

Financial Statements of

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

Year ended December 31, 2018



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## INDEPENDENT AUDITORS' REPORT

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

### ***Opinion***

We have audited the financial statements of E-Comm Emergency Communications for British Columbia Incorporated (the "Entity"), which comprise:

- the statement of financial position as at December 31, 2018
- the statement of operations and net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, 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.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organization, 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.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada  
April 25, 2019

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Statement of Financial Position

December 31, 2018, with comparative information for 2017

	2018	2017
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,985,473	\$ 16,254,962
Accounts receivable	2,250,155	2,549,279
Prepaid expenses	2,062,097	1,718,007
Investment in direct finance leases receivable (note 5)	5,322,017	5,717,950
	<u>13,619,742</u>	<u>26,240,198</u>
Investment in PRIMECorp (note 2(a))	1	1
Debt reserve fund (note 3)	2,122,591	2,077,393
Costs recoverable from future billings	-	870,536
Long-term prepaid land lease	1,969,697	1,994,949
Long-term portion of prepaid expenses	1,762,178	1,709,377
Long-term receivable for decommissioned assets (note 4)	101,931	110,823
Long-term portion of investment in direct finance leases receivable (note 5)	24,308,263	25,065,694
Tangible capital assets (note 6)	54,961,581	57,451,390
	<u>\$ 98,845,984</u>	<u>\$ 115,520,361</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 7)	\$ 16,131,293	\$ 16,805,645
Accrued interest payable	935,042	1,394,447
Deferred revenue	172,428	209,496
Current portion of long-term debt (note 8)	17,285,526	13,160,469
Other liabilities (note 9)	11,786,709	13,955,223
	<u>46,310,998</u>	<u>45,525,280</u>
Long-term debt (note 8)	48,147,790	65,287,147
Asset retirement obligation (note 10)	2,404,520	2,353,052
Total liabilities	<u>96,863,308</u>	<u>113,165,479</u>
Net assets:		
Share capital (note 11)	530	520
Unrestricted net assets	1,982,146	2,354,362
	<u>1,982,676</u>	<u>2,354,882</u>
Contingency (note 3)		
Commitments (note 13)		
	<u>\$ 98,845,984</u>	<u>\$ 115,520,361</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, 2018, with comparative information for 2017

	2018	2017 (recast - note 15)
Revenue:		
Radio system	\$ 15,477,739	\$ 16,053,003
Consolidated dispatch system	27,850,840	25,322,845
Contract service fees and miscellaneous revenue	8,061,234	7,380,086
9-1-1 call taking system	6,742,416	6,386,698
CAD system	1,490,498	1,379,190
Records management system	1,166,047	1,077,026
Financing revenue from direct finance leases	860,275	511,586
Tenant recoveries rental	440,770	452,080
Interest income	301,879	282,386
	<u>62,391,698</u>	<u>58,844,900</u>
Direct operating expenses:		
Salaries and benefits	45,140,586	40,764,823
Maintenance and technology	4,687,238	4,495,549
Premises	1,952,959	1,978,952
Professional fees	1,738,915	947,766
Employee related	1,330,359	1,252,225
Office supplies and communication	573,090	521,820
Other	516,900	429,224
	<u>55,940,047</u>	<u>50,390,359</u>
Other (income) expenses:		
Amortization of tangible capital assets and prepaid land lease	6,372,449	5,714,635
Amortization of deferred financing costs	146,169	133,244
Interest on long-term debt	647,315	1,710,967
Accretion of asset retirement obligation	83,796	79,474
Loss (gain) on disposal of equipment	(425,862)	77,722
Adjustment due to revaluation of ARO (note 10)	-	(11,148)
	<u>6,823,867</u>	<u>7,704,894</u>
	<u>62,763,914</u>	<u>58,095,253</u>
Excess (deficiency) of revenue over expenses	(372,216)	749,647
Net assets, beginning of year	2,354,362	1,604,715
Net assets, end of year	<u>\$ 1,982,146</u>	<u>\$ 2,354,362</u>

See accompanying notes to financial statements.

