

Financial Statements of

**E-COMM EMERGENCY
COMMUNICATIONS FOR SOUTHWEST
BRITISH COLUMBIA INCORPORATED**

Year ended December 31, 2010



KPMG Enterprise™
Metrotower II 2400 – 4720 Kingsway
Burnaby BC V5H 4N2
Canada

Telephone (604) 527-3600
Fax (604) 527-3636
Internet www.kpmg.ca/enterprise

INDEPENDENT AUDITORS' REPORT

To the Shareholders of E-Comm Emergency Communications for Southwest British Columbia Incorporated

We have audited the accompanying financial statements of E-Comm Emergency Communications for Southwest British Columbia Incorporated, which comprise the statement of financial position as at December 31, 2010, the statements of operations and deficit 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 generally accepted accounting principles, 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 the 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, the financial statements present fairly, in all material respects, the financial position of E-Comm Emergency Communications for Southwest British Columbia Incorporated as at December 31, 2010 and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

April 28, 2011

Burnaby, Canada

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statement of Financial Position

December 31, 2010, with comparative figures for 2009

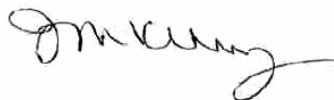
	2010	2009
		(restated - note 2)
Assets		
Current assets:		
Cash and cash equivalents	\$ 16,304,152	\$ 6,920,463
Accounts receivable	4,448,450	4,313,753
Prepaid expenses	861,020	977,283
Investment in direct finance leases receivable (note 8)	3,089,670	4,211,836
	<u>24,703,292</u>	<u>16,423,335</u>
Investments (note 5)	1	1
Debt reserve fund (note 6)	1,397,546	1,353,575
Recoverable development costs	3,954,101	5,000,147
Costs recoverable from future billings	18,867,373	17,699,710
Long-term portion of prepaid land lease	2,171,717	2,196,970
Long-term portion of prepaid expenses	74,979	100,849
Long-term receivable for PRC Altaris CAD (note 7)	1,036,021	1,334,893
Long-term portion of investment in direct finance leases receivable (note 8)	12,166,960	15,256,630
Capital assets (note 9)	42,278,450	48,418,682
	<u>\$ 106,650,440</u>	<u>\$ 107,784,792</u>

Liabilities and Deficiency in Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 5,413,350	\$ 6,660,276
Accrued interest payable	1,255,348	1,255,348
Deferred revenue	106,042	162,287
Current portion of long-term debt (note 10)	1,562,316	3,443,644
Other liabilities (note 11)	4,364,555	3,366,094
	<u>12,701,611</u>	<u>14,887,649</u>
Other liabilities (note 11)	3,052,663	2,009,525
Asset retirement obligation (note 12)	1,342,004	1,301,594
Long-term debt (note 10)	90,955,434	92,422,010
Deficiency in net assets		
Share capital (note 13)	490	480
Deficit	(1,401,762)	(2,836,466)
	<u>(1,401,272)</u>	<u>(2,835,986)</u>
Commitments (note 16)		
Contingencies (note 17)		
	<u>\$ 106,650,440</u>	<u>\$ 107,784,792</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statement of Operations and Deficit

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
		(restated - note 2)
Revenue:		
Radio system	\$ 17,546,101	\$ 18,999,521
CAD system	1,169,526	1,021,742
Consolidated dispatch system	16,554,509	17,795,520
9-1-1 call taking system	3,483,406	3,235,160
Records management system	777,202	817,310
Tenant recoveries rental	353,100	416,688
Contract service fees and miscellaneous revenue	4,329,296	3,010,685
Financing revenue from direct finance lease	824,922	781,121
	<u>45,038,062</u>	<u>46,077,747</u>
Direct operating expenses:		
Salaries and benefits	23,611,058	24,931,255
Maintenance and technology	3,356,046	3,755,967
Premises	1,193,609	1,392,528
Office supplies and communication	397,894	429,867
Employee related	460,783	507,183
Professional fees	680,025	890,218
Other	353,276	306,291
	<u>30,052,691</u>	<u>32,213,309</u>
Other expenses:		
Accretion of asset retirement obligation	55,771	59,039
Amortization	8,774,107	8,755,846
Interest expense	4,538,744	4,762,019
Loss on equipment writedown	182,045	104,183
	<u>43,603,358</u>	<u>45,894,396</u>
Excess of revenue over expenses	1,434,704	183,351
Deficit, beginning of year:		
As previously reported	(16,242,341)	(15,294,438)
Restatements (note 2)	13,405,875	12,274,621
As restated	<u>(2,836,466)</u>	<u>(3,019,817)</u>
Deficit, end of year	<u>\$ (1,401,762)</u>	<u>\$ (2,836,466)</u>

