

Financial Statements of

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

Years ended December 31, 2012 and 2011



**KPMG LLP**  
**Chartered Accountants**  
Metrotower II  
Suite 2400 - 4720 Kingsway  
Burnaby BC V5H 4N2  
Canada

Telephone (604) 527-3600  
Fax (604) 527-3636  
Internet [www.kpmg.ca](http://www.kpmg.ca)

## 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, 2012, December 31, 2011 and January 1, 2011, the statements of operations and deficit and cash flows for the years ended December 31, 2012 and December 31, 2011, 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 accounting standards for not-for-profit organizations, 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 audits. We conducted our audits 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, 2012, December 31, 2011 and January 1, 2011 and its results of operations and its cash flows for the years ended years ended December 31, 2012 and December 31, 2011 in accordance with Canadian accounting standards for not-for-profit organizations.

Chartered Accountants

April 25, 2013

Burnaby, Canada

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

## Statements of Financial Position

	December 31, 2012	December 31, 2011	January 1, 2011
<b>Assets</b>			
Current assets:			
Cash and cash equivalents (note 3)	\$ 22,703,848	\$ 25,260,267	\$ 16,304,152
Accounts receivable	1,847,732	2,193,712	4,715,073
Prepaid expenses	1,171,395	594,884	861,020
Investment in direct finance leases receivable (note 6)	3,376,427	2,599,493	3,184,096
	<u>29,099,402</u>	<u>30,648,356</u>	<u>25,064,341</u>
Investment in PRIME Corp. (note 2(a))	1	1	1
Debt reserve fund (note 4)	1,488,843	1,445,183	1,397,546
Recoverable development costs	1,862,010	2,908,056	3,954,101
Costs recoverable from future billings	19,803,755	19,851,539	19,129,391
Long-term portion of prepaid land lease	2,121,212	2,146,464	2,171,717
Long-term portion of prepaid expenses	317,525	273,090	74,979
Long-term receivable for decommissioned assets (note 5)	2,133,059	523,964	769,398
Long-term portion of investment in direct finance leases receivable (note 6)	13,136,325	9,765,850	11,953,055
Capital assets (note 7)	29,453,016	37,491,906	42,228,535
	<u>\$ 99,415,148</u>	<u>\$ 105,054,409</u>	<u>\$ 106,743,064</u>

## Liabilities and Deficiency in Net Assets

Current liabilities:			
Accounts payable and accrued liabilities (note 8)	\$ 7,390,824	\$ 4,407,472	\$ 5,413,350
Accrued interest payable	1,215,764	1,215,764	1,255,348
Deferred revenue	140,812	103,080	106,042
Current portion of long-term debt (note 9)	9,062,770	9,957,188	1,562,316
Other liabilities (note 10)	9,597,229	8,460,208	7,841,837
	<u>27,407,399</u>	<u>24,143,712</u>	<u>16,178,893</u>
Long-term debt (note 9)	72,142,564	81,098,641	90,955,434
Asset retirement obligation (note 11)	1,281,390	1,228,666	1,342,004
	<u>100,831,353</u>	<u>106,471,019</u>	<u>108,476,331</u>
Deficiency in net assets:			
Share capital (note 12)	490	490	490
Deficit	(1,416,695)	(1,417,100)	(1,733,757)
	<u>(1,416,205)</u>	<u>(1,416,610)</u>	<u>(1,733,267)</u>
Commitments (note 15)			
Contingencies (notes 4 and 16)			
	<u>\$ 99,415,148</u>	<u>\$ 105,054,409</u>	<u>\$ 106,743,064</u>

See accompanying notes to financial statements.

