

**Consolidated Financial Statements  
of**

**BC TRANSPORTATION  
FINANCING AUTHORITY**

**Year ended March 31, 2018**

**BC TRANSPORTATION FINANCING AUTHORITY**  
**For the year ended March 31, 2018**

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Management's Responsibility for the Consolidated Financial Statements

The consolidated financial statements of BC Transportation Financing Authority have been prepared by management in accordance with Canadian public sector accounting standards.


The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the consolidated financial statements, and for ensuring that this information is consistent, where appropriate, with the information contained in the consolidated financial statements. A summary of the significant accounting policies are described in note 2 to the consolidated financial statements. The preparation of financial statements involves the use of estimates based on management's judgment, particularly when current accounting period transactions cannot be finalized with certainty until future periods.

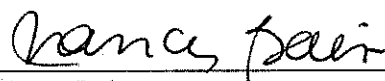
Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced. The internal controls are designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the consolidated financial statements.

The Board is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control, and exercises these responsibilities through the Director. The Director reviews the external audited consolidated financial statements on an annual basis.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the consolidated financial statements. The external auditors have full and free access to financial management of BC Transportation Financing Authority and meet when required. The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the consolidated financial statements.

On behalf of BC Transportation Financing Authority

  
\_\_\_\_\_  
Grant Main  
Chief Executive Officer  
Date: July 16, 2018

  
\_\_\_\_\_  
Nancy Bain  
Executive Financial Officer  
and Corporate Secretary  
Date: July 16, 2018



## **INDEPENDENT AUDITOR'S REPORT**

*To the Chair of the Board of Directors of BC Transportation Financing Authority, and  
To the Minister of Transportation and Infrastructure, Province of British Columbia*

I have audited the accompanying consolidated financial statements of BC Transportation Financing Authority (“the entity”), which comprise the consolidated statement of financial position as at March 31, 2018, and the consolidated statements of operations, change in net debt, remeasurement gains and losses, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian Public Sector Accounting Standards, and for such internal control as management determines, is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

My responsibility is to express an opinion on these consolidated financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated 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 consolidated financial statements.

In my view, the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified audit opinion.

***Basis for Qualified Opinion***

As described in Note 2g) to the consolidated financial statements, the entity's accounting for capital contributions received from governments and for externally restricted capital contributions received from non-government sources is to initially record them as deferred revenue (a liability) and then recognize revenue in the statement of operations on the same basis as the related assets are amortized.

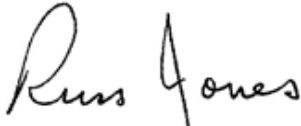
Under Canadian Public Sector Accounting Standards, the entity's method of accounting for contributions is only appropriate in circumstances where the funding meets the definition of a liability. Otherwise, the appropriate accounting treatment is to record contributions as revenue when they are received or receivable. In our opinion, certain contributions of the entity do not meet the definition of a liability, and as such the entity's method of accounting for those contributions represents a departure from Canadian Public Sector Accounting Standards.

This departure has existed since the inception of the standard, which applies to periods beginning on or after April 1, 2012. When the cumulative effects of this departure to date are adjusted through opening accumulated surplus, the entity's records indicate that the effects of this departure on the current year consolidated financial statements is an overstatement of the liability for deferred revenue of \$3,614 million, an understatement of opening accumulated surplus of \$3,768 million, and a current year overstatement of revenue of \$154 million. Accordingly, the current year deficit is understated by \$154 million and net debt is overstated by \$3,614 million.

***Qualified Opinion***

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of BC Transportation Financing Authority as at March 31, 2018, and the results of its operations, changes in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards.