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statement of Cash Flows

Year ended December 31, 2010, with comparative figures for 2009

	2010	2009
		(restated - note 2)
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 1,434,704	\$ 183,351
Items not involving cash:		
Amortization of capital assets	7,607,069	7,593,193
Amortization of prepaid land lease	25,253	25,253
Adjustment to initial fair value of site lease obligation	(15,361)	(7,573)
Accretion of asset retirement obligation	55,771	59,039
Amortization of deferred financing costs	95,740	91,354
Interest earned on debt reserve fund	(43,971)	(37,497)
Interest earned on investment in direct finance leases receivable	(824,922)	(781,121)
Loss on equipment writedown	182,045	104,183
Changes in non-cash operating working capital:		
Accounts receivable	164,175	180,000
Cost recoverable from future billings	(1,167,663)	(1,194,927)
Prepaid expenses	142,133	(229,807)
Accounts payable and accrued liabilities	(1,246,926)	40,246
Deferred revenue	(56,245)	90,699
Other liabilities	2,041,599	(455,420)
	8,393,401	5,660,973
Financing:		
Repayment of long-term debt	(3,443,644)	(8,256,903)
Proceeds from issuance of share capital	10	-
	(3,443,634)	(8,256,903)
Investing:		
Proceeds from disposal of capital assets	300,145	-
Acquisition and construction of capital assets	(1,949,027)	(17,904,359)
Recoverable development costs	1,046,046	1,046,046
Investment in direct finance leases receivable	5,036,758	4,231,751
	4,433,922	(12,626,562)
Increase (decrease) in cash and cash equivalents	9,383,689	(15,222,492)
Cash and cash equivalents, beginning of year	6,920,463	22,142,955
Cash and cash equivalents, end of year	\$ 16,304,152	\$ 6,920,463
Supplemental cash flow information:		
Interest paid	\$ 5,382,011	\$ 5,382,011

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements

Year ended December 31, 2010

1. Operations:

E-Comm Emergency Communications for Southwest British Columbia Incorporated (the "Corporation" or "E-Comm") was incorporated on September 22, 1997 under the Business Corporations Act (British Columbia).

The Corporation provides centralized emergency communications, disaster coordination and related public safety and public service to municipalities, regional districts, the provincial and federal governments and their agencies, and emergency service organizations throughout southwest British Columbia. Primary services are provided to shareholder members of the Corporation pursuant to the Members' Agreement, and to the Royal Canadian Mounted Police ("RCMP") pursuant to a Special User Agreement with the Corporation.

The Corporation is exempt from tax under the Income Tax Act.

2. Prior period adjustments:

The Corporation has restated its prior years' financial statements to correct for the application of certain accounting policies as follows:

(a) User equipment:

The Corporation acquires user equipment that is provided to, and for the exclusive use by, specific user agencies. The cost of this equipment is recovered in its entirety from the specific agencies through billings. Previously, the Corporation recorded the equipment as capital assets to be amortized over their estimated useful lives, and recorded revenue as the amounts were billed. Management has determined that the nature of the arrangement is such that lease accounting is the appropriate method of accounting for this equipment, and has determined that the terms of the arrangements result in the equipment being accounted for as direct finance leases.

