

Financial Statements of

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

Year ended December 31, 2016



KPMG LLP
Metro Tower I
4710 Kingsway, Suite 2400
Burnaby BC V5H 4M2
Canada
Telephone (604) 527-3600
Fax (604) 527-3636

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of E-Comm Emergency Communications for British Columbia Incorporated, which comprise the statement of financial position as at December 31, 2016, the statements of operations and net 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 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 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 British Columbia Incorporated as at December 31, 2016 and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

KPMG LLP

Chartered Professional Accountants

April 20, 2017
Burnaby, Canada

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

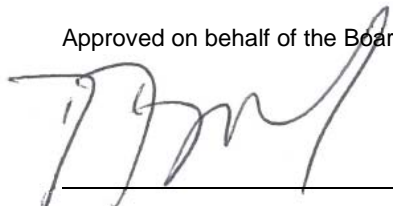
Statement of Financial Position

December 31, 2016, with comparative information for 2015


	2016	2015 (Recast - note 3)
Assets		
Current assets:		
Cash and cash equivalents	\$ 12,294,717	\$ 25,170,526
Accounts receivable	1,404,950	2,761,262
Prepaid expenses	1,534,561	1,221,006
Investment in direct finance leases receivable (note 6)	2,691,887	2,834,087
	<u>17,926,115</u>	<u>31,986,881</u>
Investment in PRIMECorp (note 2(a))	1	1
Debt reserve fund (note 4)	1,693,866	1,647,808
Costs recoverable from future billings	8,721,722	12,507,352
Long-term portion of prepaid land lease	2,020,202	2,045,454
Long-term portion of prepaid expenses	865,195	380,388
Long-term receivable for decommissioned assets (note 5)	128,447	450,471
Long-term portion of investment in direct finance leases receivable (note 6)	4,031,521	5,702,936
Capital assets (note 7)	51,689,237	33,576,266
	<u>\$ 87,076,306</u>	<u>\$ 88,297,557</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 8)	\$ 14,249,218	\$ 15,735,668
Accrued interest payable	1,154,170	1,171,265
Deferred revenue	234,137	294,533
Current portion of long-term debt (note 9)	8,784,640	3,474,311
Other liabilities (note 10)	15,413,707	13,294,405
	<u>39,835,872</u>	<u>33,970,182</u>
Long-term debt (note 9)	43,441,372	52,098,696
Asset retirement obligation (note 11)	2,193,837	1,717,876
	<u>85,471,081</u>	<u>87,786,754</u>
Net assets:		
Share capital (note 12)	510	510
Unrestricted net assets	1,604,715	510,293
	<u>1,605,225</u>	<u>510,803</u>
Commitments (note 14)		
Contingencies (note 4)		
	<u>\$ 87,076,306</u>	<u>\$ 88,297,557</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Operations and Net Assets

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

	2016	2015 (Recast - note 3)
Revenue:		
Radio system	\$ 11,208,037	\$ 12,164,327
Consolidated dispatch system	23,842,235	22,372,003
Contract service fees and miscellaneous revenue	7,158,953	7,172,131
9-1-1 call taking system	6,026,743	5,454,206
CAD system	1,401,236	1,306,940
Records management system	1,081,882	1,032,673
Financing revenue from direct finance leases	566,914	633,111
Tenant recoveries rental	451,990	425,240
Interest income	209,596	323,538
	<u>51,947,586</u>	<u>50,884,169</u>
Direct operating expenses:		
Salaries and benefits	38,179,910	36,709,692
Maintenance and technology	3,496,559	3,179,994
Premises	1,870,970	1,814,468
Professional fees	581,631	555,718
Employee related	727,371	756,873
Office supplies and communication	436,894	423,186
Other	255,868	334,409
	<u>45,549,203</u>	<u>43,774,340</u>
Other expenses:		
Amortization	3,306,771	4,436,708
Interest on long-term debt	1,812,076	2,214,791
Accretion of asset retirement obligation	129,650	53,130
Write-down of equipment	26,595	70,918
(Gain)/Loss on revaluation of asset retirement obligation	28,869	(46,645)
	<u>5,303,961</u>	<u>6,728,902</u>
	<u>50,853,164</u>	<u>50,503,242</u>
Excess of revenue over expenses	1,094,422	380,927
Surplus in net assets, beginning of year	510,293	129,366
Net assets, end of year	<u>\$ 1,604,715</u>	<u>\$ 510,293</u>