Victoria, British Columbia  
July 17, 2018

  
Russ Jones, FCPA, FCA  
Deputy Auditor General



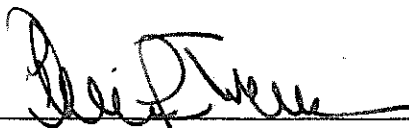
**BC TRANSPORTATION FINANCING AUTHORITY**

## Consolidated Statement of Financial Position

As at March 31	Note	2018 (\$ 000s)	2017 (\$ 000s)
<b>Financial assets:</b>			
Cash and cash equivalents	3	14,468	335,876
Due from government and government organizations	4	45,363	46,425
Accounts receivable		189	3,230
Investment in government business enterprise	5	191,560	139,079
Other financial assets	6	7,660	11,362
Derivative instruments	7	349,230	449,935
		<u>608,470</u>	<u>985,907</u>
<b>Liabilities:</b>			
Due to government and government organizations	8	327,121	351,034
Accounts payable and accrued liabilities	9	164,092	159,383
Debt	10	9,666,208	9,298,932
Public-private partnership liabilities	11	783,374	823,574
Deferred capital contributions	12	3,794,532	3,853,179
Deferred revenue	13	191,039	185,479
		<u>14,926,366</u>	<u>14,671,581</u>
<b>Net debt</b>		<u>(14,317,896)</u>	<u>(13,685,674)</u>
<b>Non-financial assets:</b>			
Tangible capital assets	14	13,628,492	13,437,900
Other non-financial assets	15	2,905	2,438
		<u>13,631,397</u>	<u>13,440,338</u>
<b>Accumulated (deficit)</b>		<u>(686,499)</u>	<u>(245,336)</u>
<b>Accumulated (deficit) is comprised of:</b>			
Accumulated annual (deficit)		(905,562)	(453,114)
Accumulated remeasurement gain		219,063	207,778
		<u>(686,499)</u>	<u>(245,336)</u>
Contractual rights	16		
Contractual obligations	17		
Contingent liabilities	18		

The accompanying notes are an integral part of these consolidated financial statements.

On behalf of BC Transportation Financing Authority:

  
\_\_\_\_\_  
Director

**BC TRANSPORTATION FINANCING AUTHORITY**  
**Consolidated Statement of Operations**

For the year ended March 31	Note	Budget (note 23) (\$ 000s)	2018 (\$ 000s)	2017 (\$ 000s)
<b>Revenue:</b>				
Tax revenue:	19			
Motor fuel tax		458,500	460,497	455,420
Car rental tax		8,500	8,500	7,000
Total tax revenue		<u>467,000</u>	<u>468,997</u>	<u>462,420</u>
Amortization of deferred capital contributions	12	178,221	178,774	172,634
Operating revenue	20	47,081	50,792	41,230
Earnings from government business enterprise	5	5,260	51,731	7,274
		<u>697,562</u>	<u>750,294</u>	<u>683,558</u>
<b>Expenses:</b>				
Operating expenses:				
Highway operations		589,145	560,655	531,942
Transit programs		144,529	134,579	136,993
Ferry operations		19,738	19,446	35,779
Other programs		185,553	108,948	70,195
Total operating expenses	21	<u>938,965</u>	<u>823,628</u>	<u>774,909</u>
Debt servicing costs	22	417,880	379,114	356,113
		<u>1,356,845</u>	<u>1,202,742</u>	<u>1,131,022</u>
Deficit from operations		<u>(659,283)</u>	(452,448)	(447,464)
Accumulated annual (deficit) at beginning of year			(453,114)	(5,650)
Accumulated annual (deficit) at end of year			<u>(905,562)</u>	<u>(453,114)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**BC TRANSPORTATION FINANCING AUTHORITY**  
Consolidated Statement of Change in Net Debt

For the year ended March 31	Budget (note 23) (\$ 000s)	2018 (\$ 000s)	2017 (\$ 000s)
<b>Annual deficit</b>	(659,283)	(452,448)	(447,464)
Effect of change in tangible capital assets:			
Acquisition of tangible capital assets	(1,168,719)	(708,927)	(823,004)
Amortization of tangible capital assets	498,238	490,975	480,470
Asset write-off, disposal and other adjustments	2,000	27,360	14,698
Transfer of TransLink Evergreen Infrastructure (note 14)	-	-	429,760
	<u>(668,481)</u>	<u>(190,592)</u>	<u>101,924</u>
Effect of change in investment in government business enterprise:			
Other comprehensive gain (loss)		1,182	(134)
		<u>1,182</u>	<u>(134)</u>
Effect of change in fair value adjustments and foreign currency translation:			
Equity investments		14	32
Foreign currency translation		110,794	(34,340)
Derivative instruments		(100,705)	(209,117)
		<u>10,103</u>	<u>(243,425)</u>
Effect of change in other non-financial assets		(467)	210
(Increase) in net debt		<u>(632,222)</u>	<u>(588,889)</u>
Net debt at beginning of year		(13,685,674)	(13,096,785)
Net debt at end of year		<u>(14,317,896)</u>	<u>(13,685,674)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**BC TRANSPORTATION FINANCING AUTHORITY**  
**Consolidated Statement of Remeasurement Gains and Losses**