(b) Revenue recognition - cost recoveries:

The Corporation recovers the cost of its capital assets through billings charged to user agencies. The amount of costs related to capital assets is billed on an annual basis in accordance with a formula incorporated in the Members' Agreement and the Special User Agreement described in note 1. The Members' Agreement and the Special User Agreement ensure the full cost of capital assets will be recovered through billings; however, the period over which the cost of capital assets is billed to users may not coincide with the estimated useful lives of the assets. Previously, revenue was recognized in accordance with the amounts billed and collected from the users in the year. In the current year, management has determined that recognition of revenue in the period that the Corporation provides the services to the users, including through use of the capital assets over their useful lives, is appropriate as all costs incurred are to be collected through future billings.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

2. Prior period adjustments (continued):

As a result of these two corrections, the opening balance of deficit/deficiency in net assets for the years ended December 31, 2010 and 2009 and the deficiency of revenue over expenses for the year ended December 31, 2009 have been restated as follows:

	2010	2009
Deficit, beginning of year, as previously reported	\$ (16,242,341)	\$ (15,294,438)
Less: User equipment lease accounting	(5,461,496)	(5,425,086)
Add: Radio revenue recognition	18,867,371	17,699,707
Deficit, beginning of year, as restated	\$ (2,836,466)	\$ (3,019,817)

	2009
Deficiency of revenue over expenses, as previously reported	\$ (947,903)
User equipment amortization expense	4,166,887
User equipment revenue	(4,203,295)
Radio system revenue	1,167,662
Excess of revenues over expenses, as restated	\$ 183,351

In addition, the above changes have resulted in previously reported amounts on the statement of financial position and the statement of operations as at and for the year ended December 31, 2009 being restated as follows:

	Increase (decrease)
Investment in direct finance leases receivable	\$ 19,468,466
Accounts receivable	1,167,663
Costs recoverable from future billings	17,699,710
Capital assets – user equipment	(24,556,218)
Other liabilities	373,743
Radio system revenue	(3,816,752)
Lease finance revenue	781,121
Amortization expense on user equipment	(4,166,886)

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for not-for-profit entities and incorporate the following significant accounting policies.

(a) Basis of presentation:

The Corporation's 100% investment in PRIMECorp Police Records Information Management Environment Incorporated ("PRIMECorp") is recorded at cost. The accounts of PRIMECorp are not consolidated with those of the Corporation as E-Comm does not control PRIMECorp's operations.

(b) Revenue recognition:

Revenue from the provision of services is recognized in the period that the services are provided through operating activities or the consumption of capital assets over their useful lives, irrespective of the period in which the benefit to users is billed.

The Corporation follows the deferral method of accounting for contributions. Accordingly, funding received for specific purposes is deferred and recognized in the period in which the related expenses are incurred. Contributions received for the acquisition or construction of capital assets are deferred and amortized to revenue on the same basis as the amortization of the related capital asset.

(c) Cash and cash equivalents:

Cash and cash equivalents consists of cash on hand, cash held in banks and term deposits maturing within ninety days from the date of acquisition, net of bank overdrafts.

(d) Financing costs:

Financing costs incurred for the issuance of debt have been deferred and are being amortized on the effective interest rate method over the term of the debt.

(e) Recoverable development costs:

Development costs, including salaries, operating costs and amortization of capital assets incurred through the pre-operating phase of the Corporation, are being recovered through billings to member agencies over a 12.5 year period, commencing April 1, 2002 for radio, and January 1, 2003 for dispatch.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Significant accounting policies (continued):

(f) Costs recoverable through future billings:

Costs recoverable through future billings represent services provided through the use of capital assets, the cost of which is recoverable through future billings.

(g) Prepaid land lease:

The land on which the E-Comm building is located has been leased from the City of Vancouver for a period of 99 years commencing 1999. The prepaid amount is being amortized, and recovered through billings, over the term of the lease.

(h) Capital assets:

Capital assets are stated at cost, net of accumulated amortization. Interest costs directly attributable to major projects are capitalized and, at project completion, are amortized over the estimated life of the underlying assets.

