RTID maintenance	111,550	-		111,550
Sales of RTID user licenses	140,000	-		140,000
Interest	22,800	-		22,800
RSS Project	-	-		-
Other	84,800	(84,800)	(b)	-
	11,418,798	(703,189)		10,715,609
Expenses:				
Contract service fees	5,344,720	(5,344,720)	(d)	-
Maintenance and technology	3,357,381	1,050,211	(d)	4,407,592
Amortization of tangible capital assets	699,900	-		699,900
Computer hardware and software licenses, cost of sales	650,000	-		650,000
Salaries and benefits	296,691	2,988,835	(d)	3,285,526
RTID user licenses, cost of sales	140,000	-		140,000
Other	557,880	1,220,872	(c, d)	1,778,752
	11,046,572	(84,802)		10,961,770
Annual surplus (deficit) per statement of operations	\$ 372,226	\$ (618,387)		\$ (246,161)

(a) Amortization of deferred capital contributions not recognized under PSAB	\$ 660,688
Acquisition of tangible capital assets	(42,299)
	\$ 618,389

(b) RTID project funding revenue	\$ 84,800
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(c) RTID project funding expense	\$ 84,800
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(d) Contract service fees were reclassified to other expense categories to conform with the presentation on the statement of operations.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2014

12. Comparative information:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.