

Financial Statements of

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

Year ended March 31, 2018



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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, 2018, 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, 2018 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

Burnaby, Canada
June 27, 2018

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Financial Position

March 31, 2018, with comparative information for 2017

	2018	2017
Financial assets:		
Cash	\$ 5,517,224	\$ 6,032,028
Accounts receivable	593,972	926,313
	<u>6,111,196</u>	<u>6,958,341</u>
Liabilities:		
Accounts payable and accrued liabilities	1,615,667	2,348,143
Deferred revenue (note 3)	1,052,400	909,305
Deferred lease inducement (note 4)	87,846	119,790
Obligation on leased tangible capital assets (note 5)	-	220,163
	<u>2,755,913</u>	<u>3,597,401</u>
Net financial assets	3,355,283	3,360,940
Non-financial assets:		
Tangible capital assets (note 7)	2,164,758	1,716,257
Prepaid expenses	1,088,311	731,231
	<u>3,253,069</u>	<u>2,447,488</u>
Commitments (note 9)		
Accumulated surplus	<u>\$ 6,608,352</u>	<u>\$ 5,808,428</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, 2018, with comparative information for 2017

	Budget (note 11)	2018	2017
Revenue:			
User service fees	\$ 11,060,610	\$ 11,057,335	\$ 10,603,104
Sales of computer hardware and software licenses	-	779,426	686,253
RTID maintenance	121,430	121,098	119,586
RSI project	734,800	365,535	-
Sales of RTID user licenses	-	-	342,770
Interest	50,000	92,072	54,000
	11,966,840	12,415,466	11,805,713
Expenses:			
Maintenance and technology	4,670,140	4,106,381	4,124,535
Amortization of tangible capital assets	1,016,650	752,633	999,638
Computer hardware and software licenses, cost of sales	-	779,426	686,253
Salaries and benefits	5,040,900	4,850,251	4,354,490
RTID user licenses, cost of sales	-	-	330,520
Premises	455,160	287,005	291,562
Professional fees	578,040	439,770	412,768
Office supplies and communication	152,760	205,878	260,887
Employee related	160,170	172,198	67,341
Interest on leased tangible capital assets	6,000	5,830	23,781
Other	23,880	16,170	6,165
	12,103,700	11,615,542	11,557,940
Annual surplus (deficit)	(136,860)	799,924	247,773
Accumulated surplus, beginning of year	5,808,428	5,808,428	5,560,655
Accumulated surplus, end of year	\$ 5,671,568	\$ 6,608,352	\$ 5,808,428

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Changes in Net Financial Assets

Year ended March 31, 2018, with comparative information for 2017

	Budget (note 11)	2018	2017
Annual surplus (deficit)	\$ (136,860)	\$ 799,924	\$ 247,773
Acquisition of tangible capital assets	(2,257,700)	(1,201,134)	(1,115,136)
Amortization of tangible capital assets	1,016,650	752,633	999,638
Acquisition of prepaid expenses	-	(5,663,237)	(3,876,966)
Use of prepaid expenses	-	5,306,157	3,452,257
Change in net financial assets	(1,377,910)	(5,657)	(292,434)
Net financial assets, beginning of year	3,360,940	3,360,940	3,653,374
Net financial assets, end of year	\$ 1,983,030	\$ 3,355,283	\$ 3,360,940

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Cash Flows

Year ended March 31, 2018, with comparative information for 2017

	2018	2017
Cash provided by (used in):		
Operations:		
Annual surplus	\$ 799,924	\$ 247,773
Items not involving cash:		
Amortization of tangible capital assets	752,633	999,638
Amortization of deferred lease inducement	(31,944)	(31,944)
Changes in non-cash operating working items:		
Accounts receivable	332,341	(743,157)
Prepaid expenses	(357,080)	(424,709)
User license inventory	-	517,770
Accounts payable and accrued liabilities	(732,476)	1,104,533
Deferred revenue	143,095	853,000
	906,493	2,522,904
Capital:		
Acquisition of tangible capital assets	(1,201,134)	(1,115,136)
Financing:		
Repayment of obligation on leased tangible capital assets	(220,163)	(286,040)
Increase (decrease) in cash	(514,804)	1,121,728
Cash, beginning of year	6,032,028	4,910,300
Cash, end of year	\$ 5,517,224	\$ 6,032,028

See accompanying notes to financial statements.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements

Year ended March 31, 2018

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.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2018

2. Significant accounting policies (continued):

(c) Deferred revenue:

Deferred revenue is comprised of contributions restricted for Real Time Identification System ("RTID") maintenance and the Road Safety Initiative ("RSI") project. When qualifying expenditures are incurred, the deferred amounts are recognized as revenue at amounts equal to the qualifying expenses.

(d) 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.

(e) 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	2 - 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

When events or circumstances indicate that a tangible capital asset no longer has any long term service potential, the net carrying amount is written down to the residual value of the assets.