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Cash Flows

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

	2016	2015
		(Recast - note 3)
Cash provided by (used in):		
Operating:		
Excess of revenue over expenses	\$ 1,094,422	\$ 380,927
Items not involving cash:		
Amortization of capital assets	3,154,203	4,268,852
Amortization of prepaid land lease	25,252	25,253
Amortization of recoverable development costs	-	20,953
Accretion of asset retirement obligation	129,650	53,130
Adjustment due to revaluation of ARO	28,869	(46,645)
Amortization of deferred financing costs	127,316	121,650
Interest earned on debt reserve fund	(46,058)	(41,137)
Interest earned on investment in direct finance leases receivable	(566,914)	(633,112)
Write-down of equipment	26,595	70,918
Changes in non-cash operating working capital:		
Accounts receivable	1,678,335	985,095
Prepaid expenses	(798,362)	(465,797)
Costs recoverable from future billings	3,785,631	4,033,042
Accounts payable and accrued liabilities	(1,503,545)	6,962,553
Deferred revenue	(60,396)	(20,048)
Other liabilities	2,119,302	2,897,372
	<u>9,194,300</u>	<u>18,613,006</u>
Financing:		
Repayment of long-term debt	(3,474,311)	(9,076,540)
Investments:		
Acquisition and construction of capital assets	(21,293,769)	(15,704,204)
Payments received on direct finance leases receivable	3,781,757	3,874,171
Acquisition of assets for lease	(1,401,228)	(341,005)
Acquisition of site lease obligation	317,442	276,373
	<u>(18,595,798)</u>	<u>(11,894,665)</u>
Decrease in cash and cash equivalents	(12,875,809)	(2,358,199)
Cash and cash equivalents, beginning of year	25,170,526	27,528,725
Cash and cash equivalents, end of year	<u>\$ 12,294,717</u>	<u>\$ 25,170,526</u>
Interest paid	<u>\$ 4,613,916</u>	<u>\$ 4,717,916</u>

See accompanying notes to financial statements.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements

Year ended December 31, 2016

1. Operations:

E-Comm Emergency Communications for British Columbia Incorporated (the "Corporation") 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 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.

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.

(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 consist of cash on hand, cash held in banks and term deposits maturing within 90-days from the date of acquisition, net of bank overdrafts.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(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.

(g) Capital assets:

Capital assets are stated at cost, net of accumulated amortization. Interest costs directly attributable to major projects are capitalized and, commencing 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
Leasehold improvements	Over the term of the lease

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(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.

E-Comm's financial instruments carried at amortized cost include cash and cash equivalents, debt reserve fund, costs recoverable from future billings, accounts payable and accrued liabilities, accrued interest payable and long-term debt.

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.

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 any 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.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

2. Significant accounting policies (continued):

(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. Prior period adjustment:

During the year, management determined that adjustments were required to the comparative financial information. Since 2013, overtime banked leave taken has been recorded as an expense to salaries instead of as a reduction to the accrued liability for banked overtime. As the overtime was initially recorded as an expense when earned, this has resulted in an overstatement of salaries expense. Revenue was recognized related to the radio system as part of cost recovery for a portion of the overstated salaries expenses. This has also resulted in an overstatement of revenues.

