Financial Statements of

# PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Year ended March 31, 2016

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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, 2016, 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, 2016 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 29, 2016
Burnaby, Canada

# PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Financial Position

March 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|---|---|
| Financial assets: | | |
| Cash | $ 4,910,300 | $ 3,653,840 |
| Accounts receivable (note 3) | 183,156 | 768,123 |
| User license inventory | 517,770 | 626,200 |
| | 5,611,226 | 5,048,163 |
| Liabilities: | | |
| Accounts payable and accrued liabilities | 1,243,610 | 1,248,952 |
| Deferred revenue (note 4) | 56,305 | 72,816 |
| Deferred lease inducement (note 5) | 151,734 | 183,677 |
| Obligation on leased tangible capital assets (note 6) | 506,203 | 783,929 |
| | 1,957,852 | 2,289,374 |
| Net financial assets | 3,653,374 | 2,758,789 |
| Non-financial assets: | | |
| Tangible capital assets (note 8) | 1,600,759 | 1,994,959 |
| Prepaid expenses | 306,522 | 201,387 |
| | 1,907,281 | 2,196,346 |
| Commitments (note 10) | | |
| Accumulated surplus | $ 5,560,655 | $ 4,955,135 |

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, 2016, with comparative information for 2015

| | Budget (note 12) | 2016 | 2015 |
|---|---|---|---|
| Revenue: | | | |
| User service fees | $ 10,196,490 | $ 10,196,485 | $ 9,846,500 |
| Deferred contributions recognized | - | - | - |
| Sales of computer hardware and software licenses | 180,000 | 186,079 | 261,228 |
| RTID maintenance | 117,470 | 134,969 | 122,315 |
| Sales of RTID user licenses | 22,600 | 108,430 | 64,900 |
| RSS project | - | - | 4,668 |
| Interest | 42,000 | 47,151 | 43,346 |
| | 10,558,560 | 10,673,114 | 10,342,957 |
| Expenses: | | | |
| Maintenance and technology | 4,302,570 | 3,803,355 | 3,774,461 |
| Amortization of tangible capital assets | 755,620 | 711,138 | 755,519 |
| Computer hardware and software licenses, cost of sales | 180,000 | 186,079 | 261,228 |
| Salaries and benefits | 4,155,030 | 4,256,575 | 3,941,631 |
| RTID user licenses, cost of sales | 22,600 | 108,430 | 64,900 |
| Premises | 314,670 | 277,912 | 347,563 |
| Professional fees | 267,360 | 325,531 | 124,547 |
| Office supplies and communication | 261,580 | 255,868 | 227,915 |
| Employee related | 114,900 | 85,841 | 98,137 |
| Interest on leased tangible capital assets | 59,500 | 41,543 | 58,747 |
| Other | 33,720 | 15,322 | 13,903 |
| | 10,467,550 | 10,067,594 | 9,668,551 |
| Annual surplus | 91,010 | 605,520 | 674,406 |
| Accumulated surplus, beginning of year | 4,955,135 | 4,955,135 | 4,280,729 |
| Accumulated surplus, end of year | $ 5,046,145 | $ 5,560,655 | $ 4,955,135 |

See accompanying notes to financial statements.

# PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Changes in Net Financial Assets

Year ended March 31, 2016, with comparative information for 2015

| | Budget (note 12) | 2016 | 2015 |
|---|---|---|---|
| Annual surplus | $ 91,010 | $ 605,520 | $ 674,406 |
| Acquisition of tangible capital assets | (250,000) | (316,938) | (585,098) |
| Amortization of tangible capital assets | 755,620 | 711,138 | 755,519 |
| Acquisition of prepaid expenses | - | (4,044,614) | (4,441,307) |
| Use of prepaid expenses | - | 3,939,479 | 4,391,948 |
| Change in net financial assets | 596,630 | 894,585 | 795,468 |
| Net financial assets, beginning of year | 2,758,789 | 2,758,789 | 1,963,321 |
| Net financial assets, end of year | $ 3,355,419 | $ 3,653,374 | $ 2,758,789 |

See accompanying notes to financial statements.

# PRIMECORP - POLICE RECORDS INFORMATION MANAGEMENT ENVIRONMENT INCORPORATED

Statement of Cash Flows

Year ended March 31, 2016, with comparative information for 2015

| | 2016 | 2015 |
|---|---|---|
| Cash provided by (used in): | | |
| Operations: | | |
| Annual surplus | $ 605,520 | $ 674,406 |
| Items not involving cash: | | |
| Amortization of tangible capital assets | 711,138 | 755,519 |
| Amortization of deferred lease inducement | (31,943) | (23,962) |
| Changes in non-cash items: | | |
| Accounts receivable | 584,967 | 472,415 |
| Prepaid expenses | (105,135) | (49,359) |
| User license inventory | 108,430 | 64,900 |
| Accounts payable and accrued liabilities | (5,342) | 509,811 |
| Deferred revenue | (16,511) | (9,508) |
| | 1,851,124 | 2,394,222 |
| Capital: | | |
| Acquisition of tangible capital assets | (316,938) | (564,294) |
| Financing: | | |
| Receipt of lease inducement | - | 207,639 |
| Repayment of obligation on leased tangible capital assets | (277,726) | (290,495) |
| | (277,726) | (82,856) |
| Increase in cash | 1,256,460 | 1,747,072 |
| Cash, beginning of year | 3,653,840 | 1,906,768 |
| Cash, end of year | $ 4,910,300 | $ 3,653,840 |

See accompanying notes to financial statements.