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

## Statement of Cash Flows

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

	2018	2017
Cash provided by (used in):		
Operating:		
Excess (deficiency) of revenue over expenses	\$ (372,216)	\$ 749,647
Items not involving cash:		
Amortization of tangible capital assets	6,347,197	5,689,382
Amortization of prepaid land lease	25,253	25,253
Accretion of asset retirement obligation	83,796	79,474
Asset retirement obligation additions	-	90,889
Adjustment due to revaluation of ARO	-	(11,148)
Amortization of deferred financing costs	146,168	133,244
Interest earned on debt reserve fund	(45,198)	(34,797)
Interest earned on investment in direct finance leases receivable	(860,275)	(511,586)
Loss (gain) on disposal of equipment	(425,862)	77,722
Expenditures on asset retirement obligation	(32,328)	-
Changes in non-cash operating items:		
Accounts receivable	308,016	(1,126,705)
Prepaid expenses	(396,891)	(1,027,628)
Costs recoverable from future billings	870,536	7,851,186
Accounts payable, accrued liabilities and interest payable	(1,133,757)	2,796,704
Deferred revenue	(37,068)	(24,641)
Other liabilities	(2,168,514)	(1,458,484)
	2,308,857	13,298,512
Financing:		
Proceeds from long-term debt	-	34,873,000
Proceeds from issuance of share capital	10	10
Repayment of long-term debt	(13,160,468)	(8,784,640)
	(13,160,458)	26,088,370
Investing:		
Debt reserve fund	-	(348,730)
Acquisition and construction of tangible capital assets	(3,431,527)	(11,529,258)
Payments received on direct finance leases receivable	7,344,611	3,451,370
Acquisition of assets for direct finance leases	(5,330,972)	(27,000,019)
	(1,417,888)	(35,426,637)
Increase (decrease) in cash and cash equivalents	(12,269,489)	3,960,245
Cash and cash equivalents, beginning of year	16,254,962	12,294,717
Cash and cash equivalents, end of year	\$ 3,985,473	\$ 16,254,962

See accompanying notes to financial statements.

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements

Year ended December 31, 2018

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## 1. Operations:

E-Comm Emergency Communications for British Columbia Incorporated (the "Corporation") was created in 1997 under legislation known as the Emergency Communications Corporations Act. On September 22, 1997, the Corporation was incorporated under the Business Corporations Act (British Columbia).

The Corporation provides centralized emergency communications 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 income 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, the Corporation 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 Members' 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.

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 2. Significant accounting policies (continued):

### (b) Revenue recognition (continued):

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 Members' 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. Amounts received for future services are deferred until the service is provided.

### (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, if any.

### (d) Costs recoverable through future billings:

Costs recoverable through future billings represent services provided through the utilization of taxable capital assets, the cost of which is recoverable through future payments in accordance with the Members' Agreement.

### (e) Prepaid land lease:

The land on which the Corporation's 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.

### (f) 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.

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 2. Significant accounting policies (continued):

### (f) Capital assets (continued):

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	5.0 years to 20.5 years
Dispatch consoles and voice systems	7.0 years to 10.0 years
Records management system - Fire	5.0 years to 10.0 years
Computer aided dispatch - Fire	5.0 years to 10.0 years
User equipment	7.5 years to 12.5 years
Leasehold improvements	Over the term of the lease

Tangible capital assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is measured by a comparison of the asset's carrying amount to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. When quoted market prices are not available, the Corporation uses the expected future cash flows discounted at a rate commensurate with the risks associated with the recovery of the asset as an estimate of fair value.

### (g) Asset retirement obligations:

The Corporation recognizes the liability for an asset retirement obligation that results from acquisition, construction, development or normal operations in the year in which it is incurred and when a reasonable estimate of fair value can be made. The amount recognized is the best estimate of the expenditure required to settle the present obligation. The corresponding cost is capitalized as part of the related asset and is amortized over the asset's useful life. In subsequent years, the liability is adjusted for changes resulting from the passage of time and revisions to either the timing or the amount of the original estimate of the undiscounted cash flows. The accretion of the liability to its fair value as a result of the passage of time is charged to earnings while changes resulting from the revisions to either the timing or the amount of the original estimate of the undiscounted cash flows are accounted for as part of the carrying amount of the related long-lived asset.