(f) 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.

(g) 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, 2018

2. Significant accounting policies (continued):

(h) 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.

(i) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held in the provision of services. They may have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

3. Deferred revenue:

	2018	2017
Balance, beginning of year	\$ 909,305	\$ 56,305
Add: Payments received during the year	629,728	974,502
Less: Recognition of deferred revenue in the year	(486,633)	(121,502)
Balance, end of year	\$ 1,052,400	\$ 909,305

During the year, the Company received payments of \$629,728 (2017 - \$974,502) of which \$121,098 (2017 - \$119,586) was received from the RCMP and police agencies in British Columbia restricted for RTID maintenance expenditures. The Company also received a payment of \$508,630 from the Provincial Government of British Columbia, for the Road Safety Initiative project.

The Company incurred \$486,633 (2017 - \$121,502) 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 (2017 - \$31,944) is recorded as a reduction to premises expense during the year. The balance of \$87,846 (2017 - \$119,790) is included in deferred lease inducement.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2018

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 expired on December 31, 2017 and there are no further financial obligation with respect to the leases.

6. Loan facility:

The Company has a demand revolving loan facility of \$500,000 (2017 - \$500,000) which was not drawn upon at March 31, 2018 (2017 - nil).

7. Tangible capital assets:

2018	Opening balance	Additions	Disposals	Closing balance
Cost				
Furniture and fixtures	\$ 214,595	\$ 4,261	\$ (56,571)	\$ 162,285
Computer hardware and system software	4,413,140	1,181,270	(982,828)	4,611,582
CAD	3,340,266	-	(17,660)	3,322,606
RMS	7,599,127	-	-	7,599,127
RTID	826,929	-	-	826,929
Software licenses	2,881,964	-	(23,967)	2,857,997
Leased equipment	1,460,532	15,603	(1,476,135)	-
Leasehold Improvements	402,334	-	-	402,334
Total cost	\$ 21,138,887	\$ 1,201,134	\$ (2,557,161)	\$ 19,782,860
Accumulated amortization				
Furniture and fixtures	\$ 97,459	\$ 16,079	\$ (56,571)	\$ 56,967
Computer hardware and system software	3,508,060	393,720	(982,828)	2,918,952
CAD	3,232,663	50,292	(17,660)	3,265,295
RMS	7,595,767	3,360	-	7,599,127
RTID	687,644	-	-	687,644
Software licenses	2,877,337	4,628	(23,968)	2,857,997
Leased equipment	1,253,476	222,658	(1,476,134)	-
Leasehold Improvements	170,224	61,896	-	232,120
Accumulated amortization	\$ 19,422,630	\$ 752,633	\$ (2,557,161)	\$ 17,618,102

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2018

7. Tangible capital assets (continued):

2018	Opening balance	Closing balance
Net book value		
Furniture and fixtures	\$ 117,136	\$ 105,318
Computer hardware and system software	905,080	1,692,630
CAD	107,603	57,311
RMS	3,360	-
RTID	139,285	139,285
Software licenses	4,627	-
Leased equipment	207,056	-
Leasehold Improvements	232,110	170,214
Net book value	\$ 1,716,257	\$ 2,164,758

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, 2018

7. Tangible capital assets (continued):

2017	Opening balance	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

8. Related party transactions:

The following table summarizes transactions between E-Comm and the Company during the fiscal year.

	2017	2018
Technical services and support	\$ 2,416,985	\$ 2,646,095
Employee secondments	1,360,340	1,696,304
Executive services	371,375	382,900
Geographic Information Systems ("GIS") services	312,243	317,856
Shared facilities services	257,220	264,438
	\$ 4,718,163	\$ 5,307,593

The above transactions, unless disclosed otherwise, are considered to be 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.

Included in accounts payable and accrued liabilities as at March 31, 2018 is an amount payable of \$397,726 (2017- \$1,017,952) to E-Comm for these services.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2018

9. Commitments:

E-Comm agreements:

The following table summarizes the agreements the Company currently has with E-Comm.

	Expiry	Amount per Annum
Technical services and support	December 31, 2018	\$ 2,660,000
Geographic Information Systems ("GIS") services	December 31, 2018	461,000
Executive services	December 31, 2018	382,000
Shared facilities services	December 31, 2021	347,000

Other agreements:

The Company has a Software License and Implementation Services Agreement with Morpho Canada Inc. that was amended and renewed, expiring May 31, 2022. The future annual amounts of the maintenance fee payments under the terms of the contract are:

	Amount
Year ending March 31:	
2019	\$ 165,000
2020	187,500
2021	205,500
2022	220,000
	\$ 778,000

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, 2018 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, 2018 is nil (2017 - nil).

There have been no significant changes to the credit risk exposure from 2018.

PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Notes to Financial Statements (continued)

Year ended March 31, 2018

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

(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:

The budget information presented in these financial statements was approved by the Board of Directors on March 29, 2017.