For the year ended March 31	2018 (\$ 000s)	2017 (\$ 000s)
Accumulated remeasurement gains at beginning of year	207,778	451,337
Unrealized gains and losses:		
Unrealized gain on equity investments	14	32
Unrealized foreign exchange gain (loss) on debt	624	(34,340)
Unrealized net gain (loss) on periodic derivative instrument payments	59,893	(154,739)
	<u>60,531</u>	<u>(189,047)</u>
Realized gains and losses reclassified to the statement of operations:		
Realized foreign exchange loss on maturity of debt	110,170	-
Realized (gain) on maturity of derivative instruments	(110,170)	-
Realized net (gain) on periodic derivative instrument payments	(50,428)	(54,378)
	<u>(50,428)</u>	<u>(54,378)</u>
Unrealized comprehensive gain (loss) from government business enterprise	1,182	(134)
Accumulated remeasurement gain at end of year	<u><u>219,063</u></u>	<u><u>207,778</u></u>

The accompanying notes are an integral part of these consolidated financial statements.



**BC TRANSPORTATION FINANCING AUTHORITY**

## Consolidated Statement of Cash Flows

For the year ended March 31	2018 (\$ 000s)	2017 (\$ 000s)
<b>Operating activities:</b>		
Annual deficit	(452,448)	(447,464)
Items not involving cash:		
Amortization of tangible capital assets	490,975	480,470
Amortization of deferred capital contributions	(178,774)	(172,634)
Amortization of debt premium, discount and issue cost	(867)	(678)
Cost of properties sold (other financial assets)	4,798	2,953
Earnings from government business enterprise	(51,731)	(7,274)
Change in operating working capital:		
Decrease (Increase) in due from government and government organizations	1,062	(2,465)
Decrease (Increase) in accounts receivable	3,041	(3,209)
(Decrease) Increase in due to government and government organizations	(23,913)	192,920
Increase in accounts payable and accrued liabilities	4,709	7,177
	<u>(203,148)</u>	<u>49,796</u>
<b>Financing activities:</b>		
Debt issued	1,080,527	1,308,350
Debt retired	(601,590)	(175,914)
(Decrease) in public-private partnership liabilities	(40,200)	(335,400)
Realized foreign exchange loss on maturity of debt	110,170	-
Realized (gain) on maturity of derivative instruments	(110,170)	-
Net addition to deferred capital contributions	120,127	97,568
Increase (Decrease) in deferred revenue	5,560	(288,762)
	<u>564,424</u>	<u>605,842</u>
<b>Investing activities:</b>		
Payment from government business enterprise to BCTFA	432	4,292
	<u>432</u>	<u>4,292</u>
<b>Capital activities:</b>		
Addition to tangible capital assets	(708,927)	(823,004)
Transfer of TransLink Evergreen Infrastructure (note 14)	-	429,760
Tangible capital asset written down or disposed	10,953	8,000
Costs of tangible capital asset sold	15,325	4,275
(Increase) Decrease in other non-financial assets	(467)	210
	<u>(683,116)</u>	<u>(380,759)</u>
(Decrease) Increase in cash and cash equivalents	<u>(321,408)</u>	<u>279,171</u>
Cash and cash equivalents at beginning of year	335,876	56,705
Cash and cash equivalents at end of year	<u>14,468</u>	<u>335,876</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	380,880	355,382

The accompanying notes are an integral part of these consolidated financial statements.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

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### 1. Nature of operations:

BC Transportation Financing Authority (BCTFA) was established in 1993 as a Crown corporation, a separate legal entity of the Province of British Columbia (Province), by the enactment of the *Build BC Act*. On December 31, 2004, the *Build BC Act* was repealed and the *Transportation Act* became the legislative authority of BCTFA. BCTFA is governed by a Board who may exercise the rights, powers and advantages conferred under the *Act*. However, the Board is constrained in the use and disposal of transportation infrastructure assets.