**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:**

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.

**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, $108,430 (2015 - $64,900) 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) 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 | 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 |

(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.

## 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 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. Accounts receivable:

Accounts receivable includes $5,930 (2015 - $182,403) receivable from the RCMP.

## 4. Deferred revenue:

| | 2016 | 2015 |
|---|---|---|
| Balance, beginning of year | $ 72,816 | $ 82,324 |
| Add: Payments received during the year | 158,263 | 117,474 |
| Less: Reduction in deferred revenue in the year | (174,774) | (126,982) |
| Balance, end of year | $ 56,305 | $ 72,816 |

During the year, the Company received payments of $158,263 (2015 - $117,474) of which $118,458 (2015 - $117,474) 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.

The Company incurred $174,774 (2015 - $126,982) in qualifying expenditures and recognized this amount as revenue during the year.

## 5. Deferred lease inducement:

In 2015, the Company received $207,639 in tenant inducements, of which $31,944 (2015 - $23,962) is recorded as a reduction to premises expense during the year. The balance of $151,734 (2015 - $183,677) is included in deferred lease inducement.

## 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 leased tangible capital asset obligations are as follows:

| | 2016 | 2015 |
|---|---|---|
| Future minimum lease payments | $ 520,102 | $ 817,302 |
| Less: Imputed interest ranging from 2.63% to 7.4% | (13,899) | (33,373) |
| | $ 506,203 | $ 783,929 |

Future minimum lease payments under these leases are as follows:

| | |
|---|---|
| 2017 | $ 297,202 |
| 2018 | 222,900 |
| | $ 520,102 |

## 7. Loan facility:

The Company has a demand revolving loan facility of $500,000 which was not drawn upon at March 31, 2016 (March 31, 2015 - nil).

## 8. Tangible capital assets:

| 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 |

## 8. Tangible capital assets (continued):

| 2015 | Opening balance | Additions | Disposals | Closing balance |
|---|---|---|---|---|
| **Cost** | | | | |
| Furniture and fixtures | $ 72,072 | $ 129,787 | $ - | $ 201,859 |
| Computer hardware and system software | 3,276,085 | 32,174 | - | 3,308,259 |
| CAD | 3,321,541 | - | - | 3,321,541 |
| RMS | 7,532,252 | - | - | 7,532,252 |
| RTID | 639,679 | - | - | 639,679 |
| Software licenses | 2,881,964 | - | - | 2,881,964 |
| Leased equipment | 1,398,122 | 20,803 | - | 1,418,925 |
| Leasehold Improvements | - | 402,334 | - | 402,334 |
| **Total cost** | 19,121,715 | 585,098 | - | 19,706,813 |
| **Accumulated amortization** | | | | |
| Furniture and fixtures | 50,802 | 13,286 | - | 64,088 |
| Computer hardware and system software | 2,919,358 | 187,290 | - | 3,106,648 |
| CAD | 3,228,267 | 184 | - | 3,228,451 |
| RMS | 7,349,505 | 95,129 | - | 7,444,634 |
| RTID | 214,720 | 99,364 | - | 314,084 |
| Software licenses | 2,830,840 | 16,956 | - | 2,847,796 |
| Leased equipment | 362,843 | 296,878 | - | 659,721 |
| Leasehold Improvements | - | 46,432 | - | 46,432 |
| **Accumulated amortization** | 16,956,335 | 755,519 | - | 17,711,854 |
| **Net book value** | | | | |
| Furniture and fixtures | 21,270 | | | 137,771 |
| Computer hardware and system software | 356,727 | | | 201,611 |
| CAD | 93,274 | | | 93,090 |
| RMS | 182,747 | | | 87,618 |
| RTID | 424,959 | | | 325,595 |
| Software licenses | 51,124 | | | 34,168 |
| Leased equipment | 1,035,279 | | | 759,204 |
| Leasehold Improvements | - | | | 355,902 |
| **Net book value** | $ 2,165,380 | | | $ 1,994,959 |

## 9. Related party transactions:

During the year ended March 31, 2016, E-Comm provided the Company with GIS Services in the amount of $308,335 (2015 - $302,562), IT Support Services of $132,478 (2015 - $128,246), Executive Services for $365,500 (2015 - $353,350), Technical Services for $2,209,475 (2015 - $2,111,053) and employee secondments for $1,225,616 (2015 - $862,946). Included in accounts payable and accrued liabilities as at March 31, 2016 is an amount payable of $131,106 (2015 - $317,322) to E-Comm for these services.

During the year ended March 31, 2016, the RCMP provided technical implementation, network, infrastructure and application and mapping data and license services support and maintenance of nil (2015 - $207,713) charged on a cost recovery basis for staff costs, including benefits, and other out-of-pocket expenses.

During the year ended March 31, 2016, the Company made annual rental payments of $254,546 (2015 - $234,391) 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.

## 10. 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 $2,153,000 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, 2016. The amount of the payments under the terms of the contracts is approximately $427,000 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 $363,000 per annum.

## 11. 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.

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

(a) Credit risk (continued):

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, 2016 is nil (2015 - nil).

There have been no significant changes to the credit risk exposure from 2015.

(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.

**12. Budget data:**

The budget information presented in these financial statements was approved by the Board of Directors on April 22, 2015.