Amortization begins when assets are put into use and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Asset	Rate
Building	40.0 years
Furniture, fixtures and building equipment	3.0 years to 25.0 years
Radio	7.5 years to 25.0 years
Dispatch consoles and voice systems	5.0 years to 12.5 years
Remote dispatch	7.5 years to 10.5 years
Records management system - Fire	4.0 years to 10.0 years
Computer aided dispatch - Fire	4.0 years to 10.0 years
User equipment	7.5 years to 12.5 years

(i) Financial instruments:

The Corporation accounts for its financial instruments in accordance with the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments – Recognition and Measurement* and, as permitted for not-for-profit organizations, Section 3861, *Financial Instruments - Presentation, and Disclosure*. Under Section 3855, financial assets and financial liabilities are initially recognized at fair value. Measurement in subsequent periods is dependent upon the classification of each instrument. The standard requires that all financial assets be classified as either held for trading (HFT), available-for-sale (AFS), held-to-maturity (HTM) or loans and receivables. Financial liabilities are classified as either held for trading or other financial liabilities.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Significant accounting policies (continued):

(i) Financial instruments (continued):

Financial assets and financial liabilities HFT are measured at fair value, with the changes in fair value reported in earnings. Financial assets HTM, loans and receivables and other financial liabilities other than those HFT are measured at amortized cost using the effective interest method. AFS financial assets are measured at fair value with unrealized gains and losses recognized as changes in net assets until the financial asset is disposed of or becomes impaired.

Derivative instruments are recorded on the statement of financial position at fair value. Changes in the fair value of derivative instruments are recognized in earnings.

The Corporation classifies its financial assets and liabilities as follows:

Financial Assets

(i) Cash and cash equivalents:

Cash and equivalents are classified as HFT and recorded at their fair values.

(ii) Accounts receivable:

Accounts receivable are recorded at amortized cost less any impairment losses recognized and approximate their fair values due to the relatively short periods to maturity.

(iii) Debt reserve fund:

The Corporation classifies debt reserve funds as HTM recorded at their amortized costs as these assets are due when the related debt matures (note 6).

(iv) Recoverable development costs:

The Corporation classifies recoverable development costs as HTM recorded at amortized cost.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Significant accounting policies (continued):

(i) Financial instruments (continued):

Financial Assets (continued)

(v) Costs recoverable from future billings, long-term receivable and investment in direct finance leases receivable:

The Corporation classifies costs recoverable from future billings, long-term receivable and investment in direct finance leases receivable as HTM, recorded at amortized cost.

(vi) Accounts payable and accrued liabilities:

The Corporation classifies accounts payable and accrued liabilities as other financial liabilities recorded at amortized cost.

(vii) Asset retirement obligations:

The Corporation classifies asset retirement obligations as HTM recorded at amortized cost.

(viii) Long-term debt:

The Corporation classifies long-term debt as HTM, and records long-term debt and related deferred financing costs at amortized costs using the effective interest rate method.

Long-term debt transaction costs are recorded against the underlying debt.

The Corporation does not currently hold any financial assets classified as AFS.

The Corporation does not currently have any financial derivatives.

(j) Related party transactions:

Transactions with related parties are in the normal course of operations and are recorded at the agreed upon exchange amount. Contractual arrangements and service agreements with related parties are subject to the Corporation's tendering and proposal processes.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

3. Significant accounting policies (continued):

(k) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements. Significant areas requiring the use of management estimates relate to the allowance for doubtful accounts, the useful lives of capital assets for purposes of amortization and revenue recognition, and measurement of asset retirement obligations.

(l) Future accounting changes:

In December 2010, the Accounting Standards Board and the Public Sector Accounting Board released the accounting standards impacting the future financial reporting framework for not-for-profit organizations. The Corporation is considering the impact the future changes will have on the organization.

4. Cash held in trust:

Included in cash and cash equivalents is \$69,371 (2009 - \$1,244,573) held for HealthLink BC for future expenditures to be made on its behalf by the Corporation. The corresponding liability for the cash held in trust is recorded in deferred revenue and other liabilities.