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated to take full responsibility for providing services to the general public by holding and improving the infrastructure over their useful lives.

BCTFA is exempt from income taxes under the *Income Tax Act*.

### 2. Significant accounting policies:

#### a) Basis of accounting:

These consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSAS).

#### b) Basis of consolidation:

British Columbia Railway Company (BCRC), a wholly-owned subsidiary of BCTFA and a government business enterprise, is consolidated using the modified equity basis of consolidation. Under the modified equity method, net operating income, other comprehensive income and changes in equity of government business enterprises are consolidated. Inter-entity transactions are not eliminated. No adjustment is made for accounting policies of BCRC that are different from BCTFA. Payments to BCTFA and the Province are deducted from the investment in BCRC.

#### c) Financial instruments:

Financial instruments include primary instruments such as receivables, payables and loans and derivative instruments such as interest rate swaps and currency swaps. These instruments create rights and obligations for an entity to receive or deliver economic benefits. Public sector accounting standards require that these instruments to be assigned to one of the two measurement categories below:

- i) fair value; or
- ii) cost or amortized cost.

BCTFA measures its equity investments and derivative instruments at fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system describes the basis of inputs used to measure financial instruments in the fair value category:

- i) Level 1 - Quoted price in active market for identical assets or liabilities.
- ii) Level 2 - Internal models developed from observable market data for similar assets or liabilities.
- ii) Level 3 - Internal models developed without observable market data.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

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### 2. Significant accounting policies (continued):

#### c) Financial instruments (continued):

##### Equity investments:

BCTFA initially recognizes its equity investments at exchange price plus all related transaction costs. These investments are subsequently remeasured at fair value at fiscal year-end using the last bid price in an active exchange (Level 1). Changes in the fair value of the investments are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the investments are sold.

##### Derivative instruments:

BCTFA uses derivative contracts to manage its currency and interest rate exposure. The derivative contract at inception has no value. At each fiscal year-end, these contracts are remeasured at fair values provided by Provincial Treasury, which uses Level 2 methodology to derive the fair values. Changes in the fair value of these contracts are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the contract expires or is extinguished.

##### Other financial assets and financial liabilities:

Cash and cash equivalents include cash on hand and short-term highly liquid investments that are readily convertible to cash within a day's notice and are subject to insignificant risk of change in market value. These short-term investments are held for the purpose of meeting short-term cash commitments rather than for investing.

Cash and cash equivalents are measured at cost plus accrued interest which approximates fair value. All other financial assets and financial liabilities are measured at cost or amortized cost. Interest attributable to financial instruments of this type are reported in the statement of operations.

#### d) Properties held for sale:

Surplus properties that are not anticipated to be used for future highway purposes are available for sale. These properties are classified as other financial assets when all of the following criteria are met:

- i) prior to the date of the financial statements, management, with appropriate authority, commits the entity to selling the asset;
- ii) the asset is in a condition to be sold;
- iii) the asset is publicly seen to be for sale;
- iv) there is an active market for the asset;
- v) there is a plan in place for selling the asset; and
- vi) it is reasonably anticipated that the sale to a purchaser external to the government reporting entity will be completed within one year of the financial statement date.

#### e) Bond premiums, discounts and issue costs:

Bond premiums, discounts and issue costs are deferred and amortized using the effective interest rate method over the term of the related debt.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

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### 2. Significant accounting policies (continued):

#### f) Capitalization of public-private partnership projects:

Public-private partnership projects are delivered by private sector partners selected to design, build, finance and operate these assets. The cost of these assets include the costs incurred by the private sector partners, as well as costs incurred by the BCTFA. The private sector partner's costs are estimated at fair value, which requires the extraction of capital cost information from the financial model supporting the concession agreement. These costs are capitalized as tangible capital assets as construction progresses and an equal obligation is recorded as a liability. These assets will be amortized over their estimated useful lives consistent with the tangible capital assets in note 2(i) and the corresponding liabilities will be paid down over the term of the agreements using the effective interest rate method.

