

Financial Statements of

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

Year ended March 31, 2017



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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, 2017, 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, 2017 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

Chartered Professional Accountants

June 28, 2017
Burnaby, Canada

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

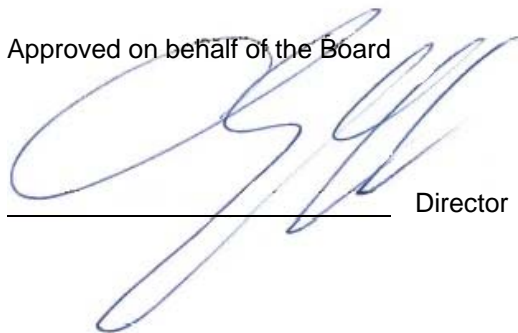
Statement of Financial Position

March 31, 2017, with comparative information for 2016

	2017	2016
Financial assets:		
Cash	\$ 6,032,028	\$ 4,910,300
Accounts receivable	926,313	183,156
User license inventory	-	517,770
	<u>6,958,341</u>	<u>5,611,226</u>
Liabilities:		
Accounts payable and accrued liabilities	2,348,143	1,243,610
Deferred revenue (note 3)	909,305	56,305
Deferred lease inducement (note 4)	119,790	151,734
Obligation on leased tangible capital assets (note 5)	220,163	506,203
	<u>3,597,401</u>	<u>1,957,852</u>
Net financial assets	3,360,940	3,653,374
Non-financial assets:		
Tangible capital assets (note 7)	1,716,257	1,600,759
Prepaid expenses	731,231	306,522
	<u>2,447,488</u>	<u>1,907,281</u>
Commitments (note 9)		
Accumulated surplus	<u>\$ 5,808,428</u>	<u>\$ 5,560,655</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, 2017, with comparative information for 2016

	Budget	2017	2016
	(Note 11)		
Revenue:			
User service fees	\$ 10,603,100	\$ 10,603,104	\$ 10,196,485
Sales of computer hardware and software licenses	-	686,253	186,079
RTID maintenance	119,920	119,586	134,969
Sales of RTID user licenses	-	342,770	108,430
Interest	44,370	54,000	47,151
	<u>10,767,390</u>	<u>11,805,713</u>	<u>10,673,114</u>
Expenses:			
Maintenance and technology	4,257,660	4,124,535	3,803,355
Amortization of tangible capital assets	739,150	999,638	711,138
Computer hardware and software licenses, cost of sales	-	686,253	186,079
Salaries and benefits	4,372,650	4,354,490	4,256,575
RTID user licenses, cost of sales	-	330,520	108,430
Premises	317,110	291,562	277,912
Professional fees	356,720	412,768	325,531
Office supplies and communication	269,430	260,887	255,868
Employee related	128,330	67,341	85,841
Interest on leased tangible capital assets	24,000	23,781	41,543
Other	31,470	6,165	15,322
	<u>10,496,520</u>	<u>11,557,940</u>	<u>10,067,594</u>
Annual surplus	270,870	247,773	605,520
Accumulated surplus, beginning of year	5,560,655	5,560,655	4,955,135
Accumulated surplus, end of year	<u>\$ 5,831,525</u>	<u>\$ 5,808,428</u>	<u>\$ 5,560,655</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, 2017, with comparative information for 2016

	Budget (Note 11)	2017	2016
Annual surplus	\$ 270,870	\$ 247,773	\$ 605,520
Acquisition of tangible capital assets	(1,128,850)	(1,115,136)	(316,938)
Amortization of tangible capital assets	739,150	999,638	711,138
Acquisition of prepaid expenses	-	(3,876,966)	(4,044,614)
Use of prepaid expenses	-	3,452,257	3,939,479
Change in net financial assets	(118,830)	(292,434)	894,585
Net financial assets, beginning of year	3,653,374	3,653,374	2,758,789
Net financial assets, end of year	\$ 3,534,544	\$ 3,360,940	\$ 3,653,374