5. Investments:

In March 2003, E-Comm established PRIMECorp, a wholly owned company, to roll out the records management system throughout British Columbia. The operations are controlled by the Province of British Columbia, Minister of Public Safety and Solicitor General.

6. Debt reserve fund:

E-Comm is required to maintain 1% of the initial borrowings through the Municipal Finance Authority of British Columbia ("MFA") in a debt reserve fund administered by the MFA. The original amount is presented together with interest earned on the reserve fund investments.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

6. Debt reserve fund (continued):

Demand notes in the aggregate amount of \$7,917,700 (2009 - \$7,917,700) are also provided by E-Comm to the MFA as a requirement of the borrowings. The demand notes payable by E-Comm are callable only if there are additional requirements to be met to maintain the debt reserve fund at a specified level. As management considers payment of the demand notes to be unlikely, no amount for the demand notes has been recorded in the financial statements.

If at any time, E-Comm does not have sufficient funds to meet payments due on its obligations, the payments shall be made from the debt reserve fund. The amounts due to E-Comm from the debt reserve fund are repaid to E-Comm when the respective loan agreements mature. No debt reserve fund installment payments were made during the year (2009 - nil). Interest earned on the debt reserve fund amounts to \$43,971 (2009 - \$37,497).

7. Long-term receivable for PRC Altaris CAD:

PRC Altaris CAD are the software and hardware components that comprise the computer aided dispatch system. All agencies have transitioned off PRC Altaris CAD, rendering the system out of service. As the unamortized capital cost of the system is recoverable from all committed agencies, the carrying value at the out-of-service date has been reclassified as a long-term receivable.

8. Investment in direct finance leases receivable:

	2010	2009 (restated - note 2)
Minimum lease payments due	\$ 18,246,246	\$ 23,283,004
Less imputed interest	2,989,616	3,814,538
	15,256,630	19,468,466
Less current portion of investment in capital lease receivable	3,089,670	4,211,836
	\$ 12,166,960	\$ 15,256,630

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

8. Investment in direct finance leases receivable (continued):

Specific user agencies lease user equipment from the Corporation under 7.5 year direct finance leases. The future minimum payments, excluding financing costs due from the user agencies, are as follows:

Year ending December 31:

2011	\$ 3,089,670
2012	2,732,472
2013	2,559,689
2014	2,346,751
2015	2,144,771
Thereafter	2,383,277
	\$ 15,256,630

9. Capital assets:

			2010	2009
	Cost	Accumulated amortization	Net book value	Net book value
				(restated - note 2)
Building	\$ 8,456,965	\$ 2,625,289	\$ 5,831,676	\$ 6,257,468
Furniture, fixtures and building equipment	10,260,937	7,760,689	2,500,248	3,391,521
Radio	67,374,433	40,129,175	27,245,258	31,534,341
Dispatch consoles and voice systems	5,944,394	4,358,337	1,586,057	1,561,791
Remote dispatch	2,947,761	2,216,321	731,440	869,390
Records management system - Fire	2,181,438	616,748	1,564,690	1,695,411
Computer aided dispatch - Fire	3,502,927	979,227	2,523,700	2,941,737
User equipment	1,029,319	733,938	295,381	167,023
	\$ 101,698,174	\$ 59,419,724	\$ 42,278,450	\$ 48,418,682

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

10. Long-term debt:

	2010	2009
4.65% unsecured note payable, maturing March 24, 2024 (a)	\$ 77,282,974	\$ 79,710,669
6.06% unsecured note payable, maturing June 1, 2022 (b)	11,244,544	11,945,279
4.775% unsecured note payable, maturing October 3, 2023 (c)	5,768,858	6,084,072
	<u>94,296,376</u>	<u>97,740,020</u>
Less:		
Unamortized transaction costs	1,778,626	1,874,366
Current portion of long-term debt	1,562,316	3,443,644
	<u>3,340,942</u>	<u>5,318,010</u>
	<u>\$ 90,955,434</u>	<u>\$ 92,422,010</u>