#### g) Deferred capital contributions:

BCTFA defers all restricted monetary and non-monetary contributions for depreciable tangible capital assets and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized. Funds received for acquisition of land are recognized as revenue in the period when authorized and all eligibility criteria are met.

#### h) Deferred revenue:

Deferred lease and licence revenue is the unamortized portion of payments received in advance for services to be performed in future periods. These advanced payments will be recognized as revenue over the term of the related service agreement on a straight line basis. Other deferred operating revenue is recognized as revenue when services are rendered.

#### i) Tangible capital assets:

BCTFA expenses all pre-project planning costs. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use. The costs of a project in progress are written off in the year it is determined no asset will result.

Completed infrastructure is recorded at cost, which includes direct project expenditures, overhead expenses directly attributable to the project, and related financing charges during the acquisition, design, construction, development, improvement or betterment of the assets. Capitalization of financing charges ceases when substantial completion of a project is attained.

The costs of a completed infrastructure, less the residual value and related land acquisition cost, are amortized on a straight-line basis over its estimated useful life as follows:

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Tangible capital asset	Estimated useful life
Land	Indefinite
Vessels	15 - 40 years
Ferry terminals and facilities	5 - 40 years
Highway infrastructure	3 - 40 years
Transit infrastructure	15 - 100 years
Building and improvements	15 - 90 years

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## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

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### 2. Significant accounting policies (continued):

#### i) Tangible capital assets (continued):

The cost of completed infrastructure is written down when conditions indicate that it no longer contributes to BCTFA's ability to provide services to the public, or when the value of future economic benefits associated with the asset is less than its net book value. The net write-down is accounted for as expense in the statement of operations.

Tangible capital assets and properties transferred from government or government organizations are recorded at their net book values with corresponding entries to deferred capital contributions and statement of operations respectively.

#### j) Revenue recognition:

All revenues are recorded on an accrual basis and recognized in the period in which the transactions or events occurred that gave rise to the revenues.

See note 2(g) for recognition of deferred capital contributions and note 2(h) for recognition of other deferred revenue.

#### k) Expense recognition:

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed.

Transfers include entitlements, grants and transfers under shared cost agreements. Transfers are recorded as expenses when the transfer is authorized and eligibility criteria have been met by the recipients.

#### l) Foreign currency translation:

Revenue and expenditure transactions denominated in foreign currencies are translated into Canadian dollars at the exchange rate at the time of the transaction. Any foreign currency adjustments resulting from the translation are recorded in the statement of operations at the time of occurrence.

Financial assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the year-end date. Any resulting currency fluctuations are recorded in the statement of remeasurement gains and losses and the cumulative gains or losses are reclassified to the statement of operations when the related assets or liabilities expire or are extinguished.

#### m) Liability for contaminated sites:

A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environment standard. A contaminated site does not include airborne contamination or contaminants in the earth's atmosphere unless such contaminants have been introduced into soil, water bodies or sediment.

## **BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

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### **2. Significant accounting policies (continued):**

#### **m) Liability for contaminated sites (continued):**

The nature of BCTFA's activities sometime leads to the ownership and responsibility of certain contaminated sites that are used for transportation infrastructure and some contaminated sites that are no longer in productive use.

BCTFA recognizes the liability of all contaminated sites that are not in productive use if a reasonable estimate of the remediation cost can be made.

BCTFA recognizes the liability of the contaminated sites that are in productive use if it is expected that remediation is required in the future and a reasonable estimate of the cost can be made. If a contaminated site is in use and there is no plan for remediation in the foreseeable future, BCTFA discloses it as a contingent liability if a reasonable estimate of the remediation cost can be made. BCTFA performs periodic assessments of all contaminated sites and makes changes to the accrued and contingent liabilities in the year when the status or estimates change.