The impact of the adjustment is as follows:

Radio system revenue for the year ended December 31, 2015, as previously reported	\$	12,181,749
Adjustment to decrease revenues related to overtime taken		(17,422)

Radio system revenue for the year ended December 31, 2015, as recast	\$	12,164,327
--	----	------------

Salaries and benefits expense for the year ended December 31, 2015, as previously reported	\$	36,858,412
Adjustment to decrease expenses related to overtime taken		(148,720)

Salaries and benefits expense for the year ended December 31, 2015, as recast	\$	36,709,692
---	----	------------

Accounts receivable as at December 31, 2015, as previously reported	\$	2,763,875
Adjustment to decrease accounts receivable related to overtime taken		(2,613)

Accounts receivable as at December 31, 2015, as recast	\$	2,761,262
--	----	-----------

Costs recoverable from future billings as at December 31, 2015, as previously reported	\$	12,587,700
Adjustment to decrease costs recoverable from future billings related to overtime taken		(80,348)

Costs recoverable from future billings as at December 31, 2015, as recast	\$	12,507,352
---	----	------------

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

3. Prior period adjustment (continued):

Accounts payable and accrued liabilities as at December 31, 2015, as previously reported	\$	16,170,309
Adjustment to decrease accruals related to overtime taken		(434,641)

Accounts payable and accrued liabilities as at December 31, 2015, as recast	\$	15,735,668
---	----	------------

Opening unrestricted net assets (deficit), January 1, 2015, as previously reported	\$	(91,016)
Adjustment due to overstated expenses related to overtime taken in 2013 and 2014		220,382

Opening unrestricted net assets, January 1, 2015, as recast	\$	129,366
---	----	---------

Unrestricted net assets for the year ended December 31, 2015, as previously reported	\$	158,613
Adjustment due to overstated expenses related to overtime taken in 2013 to 2015		351,680

Unrestricted net assets for the year ended December 31, 2015, as recast	\$	510,293
---	----	---------

Excess of revenue over expenses for the year ended December 31, 2015, as previously reported	\$	249,629
Adjustment due to overstated expenses related to overtime taken in 2015		131,298

Excess of revenue over expenses for the year ended December 31, 2015, as recast	\$	380,927
---	----	---------

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 (2015 - \$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 (2015 - nil). Interest earned on the debt reserve fund at 2.80% per annum (2015 - 2.56%) amounts to \$46,058 (2015 - \$41,137).

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

5. Long-term receivable for decommissioned assets:

		2016	2015
PRC Altaris CAD and Telesphere:			
Firehall Alerting System	(a)	\$ 7,279	\$ 25,859
Microwave ring	(b)	438,133	867,853
		445,412	893,712
Less current portion		316,965	443,241
Balance, end of year		\$ 128,447	\$ 450,471

The current portion of receivable for decommissioned assets is recorded in accounts receivable.

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 to be recovered through future billings. The receivable was initially recorded at fair value using the discounted cash flow model and subsequently recorded at amortized cost.
- (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 original system is recoverable from all committed agencies, the carrying value at the out-of-service date has been reclassified to a long-term receivable to be recovered through future billings. The receivable was initially recorded at fair value using the discounted cash flow model and subsequently recorded at amortized cost.

6. Investment in direct finance leases receivable:

	2016	2015
Minimum lease payments receivable	\$ 7,920,222	\$ 10,208,267
Less imputed interest at 4.65% (note 6(a))	1,178,235	1,671,244
Less imputed interest at 0.95% (note 6(b))	18,579	-
	6,723,408	8,537,023
Less current portion of investment in capital lease receivable (notes 6(a) and 6(b))	2,691,887	2,834,087
	\$ 4,031,521	\$ 5,702,936

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

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

- (a) 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:	
2017	\$ 2,515,354
2018	2,082,437
2019	912,954
2020	254,262
2021	125,818
Thereafter	126,445
	\$ 6,017,270

- (b) Specific user agencies lease CAD user equipment from the Corporation under 5-year direct finance leases. The future minimum payments, excluding financing costs, due from the user agencies are as follows:

Year ending December 31:	
2017	\$ 176,533
2018	176,535
2019	176,535
2020	176,535
Thereafter	-
	\$ 706,138