On behalf of the Board:



Director



Director

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Statements of Operations and Deficit

Years ended December 31, 2012 and 2011

	2012	2011
Revenue:		
Radio system	\$ 17,009,286	\$ 17,277,657
Consolidated dispatch system	16,869,315	16,177,213
Contract service fees and miscellaneous revenue	4,139,072	3,810,318
9-1-1 call taking system	3,601,863	3,529,258
CAD system	1,398,953	1,402,872
Records management system	869,640	843,910
Financing revenue from direct finance leases	701,572	575,059
Tenant recoveries rental	384,570	405,040
	<u>44,974,271</u>	<u>44,021,327</u>
Direct operating expenses:		
Salaries and benefits	26,479,501	24,861,247
Maintenance and technology	2,720,280	2,616,024
Premises	1,345,720	1,376,523
Professional fees	863,397	745,118
Employee related	555,731	558,456
Office supplies and communication	341,377	476,319
Other	365,700	411,188
	<u>32,671,706</u>	<u>31,044,875</u>
Other expenses:		
Amortization	8,595,492	8,546,525
Interest on long-term debt	3,422,050	4,061,378
Accretion of asset retirement obligation	52,724	51,371
Writedown of equipment	231,894	521
	<u>12,302,160</u>	<u>12,659,795</u>
	<u>44,973,866</u>	<u>43,704,670</u>
Excess of revenue over expenses	405	316,657
Deficit, beginning of year	(1,417,100)	(1,733,757)
Deficit, end of year	<u>\$ (1,416,695)</u>	<u>\$ (1,417,100)</u>

See accompanying notes to financial statements.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

## Statements of Cash Flows

Years ended December 31, 2012 and 2011

	2012	2011
Cash provided by (used in):		
Operations:		
Excess of revenue over expenses	\$ 405	\$ 316,657
Items not involving cash:		
Amortization of capital assets	7,417,500	7,374,829
Amortization of prepaid land lease	25,252	25,253
Adjustment to initial fair value of site lease obligation	-	(164,709)
Accretion of asset retirement obligation	52,724	51,371
Amortization of deferred financing costs	106,693	100,395
Interest earned on debt reserve fund	(43,660)	(47,637)
Interest earned on investment in direct finance leases receivable	(701,572)	(575,059)
Writedown of equipment	231,894	521
Changes in non-cash operating working capital:		
Accounts receivable	1,139,433	3,337,983
Prepaid expenses	(620,946)	68,025
Costs recoverable from future billings	47,784	(884,335)
Accounts payable and accrued liabilities	2,983,352	(1,045,462)
Deferred revenue	37,732	(2,962)
Other liabilities	1,137,021	618,371
	11,813,612	9,173,241
Financing:		
Repayment of long-term debt	(9,957,188)	(1,562,317)
Investing:		
Acquisition and construction of capital assets	(2,013,052)	(2,638,721)
Recoverable development costs	1,046,046	1,046,045
Payments received on direct finance leases receivable	4,226,364	3,833,093
Acquisition of assets for lease	(7,672,201)	(895,226)
	(4,412,843)	1,345,191
Increase (decrease) in cash and cash equivalents	(2,556,419)	8,956,115
Cash and cash equivalents, beginning of year	25,260,267	16,304,152
Cash and cash equivalents, end of year	\$ 22,703,848	\$ 25,260,267
Interest paid	\$ 4,900,411	\$ 5,141,211
Non-cash investing activity:		
Decommissioned capital assets reclassified to long-term receivable	2,402,548	-

See accompanying notes to financial statements.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements

Year ended December 31, 2012

---

## 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.

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

On January 1, 2012, the Organization adopted Canadian Accounting Standards for Not-for-Profit Organizations in Part III of the CICA Handbook ("Not-for-Profit Standards"). These are the first financial statements prepared in accordance with Not-For-Profit Standards.

In accordance with the transitional provisions in Not-For-Profit Standards, the Organization has adopted the changes retrospectively, subject to certain exemptions allowed under these standards. The transition date is January 1, 2011 and all comparative information provided has been presented by applying Not-For-Profit Standards. There were no adjustments to the deficit as at January 1, 2011 or to the statements of operations and cash flows for the year ended December 31, 2011 as a result of the transition to Not-For-Profit Standards.

## 2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian Accounting Standards for Not-for-Profit Organizations and incorporate the following significant accounting policies.