The estimated liability includes all costs directly attributable to remediation activities including post-remediation operations, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site, net of any expected recoveries. The basis of the estimate for each contaminated site comes from the estimates of an external consultant or from the Ministry of Transportation and Infrastructure experience at other similar sites.

#### **n) Measurement uncertainty:**

The presentation of the consolidated financial statements in conformity with PSAS 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 the consolidated financial statements; and the reported amounts of revenues and expenses during the year. Items requiring the use of significant estimates include capital asset useful life and rates for amortization; liabilities for contaminated sites; and provisions for expropriation, construction and other claims.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from amounts estimated. Adjustments to previous estimates, which may be material, will be recorded in the period they become known.

Liabilities for contaminated sites are subject to a high degree of uncertainty due to the existence and extent of the contamination and the responsibility for clean-up. Provisions for expropriation, construction and other claims are contingent to the likelihood of the occurrence (non-occurrence) of a future event that will confirm that a liability has been incurred cannot be reliably estimated in all circumstances. The degree of measurement uncertainty resulting from the estimation of these liabilities cannot be reasonably determined.

**BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

**3. Cash and cash equivalents:**

	2018 (\$ 000s)	2017 (\$ 000s)
Cash	9,661	331,116
Cash equivalents	4,807	4,760
	14,468	335,876

Included in cash and cash equivalents is:

- \$1.4 million (2017 - \$2.3 million) funding received from road users for the Sierra Yoyo Desan Road Transition Agreement between BCTFA and the Ministry of Energy, Mines and Petroleum Resources. These funds can only be used for the improvement or maintenance of the Sierra Yoyo Desan Road.

Cash equivalents are investments in money market instruments which are redeemable within a day's notice.

**4. Due from government and government organizations:**

	2018 (\$ 000s)	2017 (\$ 000s)
Province of British Columbia	34,682	38,992
Transportation Investment Corporation	10,681	7,433
	45,363	46,425

Due from the provincial government includes fuel tax revenue owing to BCTFA.

**BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

**5. Investment in government business enterprise:**

Effective April 1, 2010, the shares of BCRC were transferred from the Province to BCTFA, resulting in BCRC becoming a wholly-owned subsidiary of BCTFA. BCRC continues to operate as a separate self-supported Crown corporation and retains its legal and legislative authorities and agreements.

	2018 (\$ 000s)	2017 (\$ 000s)
Investment in BCRC at beginning of year	139,079	136,231
Earnings for the year	51,731	7,274
Comprehensive gain (loss)	1,182	(134)
Payment to BCTFA	(432)	(4,292)
	52,481	2,848
Investment in BCRC at end of year	191,560	139,079

BCRC's consolidated financial statements have been prepared by its management in accordance with International Financial Reporting Standards as issued by the International Accounting Standard Board.

Consolidated Statement of Financial Position As at March 31	2018 (\$ 000s)	2017 (\$ 000s)
Financial assets	305,890	238,052
Liabilities	(308,649)	(263,549)
Net (debt)	(2,759)	(25,497)
Non-financial assets	194,319	164,576
Accumulated surplus	191,560	139,079

Consolidated Statement of Comprehensive Income For the year ended March 31	2018 (\$ 000s)	2017 (\$ 000s)
Revenue	68,716	24,800
Expenses	(16,985)	(17,526)
Annual operating surplus	51,731	7,274
Other comprehensive gain (loss)	1,182	(134)
Total comprehensive income	52,913	7,140



**BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

**6. Other financial assets:**

	2018 (\$ 000s)	2017 (\$ 000s)
Equity investments	97	83
Properties held for sale	7,563	11,279
	7,660	11,362

Equity investments are investments in shares of Ballard Power Systems Inc. under the Ballard Power Systems Inc. and the Province of British Columbia Fuel Cell Program Agreement. As at March 31, 2018, BCTFA holds 28,250 shares (2017 - 28,250 shares) of Ballard Power Systems Inc.

Properties held for sale are surplus properties that are not anticipated to be used for future highway purposes and have met all criteria in note 2(d).