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Cash Flows

Year ended March 31, 2017, with comparative information for 2016

	2017	2016
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 247,773	\$ 605,520
Items not involving cash:		
Amortization of tangible capital assets	999,638	711,138
Amortization of deferred lease inducement	(31,944)	(31,943)
Changes in non-cash operating working items:		
Accounts receivable	(743,157)	584,967
Prepaid expenses	(424,709)	(105,135)
User license inventory	517,770	108,430
Accounts payable and accrued liabilities	1,104,533	(5,342)
Deferred revenue	853,000	(16,511)
	2,522,904	1,851,124
Capital:		
Acquisition of tangible capital assets	(1,115,136)	(316,938)
Financing:		
Repayment of obligation on leased tangible capital assets	(286,040)	(277,726)
Increase in cash	1,121,728	1,256,460
Cash, beginning of year	4,910,300	3,653,840
Cash, end of year	\$ 6,032,028	\$ 4,910,300

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements

Year ended March 31, 2017

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 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:

The Company's significant accounting policies are as follows:

(a) Basis of accounting:

These financial statements have been prepared by management in accordance with Canadian Public Sector Accounting Standards established by the Canadian Public Sector Accounting Board ("PSAB") of the Chartered Professional Accountants, Canada.

(b) 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.

(c) 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, \$517,770 (2016 - \$108,430) was recognized as an expense.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2017

2. Significant accounting policies (continued):

(d) 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.

(e) Deferred lease inducements:

Lease inducements, relating to the leasing of office premise, received on lease inception are deferred and amortized on a straight-line basis over the lease term.

(f) 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
Leasehold improvements	Over the term of the lease

(g) 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.

(h) 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, 2017

2. Significant accounting policies (continued):

(i) 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 subsequently 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.

The Company does not have any financial instruments that are required or elected to be subsequently recorded at fair value; therefore, all instruments are recorded at amortized cost.

3. Deferred revenue:

	2017	2016
Balance, beginning of year	\$ 56,305	\$ 72,816
Add: Payments received during the year	974,502	158,263
Less: Reduction in deferred revenue in the year	(121,502)	(174,774)
Balance, end of year	\$ 909,305	\$ 56,305

During the year, the Company received payments of \$974,502 (2016 - \$158,263) of which \$119,586 (2016 - \$118,458) was received from the RCMP and police agencies in British Columbia restricted for RTID maintenance expenditures. The Company also received a payment of \$853,000 from the Provincial Government of British Columbia, for a Road Safety Initiative project.

The Company incurred \$121,502 (2016 - \$174,774) in qualifying expenditures and recognized this amount as revenue during the year.

4. Deferred lease inducement:

In 2014, the Company had received \$207,639 in tenant inducements, of which \$31,944 (2016 - \$31,944) is recorded as a reduction to premises expense during the year. The balance of \$119,790 (2016 - \$151,734) is included in deferred lease inducement.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2017

5. 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 leased tangible capital asset obligations are as follows:

	2017	2016
Future minimum lease payments	\$ 222,900	\$ 520,102
Less: Imputed interest ranging from 2.63% to 7.4%	(2,737)	(13,899)
	\$ 220,163	\$ 506,203

6. Loan facility:

The Company has a demand revolving loan facility of \$500,000 which was not drawn upon at March 31, 2017 (2016 - \$500,000).

7. Tangible capital assets:

2017	Opening balance	Additions	Disposals	Closing balance
Cost				
Furniture and fixtures	\$ 201,859	\$ 12,736	-	\$ 214,595
Computer hardware and system software	3,518,793	894,347	-	4,413,140
CAD	3,340,266	-	-	3,340,266
RMS	7,599,127	-	-	7,599,127
RTID	639,679	187,250	-	826,929
Software licenses	2,881,964	-	-	2,881,964
Leased equipment	1,439,729	20,803	-	1,460,532
Leasehold Improvements	402,334	-	-	402,334
Total cost	20,023,751	1,115,136	-	21,138,887
Accumulated amortization				
Furniture and fixtures	81,568	15,891	-	97,459
Computer hardware and system software	3,248,528	259,532	-	3,508,060
CAD	3,228,919	3,744	-	3,232,663
RMS	7,520,851	74,916	-	7,595,767
RTID	413,448	274,196	-	687,644
Software licenses	2,864,752	12,585	-	2,877,337
Leased equipment	956,598	296,878	-	1,253,476
Leasehold Improvements	108,328	61,896	-	170,224
Accumulated amortization	18,422,992	999,638	-	19,422,630