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 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.

The Corporation's financial instruments carried at amortized cost include cash and cash equivalents, accounts receivable, 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 carried at cost or amortized cost 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) 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.

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 2. 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 established useful lives of tangible capital assets for purposes of amortization, recognition of revenue of costs recoverable through future billings, measurement of asset retirement obligations and contingent liabilities. Actual results could differ from those estimates.

## 3. Debt reserve fund and contingency:

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 \$10,341,485 (2017 - \$10,341,485) 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. There were no additions to the debt reserve fund during the year (2017 - \$348,730). Interest earned on the debt reserve fund at 2.18% per annum (2017 - 2.05%) amounts to \$45,198 (2017 - \$34,797).

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

	2018	2017
Firehall Alerting System	\$ -	\$ 1,859
Microwave Network (a)	110,821	124,933
	110,821	126,792
Less current portion	8,890	15,969
	\$ 101,931	\$ 110,823

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

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

#### 4. Long-term receivable for decommissioned assets (continued):

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

- (a) The Microwave Network was comprised of three rings that were 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.

#### 5. Investment in direct finance leases receivable:

	2018	2017
Minimum lease payments receivable	\$ 33,215,099	\$ 34,631,548
Less imputed interest at 2.85% and 4.65% (a)	3,419,904	3,633,663
Less imputed interest at 0.95% and 1.45% (b)	10,015	14,901
Less imputed interest at 2.65% and 2.85% (c)	154,900	199,340
	29,630,280	30,783,644
Less current portion	5,322,017	5,717,950
	\$ 24,308,263	\$ 25,065,694

- (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:

2019	\$ 5,017,717
2020	4,385,958
2021	4,265,962
2022	4,232,018
2023	4,168,887
Thereafter	6,196,712
	\$ 28,267,254

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 5. Investment in direct finance leases receivable (continued):

- (b) Specific user agencies lease computer aided dispatch 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:

2019	\$	182,530
2020		182,530
2021		5,996
	\$	371,056

- (c) Specific user agencies lease remote dispatch equipment from the Corporation under 10 year direct finance leases. The future minimum payments, excluding financing costs, due from the remote dispatch agencies are as follows:

2019	\$	121,770
2020		121,770
2021		121,770
2022		121,770
2023		120,100
Thereafter		384,790
	\$	991,970

## 6. Tangible capital assets:

			2018	2017
	Cost	Accumulated depreciation	Net book value	Net book value
Building	\$ 8,354,909	\$ (4,551,364)	\$ 3,803,544	\$ 4,047,025
Furniture, fixtures and building equipment	13,586,328	(10,316,526)	3,269,802	2,596,857
Radio	64,932,338	(19,896,272)	45,036,066	47,621,613
Dispatch consoles and voice systems	5,258,239	(3,352,070)	1,906,169	2,253,236
Records management system - Fire	2,312,548	(2,227,401)	85,147	154,040
Computer aided dispatch - Fire	2,833,588	(2,623,834)	209,754	443,185
User equipment	129,179	(11,991)	117,188	162,123
Leasehold improvements	793,813	(259,903)	533,910	173,311
	\$ 98,200,942	\$ (43,239,361)	\$ 54,961,581	\$ 57,451,390

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

## 7. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities as at December 31, 2018 are government remittances payable of \$360,964 (2017 - \$330,751) relating to payroll related taxes.