**7. Derivative instruments:**

Through the Ministry of Finance, BCTFA borrows funds in both domestic and foreign capital markets to optimize its debt portfolio within specified risk parameters. As a result, BCTFA is exposed to risks associated with interest rate and foreign exchange fluctuations. To mitigate exposure to those risks, BCTFA entered into a number of interest rate and currency swap contracts. The contracts expire between fiscal 2019/20 and 2048/49 with a fair value of \$268 million (2017 - \$362 million) for interest rate swaps and \$81 million (2017 - \$88 million) for currency swaps as at March 31, 2018.

BCTFA entered into three new derivative contracts this fiscal (2017 - five new contracts entered) and two derivative contract expired during the year (2017 - no contract expired).

**8. Due to government and government organizations:**

	2018 (\$ 000s)	2017 (\$ 000s)
Province of British Columbia	327,121	351,034
	327,121	351,034

Due to the provincial government is mainly capital project payments and accrued project liabilities.

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### 9. Accounts payable and accrued liabilities:

	2018 (\$ 000s)	2017 (\$ 000s)
Interest payable	91,397	85,820
Liabilities for contaminated sites	41,205	48,326
Other payables and accrued liabilities	31,431	25,078
GST remittance to the federal government	59	159
	<u>164,092</u>	<u>159,383</u>

### 10. Debt:

	Year of maturity	Canadian currency debt (\$ 000s)	(Canadian equivalent) Foreign currency debt <sup>1</sup> (\$ 000s)	2018 Canadian total (\$ 000s)	2017 Canadian total (\$ 000s)
Promissory notes .....	2018	-	-	-	-
	2019	9,982	-	9,982	-
Debt .....	2018	-	-	-	601,590
	2019	180,000	-	180,000	180,000
	2020	450,000	-	450,000	450,000
	2021	308,823	-	308,823	308,823
	2022	791,464	248,500	1,039,964	1,039,964
	2023	228,864	100,000	328,864	328,864
	2024 - 2028	1,052,031	770,251	1,822,282	1,822,282
	2029 - 2033	1,230,000	-	1,230,000	1,230,000
	2034 - 2038	748,387	150,000	898,387	821,490
	2039 - 2043	1,376,063	-	1,376,063	1,276,063
	2044 - 2048	250,000	-	250,000	250,000
	2049 - 2053	1,692,000	-	1,692,000	792,000
Total debt issued		<u>8,317,614</u>	<u>1,268,751</u>	9,586,365	9,101,076
Unrealized foreign exchange loss on debt				122,785	233,579
Unamortized debt premium, discount and issue cost				(42,942)	(35,723)
				<u>9,666,208</u>	<u>9,298,932</u>
The effective interest rates (weighted average) as at March 31 on the above debt are:				3.60%	3.47%

<sup>1</sup> As at March 31, 2018, BCTFA has \$864 million US dollar debt (2017 - \$1,164 million) and \$175 million Euro dollar debt (2017 - \$175 million) outstanding.

**BC TRANSPORTATION FINANCING AUTHORITY**

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

**10. Debt (continued):**

BCTFA acquired \$1,081 million debt (2017 - \$1,308 million) and retired \$602 million debt during the year (2017 - \$176 million).

Anticipated principal repayments on debt for the next five fiscal years and thereafter are as follows:

Principal repayment in Canadian currency (\$ 000s)	
2019	189,982
2020	450,000
2021	308,823
2022	1,039,964
2023	328,864
and thereafter	7,268,732
	9,586,365

The Minister of Finance is the fiscal agent of BCTFA. All debt is acquired through the provincial government's fiscal agency loan program and is either held or guaranteed by the Province. Each year, BCTFA submits its borrowing plan to Treasury Board and may borrow the sums of money approved in the budget.

**11. Public-private partnership liabilities:**

BCTFA has four public-private partnership contracts to design, build, finance and operate (DBFO) certain highway infrastructure.

The information presented below shows the outstanding balance of the capital liabilities under these contracts. Future payments for the financing and operating components of these contracts are disclosed under contractual obligations in note 17.