### (a) Basis of presentation:

In March 2003, E-Comm established Police Records Information Management Environment Incorporated ("PRIMECorp"), a wholly owned company, to ensure that the records management system and computer aided dispatch system are delivered and consistent in all police agencies throughout British Columbia. As the operations are controlled by the Province of British Columbia, Minister of Public Safety and Solicitor General, the net assets and operations of PRIMECorp have not been included in these financial statements.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

---

## 2. Significant accounting policies (continued):

### (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 service is billed. The Member's Agreement specifies the manner in which members are obligated to pay for services rendered by the Corporation. Finance income related to direct-financing type leases is recognized in a manner that produces a constant rate of return over the terms of the leases.

### (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) 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) 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 payments in accordance with the Members' Agreement.

### (f) 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.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

---

## 2. Significant accounting policies (continued):

### (g) 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	4.0 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

### (h) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently measured at cost or amortized cost, unless management has elected to carry the instruments at fair value. The Corporation does not hold any financial instruments that it is required to carry at fair value nor has not elected to carry any financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs. These costs are amortized using the effective interest rate method.



# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

---

## 2. Significant accounting policies (continued):

### (h) Financial instruments (continued):

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indication of impairment, the Corporation determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount the Corporation expects to realize by exercising its right to collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial impairment charge.

### (i) 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.

### (j) 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, revenue recognition, measurement of asset retirement obligations and contingent liabilities. Actual results could differ from those estimates.

### (k) Employee future benefits:

The Corporation participates in a multi-employer defined benefits pension plan. Defined contribution plan accounting is applied to this plan because the actuary does not attribute the deficit or surplus of the plan to specific employers. The pension expense associated with this plan is equal to the Corporation's contributions during the reporting period.

## 3. Cash held in trust:

Included in cash and cash equivalents is nil (December 31, 2011 and January 1, 2011 - \$69,371) of cash held in trust 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.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 4. 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.

Demand notes in the aggregate amount of \$7,917,700 (December 31, 2011 and January 1, 2011 - \$7,917,700) are also provided by E-Comm to the MFA as a requirement of the borrowings. The demand notes 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 (2011 - nil). Interest earned on the debt reserve fund amounts to \$43,660 (2011 - \$47,637).

## 5. Long-term receivable for decommissioned assets:

		December 31, 2012	December 31, 2011	January 1, 2011
PRC Altaris CAD and Telesphere				
Firehall Alerting System	(a) \$	498,389	\$ 751,719	\$ 1,036,021
Microwave ring	(b)	2,402,548	-	-
		2,900,937	751,719	1,036,021
Less current portion		767,878	227,755	266,623
Balance, end of year	\$	\$ 2,133,059	\$ 523,964	\$ 769,398

The long-term receivable for decommissioned assets consists of the following:

- (a) PRC Altaris CAD are the software and hardware components that comprised the computer aided dispatch system, which is now 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 was reclassified to a long-term receivable, and will be recovered through future billings.
- (b) The Microwave Network is comprised of three rings that are used to connect E-Comm's radio sites to each other and to the central voice radio network switch housed in E-Comm's main building. The rings were replaced in 2012 and the original microwave backbone system was taken 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 to a long-term receivable, and will be recovered through future billings.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 6. Investment in direct finance leases receivable:

	December 31, 2012	December 31, 2011	January 1, 2011
Minimum lease payments due	\$ 19,755,107	\$ 14,788,396	\$ 18,107,715
Less imputed interest at 4.65%	3,242,355	2,423,053	2,970,564
	16,512,752	12,365,343	15,137,151
Less current portion of investment in capital lease receivable	3,376,427	2,599,493	3,184,096
	\$ 13,136,325	\$ 9,765,850	\$ 11,953,055

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:

## 7. Capital assets:

December 31, 2012	Cost	Accumulated amortization	Net book value
Building	\$ 8,478,095	\$ 3,116,481	\$ 5,361,614
Furniture, fixtures and building equipment	10,620,105	8,307,174	2,312,931
Radio	63,428,651	45,949,668	17,478,983
Dispatch consoles and voice systems	6,492,831	5,499,848	992,983
Remote dispatch	3,124,328	2,668,927	455,401
Records management system – Fire	2,270,063	1,085,522	1,184,541
Computer aided dispatch – Fire	3,537,559	2,045,981	1,491,578
User equipment	1,023,346	848,361	174,985
	\$ 98,974,978	\$ 69,521,962	\$ 29,453,016

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 7. Capital assets (continued):

December 31, 2011	Cost	Accumulated amortization	Net book value
Building	\$ 8,456,965	\$ 2,870,797	\$ 5,586,168
Furniture, fixtures and building equipment	10,888,399	8,531,343	2,357,056
Radio	69,102,873	45,014,740	24,088,133
Dispatch consoles and voice systems	5,975,648	4,758,643	1,217,005
Remote dispatch	3,159,595	2,503,028	656,567
Records management system – Fire	2,197,311	850,616	1,346,695
Computer aided dispatch – Fire	3,525,184	1,514,814	2,010,370
User equipment	1,021,954	792,042	229,912
	<b>\$ 104,327,929</b>	<b>\$ 66,836,023</b>	<b>\$ 37,491,906</b>

January 1, 2011	Cost	Accumulated amortization	Net book value
Building	\$ 8,456,965	\$ 2,625,289	\$ 5,831,676
Furniture, fixtures and building equipment	10,260,937	7,760,689	2,500,248
Radio	67,324,518	40,129,175	27,195,343
Dispatch consoles and voice systems	5,944,394	4,358,337	1,586,057
Remote dispatch	2,947,761	2,216,321	731,440
Records management system – Fire	2,181,438	616,748	1,564,690
Computer aided dispatch – Fire	3,502,927	979,227	2,523,700
User equipment	1,029,319	733,938	295,381
	<b>\$ 101,648,259</b>	<b>\$ 59,419,724</b>	<b>\$ 42,228,535</b>

## 8. Accounts payable and accrued liabilities

Included in accounts payable and accrued liabilities as at December 31, 2012 are government remittances payable of \$462,244 (December 31, 2011 - \$381,079; January 1, 2011 - \$333,178) relating to payroll related taxes.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 9. Long-term debt:

	December 31, 2012	December 31, 2011	January 1, 2011
4.65% unsecured note payable, maturing March 24, 2024 (a)	\$ 67,950,302	\$ 76,787,406	\$ 77,282,974
3.05% unsecured note payable, maturing June 1, 2022 (b)	9,736,208	10,508,769	11,244,544
4.775% unsecured note payable, maturing October 3, 2023 (c)	5,090,362	5,437,885	5,768,858
	<u>82,776,872</u>	<u>92,734,060</u>	<u>94,296,376</u>
Less:			
Deferred financing costs	1,571,538	1,678,231	1,778,626
	<u>81,205,334</u>	<u>91,055,829</u>	<u>92,517,750</u>
Less:			
Current portion of long-term debt	9,062,770	9,957,188	1,562,316
	<u>\$ 72,142,564</u>	<u>\$ 81,098,641</u>	<u>\$ 90,955,434</u>

On March 24, 1998, the Corporation entered into an agreement with the MFA to borrow up to a maximum of \$170 million. Of the \$170 million, \$110,684,000 has been drawn to date. Long-term debt 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. The loan has 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 \$971,881 and a final payment date of June 1, 2022 and bears interest at a rate of 3.05%, 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)

Years ended December 31, 2012 and 2011

## 9. Long-term debt (continued):

The repayment requirements, net of estimated sinking fund asset balances in the amount of \$27,908,128 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:	
2013	\$ 9,062,770
2014	7,842,041
2015	9,081,627
2016	3,469,224
2017	8,784,640
Thereafter	44,536,570
	\$ 82,776,872