7. Capital assets:

	Cost	Accumulated depreciation	2016	2015
			Net book value	Net book value
Building	\$ 8,354,908	\$ (4,064,404)	\$ 4,290,504	\$ 4,562,902
Furniture, fixtures and building equipment	12,857,911	(9,659,693)	3,198,218	2,669,380
Radio	64,698,576	(55,918,364)	8,780,212	9,697,093
Construction in Progress	33,432,431	-	33,432,341	14,034,072
Dispatch consoles and voice systems	3,326,271	(2,959,341)	366,930	486,060
Remote dispatch	3,459,857	(3,056,900)	402,957	448,284
Records management system - Fire	2,363,258	(1,985,719)	377,539	576,122
Computer aided dispatch - Fire	3,641,837	(3,071,233)	570,604	758,297
User equipment	1,021,954	(983,094)	38,860	55,216
Leasehold Improvements	375,455	(144,383)	231,072	288,840
	\$ 133,532,368	\$ (81,843,131)	\$ 51,689,237	\$ 33,576,266

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

8. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2016 are government remittances payable of \$445,332 (2015 - \$176,804) relating to payroll related taxes.

9. Long-term debt:

		2016	2015
4.65 % unsecured note payable, maturing March 24, 2024	(a)	\$ 43,563,729	\$ 45,675,764
2.40% unsecured note payable, maturing June 1, 2022	(b)	6,239,879	7,179,616
2.40% unsecured note payable, maturing October 3, 2023	(c)	3,517,602	3,940,141
		53,321,210	56,795,521
Less deferred financing costs		1,095,198	1,222,514
		52,226,012	55,573,007
Less current portion of long-term debt		8,784,640	3,474,311
Balance, end of year		\$ 43,441,372	\$ 52,098,696

On March 24, 1998, the Corporation entered into an agreement with the MFA to borrow up to a maximum of \$170,000,000. Of the \$170,000,000, \$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 \$87,000,000 repayable over 16-years. The loan has an initial term of ten years and bears interest at a rate of 4.65%, with the final 6-years subject to refinancing on March 24, 2018.
- (b) On April 9, 2002, E-Comm obtained \$16 million of financing. This loan has an initial term of 20-years with annual blended principal and interest payments of \$867,881 and a final payment date of June 1, 2022 and bears interest at a rate of 2.40%, 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 \$416,800, has a final payment date of October 3, 2023 and bears interest at a rate of 2.40%, with interest calculated and paid semi-annually in each year of the loan.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

9. Long-term debt (continued):

The repayment requirements, net of estimated sinking fund asset balances in the amount of \$57,362,791 (2015 - \$53,888,479) representing payments made to date, under the existing borrowing agreements for long-term debt of the Corporation during the next 5-years and thereafter are as follows:

Year ending December 31:	
2017	\$ 8,784,640
2018	8,576,403
2019	12,563,938
2020	6,912,657
2021	5,517,351
Thereafter	10,966,221
	\$ 53,321,210

10. Other liabilities:

		2016	2015
User equipment	(a)	\$ 7,638,848	\$ 5,948,068
Radio	(b)	6,290,873	5,807,012
HealthLink BC	(c)	232,674	130,754
Fire RMS & CAD	(d)	1,251,312	1,408,571
Balance, end of year		\$ 15,413,707	\$ 13,294,405

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 2016 a further \$1,729,907 (2015 - \$1,278,165) was collected as billings received, no amounts (2015 - nil) were repaid to user agencies, and \$39,127 (2015 - \$266,301) was drawn down for user equipment purchases on behalf of member agencies. Interest is not earned on this balance.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