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2017

7. Tangible capital assets (continued):

2017	Opening balance	Additions	Disposals	Closing balance
Net book value				
Furniture and fixtures	120,291			117,136
Computer hardware and system software	270,265			905,090
CAD	111,347			107,603
RMS	78,276			3,360
RTID	226,231			139,285
Software licenses	17,212			4,627
Leased equipment	483,131			207,056
Leasehold Improvements	294,006			232,110
Net book value	\$ 1,600,759			\$ 1,716,257

2016	Opening balance	Additions	Disposals	Closing balance
Cost				
Furniture and fixtures	\$ 201,859	\$ -	\$ -	\$ 201,859
Computer hardware and system software	3,308,259	210,534	-	3,518,793
CAD	3,321,541	18,725	-	3,340,266
RMS	7,532,252	66,875	-	7,599,127
RTID	639,679	-	-	639,679
Software licenses	2,881,964	-	-	2,881,964
Leased equipment	1,418,925	20,804	-	1,439,729
Leasehold Improvements	402,334	-	-	402,334
Total cost	19,706,813	316,938	-	20,023,751

Accumulated amortization				
Furniture and fixtures	64,088	17,480	-	81,568
Computer hardware and system software	3,106,648	141,880	-	3,248,528
CAD	3,228,451	468	-	3,228,919
RMS	7,444,634	76,217	-	7,520,851
RTID	314,084	99,364	-	413,448
Software licenses	2,847,796	16,956	-	2,864,752
Leased equipment	659,721	296,877	-	956,598
Leasehold Improvements	46,432	61,896	-	108,328
Accumulated amortization	17,711,854	711,138	-	18,422,992

Net book value				
Furniture and fixtures	137,771			120,291
Computer hardware and system software	201,611			270,265
CAD	93,090			111,347
RMS	87,618			78,276
RTID	325,595			226,231
Software licenses	34,168			17,212
Leased equipment	759,204			483,131
Leasehold Improvements	355,902			294,006
Net book value	\$ 1,994,959			\$ 1,600,759

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2017

8. Related party transactions:

During the year ended March 31, 2017, E-Comm provided the Company with Geographic Information Systems ("GIS") Services in the amount of \$312,243 (2016 - \$308,335), IT Support Services of \$134,135 (2016 - \$132,478), Executive Services for \$371,375 (2016 - \$365,500), Technical Services for \$2,282,850 (2016 - \$2,209,475) and employee secondments for \$1,360,340 (2016 - \$1,225,616). Included in accounts payable and accrued liabilities as at March 31, 2017 is an amount payable of \$1,017,952 (2016 - \$131,106) to E-Comm for these services.

During the year ended March 31, 2017, the Company made annual rental payments of \$257,220 (2016 - \$254,546) to E-Comm.

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 amount of the payment under the terms of the contract is approximately \$2,520,000 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, 2018. The amount of the payments under the terms of the contracts is approximately \$452,000 per annum. The Company has an Executive Services Agreement with E-Comm that was amended and renewed, expiring December 31, 2018. The amount of the payment under the terms of the contract is approximately \$376,000 per annum.

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, 2016 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, 2017 is nil (2016 - nil).

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2017

10. Financial risks and concentration of credit risk (continued):

(a) Credit risk (continued):

There have been no significant changes to the credit risk exposure from 2016.

(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 30 days of receipt of an invoice.

11. Budget data:

The budget information presented in these financial statements was approved by the Board of Directors on March 2, 2016.