On March 24, 1998, the Corporation entered into an agreement with the MFA to borrow up to a maximum of \$170 million. This amount is currently comprised of the following:

- (a) On March 24, 2008, E-Comm refinanced an existing loan, leaving a balance of \$87 million, repayable over sixteen years, with an initial term of ten years, at a rate of 4.65%, with the remaining six years subject to refinancing on March 24, 2018.
- (b) On April 9, 2002, E-Comm obtained \$16 million of financing. This loan has a term of 20 years with annual blended principal and interest payments of \$1,453,481 and a final payment date of June 1, 2022 and bears interest at a rate of 6.06%, with interest calculated and paid semi-annually in each year of the loan.
- (c) On September 23, 2002, E-Comm obtained \$7,684,000 of financing. This loan requires annual blended principal and interest payments of \$599,295, has a final payment date of October 3, 2023 and bears interest at a rate of 4.775%, with interest calculated and paid semi-annually in each year of the loan.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

10. Long-term debt (continued):

The repayment requirements, net of estimated sinking fund asset balances representing payments made to date, under the existing borrowing agreements for long-term debt of the Corporation during the next five years and thereafter are as follows:

Year ending December 31:

2011	\$ 1,562,316
2012	9,957,189
2013	9,062,770
2014	7,842,041
2015	9,081,627
Thereafter	55,011,808
	\$ 92,517,751

11. Other liabilities:

	2010	2009
		(restated - note 2)
(a) User equipment	\$ 3,639,931	\$ 2,024,752
(b) Radio	2,758,321	1,754,861
(c) HealthLink BC	724,624	1,341,342
Other	294,342	254,664
	7,417,218	5,375,619
Less current portion	4,364,555	3,366,094
	\$ 3,052,663	\$ 2,009,525

Other liabilities consist of the following:

- (a) The Corporation has received annual payments through user equipment billings from radio member agencies starting in 2007 for future user equipment purchases for specific user agencies. The funds collected are recorded as other liabilities until they are spent on behalf of the user agencies. In 2010, a further \$1,826,077 was collected as billings received, and \$210,898 was drawn down for user equipment purchases.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

11. Other liabilities (continued):

- (b) The Corporation has received annual payments through radio billings from radio member agencies starting in 2006 for future capital use. The funds collected are recorded as other liabilities until they are spent. In 2010, a further \$1,000,000 was allocated from billings received and \$3,460 of interest was earned by and allocated to the funds.
- (c) The Corporation has received funds from HealthLink BC for future expenditures. These amounts are recorded as other liabilities until the funds are spent.

12. Asset retirement obligation:

The Corporation has recorded an asset retirement obligation for the estimated costs of restoring certain leased sites that the Corporation's radio towers are situated on to their original condition at the end of the lease terms. Changes in the asset retirement obligation during the year are as follows:

	2010	2009
Balance, beginning of year	\$ 1,301,594	\$ 1,250,128
Accretion expense, net of recovery	55,771	59,039
Adjustment to initial fair value of site lease obligation	(15,361)	(7,573)
Balance, end of year	\$ 1,342,004	\$ 1,301,594

The undiscounted estimated cash flows required to settle the obligations range from \$10,000 to \$130,000 during the years 2010 to 2066. The cash flows are discounted using credit adjusted risk-free rates of 4.75% to 5.25% (2009 - 4.75% to 5.25%).

Other assumptions used by management to determine the carrying amount of the asset retirement obligation include costs to restore the leased sites to their original condition and the rate of inflation over the expected years to settlement.

There are certain obligations with an indeterminable date where adequate information is not available to estimate fair value. These amounts are not material.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

13. Share capital:

(a) Authorized:

350 class A common voting shares without par value. Following project completion, class A shareholders are obligated to share in funding both the ongoing operations and any additional costs relating to capital assets (in accordance with a cost-sharing formula). Upon a member acquiring a class A share, that member shall have agreed to use the Corporation's wide area radio system network to which the class A share relates.