10. Other liabilities (continued):

- (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 2016, a further \$500,000 (2015 - \$1,839,999) was collected through billings, \$31,043 (2015 - \$352,979) was drawn down for equipment purchases, and \$14,904 (2015 - \$15,085) of interest was earned by and allocated to the liability, calculated based on the average bank interest rate during the year.
- (c) The Corporation has received funds from HealthLink BC for future expenditures. These amounts are recorded as other liabilities until the funds are spent. There is no interest earned on this balance.
- (d) The Corporation has collected annual payments starting in 2011 through Fire RMS and Fire CAD billings from Fire RMS and Fire CAD member agencies for future capital use. The funds collected are recorded as other liabilities until they are spent. In 2016, \$97,000 (2015 - \$441,758) was collected through billings and \$254,259 (2015 - \$280) was drawn down for equipment purchases. Interest is not earned on this balance.

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:

	2016	2015
Balance, beginning of year	\$ 1,717,876	\$ 1,435,018
Accretion expense	129,650	53,130
Adjustment due to revaluation of ARO	28,869	(46,645)
Additional site lease obligation	317,442	276,373
Balance, end of year	\$ 2,193,837	\$ 1,717,876

The undiscounted estimated cash flows required to settle the obligations range from \$10,000 to \$150,000 during the years 2017 to 2066. The cash flows are discounted using credit adjusted risk-free rates of 1.64% to 5.25% (2015 - 1.73% 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.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

11. Asset retirement obligation (continued):

There are certain unrecorded obligations with an indeterminable 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 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.

(b) Issued:

	2016	2015
28 class A common voting shares (2015 - 28)	\$ 280	\$ 280
23 class B common restricted voting shares (2015 - 23)	230	230
	\$ 510	\$ 510

(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.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

13 Related party transactions:

Included in accounts receivable is an amount of \$143,349 (2015 - \$472,145) due from PRIMECorp. During the year, the Corporation received contracted service fees of \$3,119,276 (2015 - \$3,004,686) from PRIMECorp for executive services and technology support services.

14. Commitments:

(a) Operating leases:

- (i) The Corporation has entered into leases of land for certain radio tower sites. These leases expire in future years from 2017 to 2066 and are renewable at the option of the Corporation. Future minimum payments under these leases, excluding option periods, are approximately as follows:

2017	\$	984,090
2018		926,006
2019		764,673
2020		578,211
2021		275,050
Thereafter		3,823,073
		<hr/>
	\$	7,351,103

- (ii) The Corporation is committed under vehicle and office equipment operating leases having varying expiry dates to the year 2019. The future minimum payments under the terms of such leases are as follows:

2017	\$	100,364
2018		47,762
2019		23,867
		<hr/>
	\$	171,993

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

14. Commitments (continued):

(a) Operating leases (continued):

(iii) The Corporation has entered into a lease for office premises. This lease expires December 31, 2020, and is renewable at the option of the Corporation for another 3-years. The future minimum payments, excluding the option period, are approximately as follows:

2017	\$	563,298
2018		571,041
2019		571,041
2020		571,041
	\$	2,276,421

(b) The Corporation has entered into a commitment to purchase next generation radio infrastructure, equipment, and associated services of approximately \$24,463,076 relating to the refresh of E-Comm's radio network. The future payments, exclusive of applicable taxes, under the terms of the contract are expected to be approximately as follows:

2017	\$	4,156,850
2018		3,351,006
	\$	7,507,856

(c) Municipal pension plan:

The Corporation and its employees contribute to the Municipal pension plan (the "Pension 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 Pension Plan has about 225,000 active and inactive member; and approximately 85,000 retired members.

The most recent valuation, as at December 31, 2015, indicated a surplus of \$2,224,000,000 for basic pension benefits.

E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2016

14. Commitments (continued):

(c) Municipal pension plan (continued):

Defined contribution plan accounting is applied to the Pension Plan as the Pension 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, Pension Plan assets, and costs to individual entities participating in the Pension Plan. The Corporation paid \$2,551,534 for employer contributions to the Pension Plan in fiscal 2016 (2015 - \$2,536,320).

15. Comparative information

Certain comparative figures have been reclassified to provide presentation consistency.