## 8. Long-term debt:

		2018	2017
1.75% unsecured note payable, maturing June 1, 2022	(a)	\$ 4,218,566	\$ 5,253,873
2.85% unsecured note payable, maturing October 3, 2023	(b)	2,608,350	3,074,064
2.65% unsecured note payable, maturing March 24, 2024	(c)	29,133,250	36,208,633
2.85% unsecured note payable, maturing October 24, 2024	(d)	30,288,935	34,873,000
		66,249,101	79,409,570
Less deferred financing costs		815,785	961,954
		65,433,316	78,447,616
Less current portion		17,285,526	13,160,469
		\$ 48,147,790	\$ 65,287,147

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, \$66,249,101 inclusive of sinking fund payments, has been drawn to date. Long-term debt is currently comprised of the following:

- (a) On April 9, 2002, the Corporation obtained \$16,000,000 of financing. This loan has a final payment due on June 1, 2022, bears interest at a rate of 1.75%, with interest calculated and paid semi-annually in each year of the loan.
- (b) On September 23, 2002, the Corporation obtained \$7,684,000 of financing. This loan has a final payment due on October 3, 2023, bears interest at a rate of 2.85%, with interest calculated and paid semi-annually in each year of the loan.
- (c) On March 24, 2008, the Corporation refinanced an existing loan, leaving a balance of \$87,000,000 repayable over 16-years. This loan has a final payment on March 24, 2024 bears interest at a rate of 2.65%, 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, 2018

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

- (d) On October 4, 2017, the Corporation obtained \$34,873,000 in long term borrowing from the MFA for user agency radio purchases for the P25 network. This loan has an initial term of 7 years with a final payment date of October 24, 2024, bears interest at a rate of 2.85%, with interest calculated and paid semi-annually in each year of the loan.

The Corporation's borrowing capacity will increase in accordance with the above maturity dates.

The repayment requirements, net of estimated sinking fund asset balances in the amount of \$79,307,899 (2017 - \$66,147,430) 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:

2019	\$ 17,285,526
2020	11,775,615
2021	10,526,762
2022	10,489,555
2023	9,990,199
Thereafter	6,181,444
	\$ 66,249,101

## 9. Other liabilities:

		2018	2017
User equipment	(a)	\$ 5,000,289	\$ 6,416,026
Radio	(b)	5,293,386	5,983,003
HealthLink BC	(c)	316,917	389,729
Fire RMS & CAD	(d)	1,176,117	1,166,465
Balance, end of year		\$ 11,786,709	\$ 13,955,223

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 2018, no amounts (2017 - \$2,099,031) were collected as billings received, \$413,000 (2017 - nil) were repaid to user agencies, and \$1,002,737 (2017 - \$3,321,864) 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, 2018

## 9. Other liabilities (continued):

- (b) Starting in 2006, the Corporation has collected funds through radio billings from radio member agencies to be set aside for future radio related expenditures. The funds collected are recorded as other liabilities until they are spent. In 2018, a further \$994,837 (2017 - \$900,000) was collected through billings, \$1,706,581 (2017 - \$1,223,065) was authorized to be expended from the funds and was spent, and \$22,127 (2017 - \$15,199) 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 2018, \$90,000 (2017 - \$145,000) was collected through billings and \$80,348 (2017 - \$229,847) was drawn down for equipment purchases. Interest is not earned on this balance.

## 10. Asset retirement obligation:

The Corporation has recorded an asset retirement obligation ("ARO") 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:

	2018	2017
Balance, beginning of year	\$ 2,353,052	\$ 2,193,837
Accretion expense	83,796	79,474
Adjustment due to revaluation of ARO	-	(11,148)
Additions to site lease obligation	-	90,889
Expenditures incurred	(32,328)	-
Balance, end of year	\$ 2,404,520	\$ 2,353,052

The undiscounted estimated cash flows required to settle the obligations range from \$7,500 to \$200,000 during the years 2019 to 2066. The cash flows are discounted using credit adjusted risk-free rates of 1.64% to 5.25% (2017 - 1.64% 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, 2018

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## 10. Asset retirement obligation (continued):

There are certain leased sites with an indeterminable amount of the asset retirement obligation as adequate information is not available to estimate fair value. As such, no asset retirement obligation has been recorded in the Corporation's financial statements for these indeterminable amounts. These amounts are not considered significant.

## 11. Share capital:

### (a) Authorized:

320 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.