150 class B common restricted voting shares without par value. Following project completion, class B shareholders can elect to become class A shareholders on the condition that the member agrees to use the Corporation's wide area radio system network. Class B shareholders are not obligated to share in funding the ongoing operating costs.

(b) Issued:

		2010		2009
25 class A common voting shares (2009 - 24)	\$	250	\$	240
24 class B common restricted voting shares (2009 - 24)		240		240
	\$	490	\$	480

One additional class A common share was issued to the Abbotsford Police department in 2010 for \$10.

(c) RCMP Special User Agreement:

Due to existing Federal restrictions, the RCMP cannot become a shareholder in the Corporation. Consequently, a Special User Agreement has been executed such that the RCMP has the right to participate in the E-Comm project on the same terms and conditions as the class A shareholders, including the obligation to fund both the ongoing operating costs and any additional costs relating to capital assets (in accordance with a cost-sharing formula).

14. Fair value of financial instruments:

The fair value of long-term debt and debt reserve fund at December 31, 2010 is \$101,274,307 (2009 - \$101,845,102) and \$1,396,833 (2009 - \$1,346,875), respectively. The fair value of debt is determined using a weighted average of discount factors of similar debt issued by the MFA. The fair value of the debt reserve fund is based on the weighted average market value of securities held in the fund by the MFA.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

15. Related party transactions:

Included in accounts receivable is an amount of \$54,342 (2009 - \$22,868) due from PRIMECorp. During the year, the Corporation received contracted service fees of \$403,283 (2009 - \$396,649) from PRIMECorp.

16. Commitments:

(a) Operating leases:

- (i) The Corporation has entered into leases of land for radio tower sites. These leases expire in future years from 2011 to 2066 and are renewable at the option of the Corporation. Future minimum payments under these leases, excluding option periods, are approximately as follows:

Year ending December 31:		
2011	\$	455,106
2012		424,166
2013		427,072
2014		335,424
2015		227,402
Thereafter		872,760
	\$	2,741,930

- (ii) The Corporation is committed under vehicles and office equipment operating leases having varying expiry dates to the year 2014. The future minimum payments under the terms of such leases are as follows:

Year ending December 31:		
2011	\$	113,762
2012		97,678
2013		74,063
2014		21,597
	\$	307,100

- (b) E-Comm has entered into a commitment to purchase capital assets of \$656,960 relating to the replacement of microwave rings.

E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2010

16. Commitments (continued):

(c) Municipal pension plan:

The Corporation and its employees contribute to the Municipal Pension Plan (the plan), a jointly trustee pension plan. The Board of trustees, representing plan members and employers, is responsible for overseeing the management of the pension plan, including investment of the assets and administration of benefits. The pension plan is a multi-employer contributory pension plan. Basic pension benefits provided are defined. The plan has about 163,000 active members and approximately 60,000 retired members. Active members include approximately 35,000 contributors from local governments.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent valuation as at December 31, 2009 indicated an unfunded liability of \$1,024 million for basic pension benefits. The next valuation will be as at December 31, 2012 with results available in 2013. The actuary does not attribute portions of the surplus to individual employers. The Corporation paid \$1,284,583 (2009 - \$1,225,072) for employer contributions to the plan in fiscal 2010.

17. Contingencies:

As at December 31, 2010, there were various legal claims pending against the Corporation arising in the ordinary course of its operations. The Corporation has made provision for certain claims, based on the best estimate of the loss to be incurred, but has made no specific provision for those where the outcome is presently undeterminable. Management does not anticipate claims for which no provision has been made to result in material loss to the Corporation.

18. Capital disclosures:

The Corporation's capital currently consists of its deficiency in net assets and long-term debt. As the Corporation is expected to recover its accumulated deficit by the end of 2018, future capital will consist of its accumulated surplus and share capital. The Corporation's objective when managing capital is to safeguard its assets and to ensure that adequate capital is managed for future requirements. There are currently no external restrictions with respect to the Corporation's capital.

19. Comparative figures:

Certain 2009 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.