## 10. Other liabilities:

	December 31, 2012	December 31, 2011	January 1, 2011
User equipment (a)	\$ 5,131,427	\$ 3,926,612	\$ 4,064,550
Radio (b)	3,723,923	3,426,719	2,758,321
HealthLink BC (c)	505,973	903,946	724,624
Other	235,906	202,931	294,342
Balance, end of year	\$ 9,597,229	\$ 8,460,208	\$ 7,841,837

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 2012, a further \$1,204,815 (2011 - \$1,475,281) was collected as billings received, nil (2011 - \$1,201,933) was repaid to user agencies, and nil (2011 - \$411,286) was drawn down for user equipment purchases on behalf of member agencies.
- (b) The Corporation has collected 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 2012, a further \$449,971 (2011 - \$800,000) was collected through billings, \$163,437 (2011 - \$139,949) was drawn down for equipment purchases, and \$10,670 (2011 - \$8,347) of interest was earned by and allocated to the liability.
- (c) The Corporation has received funds from HealthLink BC for future expenditures. These amounts are recorded as other liabilities until the funds are spent.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 11. Asset retirement obligation:

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

	December 31, 2012	December 31, 2011	January 1, 2011
Balance, beginning of year	\$ 1,228,666	\$ 1,342,004	\$ 1,301,594
Accretion expense	52,724	51,371	55,771
Additional site lease obligation	-	77,378	-
Adjustment to initial fair value of site lease obligation	-	(242,087)	(15,361)
<b>Balance, end of year</b>	<b>\$ 1,281,390</b>	<b>\$ 1,228,666</b>	<b>\$ 1,342,004</b>

The undiscounted estimated cash flows required to settle the obligations range from \$10,000 to \$150,000 during the years 2013 to 2066. The cash flows are discounted using credit adjusted risk-free rates of 3.46% to 5.25% (2011 - 3.46% 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 considered material.

## 12. 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.

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

## 12. Share capital (continued):

(b) Issued:

	December 31, 2012	December 31, 2011	January 1, 2011
27 class A common voting shares (2011 - 26)	\$ 270	\$ 260	\$ 260
22 class B common restricted voting shares (2011 - 23)	220	230	230
	\$ 490	\$ 490	\$ 490

In 2012, the District of West Vancouver converted one class B common restricted voting share to a class A common voting share.

(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.

## 13. Related party transactions:

Included in accounts receivable is an amount of \$84,423 (December 31, 2011 - \$75,927; January 1, 2011 - \$54,342) due from PRIMECorp. During the year, the Corporation received contracted service fees of \$503,370 (2011 - \$417,388) from PRIMECorp for administrative services provided.



# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

---

## 14. Commitments:

(a) Operating leases:

- (i) The Corporation has entered into leases of land for radio tower sites. These leases expire in future years from 2013 to 2066 and are renewable at the option of the Corporation. Future minimum payments under these leases, excluding option periods, are approximately as follows:

---

2013	\$	553,987
2014		464,251
2015		342,560
2016		259,515
2017		263,838
Thereafter		1,585,821
	\$	3,469,972

---

- (ii) The Corporation is committed under vehicles and office equipment operating leases having varying expiry dates to the year 2018. The future minimum payments under the terms of such leases are as follows:

---

2013	\$	108,522
2014		91,862
2015		76,426
2016		53,814
2017		49,818
Thereafter		39,095
	\$	419,537

---

# E-COMM EMERGENCY COMMUNICATIONS FOR SOUTHWEST BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Years ended December 31, 2012 and 2011

---

## 14. Commitments (continued):

### (b) 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 based on a formula. The plan has about 176,000 active members and approximately 67,000 retired members. Active members include approximately 35,000 contributors from local governments.

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 later in 2013. Defined contribution plan accounting is applied to the Plan as the Plan exposes the participating entities to actuarial risks associated with the current and former employees of other entities, with the result that there is no consistent and reliable basis for allocating the obligation, Plan assets, and costs to individual entities participating in the Plan. The Corporation paid \$1,522,923 for employer contributions to the plan in fiscal 2012 (2011 - \$1,338,203).

## 15. Contingencies:

As at December 31, 2012, 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.