210 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:

	2018	2017
32 Class A common voting shares (2017 - 29)	\$ 320	\$ 290
21 Class B common restricted voting shares (2017 - 23)	210	230
	<u>\$ 530</u>	<u>\$ 520</u>

### (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 Corporation's activities 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, 2018

## 12. Related party transactions:

PRIMECorp is related by virtue of executive and technology support services agreements under which certain E-Comm management act in executive positions for PRIMECorp and the Corporation provides technology support services to PRIMECorp. The following table summarizes transactions between PRIMECorp and the Corporation during the year:

	2018	2017
Technical services and support	\$ 2,880,976	\$ 2,826,305
Employee secondments and employee related expenses	2,077,695	1,621,291
Executive services	384,992	378,728
Geographic Information Systems ("GIS") services	322,641	314,884
Shared facilities services	306,959	296,418
	<b>\$ 5,973,263</b>	<b>\$ 5,437,626</b>

The above transactions, unless disclosed otherwise, are considered to be in the normal course of operations and are measured at their exchange amount, which is the amount of consideration established and agreed to by the related parties.

Included in accounts receivable is an amount of \$622,486 (2017 - \$711,522) due from PRIMECorp.

## 13. 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 2019 to 2066 and are renewable at the option of the Corporation. Future minimum payments under these leases, excluding option periods, are approximately as follows:

2019	\$ 1,062,031
2020	830,462
2021	550,969
2022	454,369
2023	425,383
Thereafter	6,659,524
	<b>\$ 9,982,738</b>

# E-COMM EMERGENCY COMMUNICATIONS FOR BRITISH COLUMBIA INCORPORATED

Notes to Financial Statements (continued)

Year ended December 31, 2018

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## 13. Commitments (continued):

(a) Operating leases (continued):

- (ii) The Corporation is committed under vehicle and office equipment operating leases having varying expiry dates to the year 2023. The future minimum payments under the terms of such leases are as follows:

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2019	\$ 60,195
2020	21,713
2021	21,713
2022	21,713
2023	13,027
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	\$ 138,361

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- (iii) The Corporation has entered into leases for office premises. The leases expire December 31, 2020 (with a renewable option to the Corporation for another 3 years), December 31, 2023 (with a renewable option to the Corporation for another 5 years), and January 31, 2024 (with 2 renewable options to the Corporation for 5 years each). The future minimum payments, excluding the option periods, are approximately as follows:

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2019	\$ 1,925,202
2020	1,970,869
2021	1,399,828
2022	1,399,828
2023	1,391,142
Thereafter	84,150
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	\$ 8,171,019

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(b) 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 defined benefit pension plan. Basic pension benefits provided are based on a formula. As at December 31, 2017, the Pension Plan has about 197,279 active members and approximately 95,290 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, 2018

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## 13. Commitments (continued):

### (b) 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 \$3,124,927 for employer contributions to the Pension Plan in fiscal 2018 (2017 - \$2,557,988).

## 14. Financial risks:

### (a) Interest rate risk:

It is management's opinion that the Corporation is not exposed to significant interest rate risk as its long term debt has fixed interest rates. Fluctuations in rates could impact future payments. There has been no change to the risk exposure from the prior year.

### (b) Liquidity risk:

Liquidity risk is the risk that the Corporation will be unable to fulfill its obligations on a timely basis or at a reasonable cost. The Corporation manages its liquidity risk by monitoring its operating and capital requirements. The Corporation prepares budget and cash flow forecasts to ensure it has sufficient funds to fulfill its obligations. There has been no change to the risk exposure from the prior year.

## 15. Recast of comparative information:

During the prior year, the Corporation recorded expenses drawn down from the radio funds collected in advance as a direct reduction to other liabilities (note 9). During the current year, it was determined that these expenditures should be reflected in the statement of operations and net assets as revenue and expenses on a gross basis. This has resulted in an adjustment to the comparative figures with an increase to both the radio system revenue and direct operating expenses of \$1,223,065 with no impact to excess of revenue over expenses.