	Project status	Interest rate (%)	Contract type	Contract term (Years)	Capital liabilities 2018 (\$ 000s)	Capital liabilities 2017 (\$ 000s)
South Fraser Perimeter Road	Completed	9.16	DBFO	20	154,654	167,479
Kicking Horse Park Bridge	Completed	7.40	DBFO	25	56,379	59,026
Sea-to-Sky Highway Corridor	Completed	7.52	DBFO	25	416,974	437,621
William R. Bennett Bridge	Completed	7.88	DBFO	30	155,367	159,448
					783,374	823,574

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**11. Public-private partnership liabilities (continued):**

Anticipated principal repayments on public-private partnership liabilities for the next five fiscal years and thereafter are as follows:

	Principal repayment (\$ 000s)
2019	31,707
2020	26,931
2021	37,408
2022	45,212
2023	49,531
and thereafter	592,585
	783,374

**12. Deferred capital contributions:**

BCTFA defers all restricted monetary and non-monetary capital contributions from governments and partners and amortizes the contributions into revenue on the same basis as the related depreciable assets are amortized.

	April 1, 2017 balance (\$ 000s)	Net addition (\$ 000s)	Transfer to revenue (\$ 000s)	March 31, 2018 balance (\$ 000s)
Provincial government	2,150,253	-	(129,299)	2,020,954
Federal government	1,597,289	105,899	(45,848)	1,657,340
Municipal government	45,863	5,484	(1,274)	50,073
Other partners	59,774	8,744	(2,353)	66,165
	3,853,179	120,127	(178,774)	3,794,532

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**13. Deferred revenue:**

	April 1, 2017 balance (\$ 000s)	Net adjustment (\$ 000s)	Transfer to revenue (\$ 000s)	March 31, 2018 balance (\$ 000s)
British Columbia Ferry Services Inc. terminal lease	56,506	-	(1,229)	55,277
Port Mann/Highway 1 Improvement Project land licence	121,313	(584)	(1,718)	119,011
George Massey Tunnel Replacement Project land licence	7,093	6,746	-	13,839
Other deferred revenue	567	2,912	(567)	2,912
	185,479	9,074	(3,514)	191,039

**British Columbia Ferry Services Inc. terminal lease:**

The *Coastal Ferry Act* enacted on March 26, 2003, provided for the restructuring of the British Columbia Ferry Services Inc. (BC Ferries) - formerly named British Columbia Ferry Corporation. In April 2003, the Province retained ownership of the ferry terminal lands by having BCTFA purchase them from BC Ferries at fair value and subsequently leased these assets back to BC Ferries for a term of 60 years. BC Ferries prepaid this lease obligation, and the revenue is being amortized on a straight line basis over 60 years.

**Port Mann/Highway 1 Improvement Project (PMH1) land licence:**

BCTFA and the Transportation Investment Corporation (TI Corp) entered into a land licensing agreement on March 15, 2010 which provides TI Corp the right to use and occupy certain BCTFA's lands to fulfil TI Corp's obligations under the PMH1 Concession Agreement. The term of the agreement commenced on December 1, 2012 and terminates on March 14, 2090. TI Corp agreed to prepay all costs incurred for land purchased under the licensing agreement and BCTFA amortizes the prepaid land licensing fee on a straight line basis over approximately 77 years. In fiscal 2017/18, net adjustment to PMH1 land licence was a reduction of \$0.6 million mainly due to reclassification of a property from land right to investment property at TI Corp (2017 - net adjustment was \$0.7 million).

**George Massey Tunnel Replacement Project (GMTR) land licence:**

Similar to the PMH1 project, BCTFA plans to enter into a land licensing agreement with TI Corp providing the corporation the right to use and occupy certain BCTFA's lands for the GMTR project. TI Corp agrees to prepay all costs incurred for land purchases. In fiscal 2017/18, BCTFA acquired \$6.7 million (2017 - \$7.1 million) of land for the GMTR project.

## BC TRANSPORTATION FINANCING AUTHORITY

Notes to Consolidated Financial Statements

For the year ended March 31, 2018

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### 14. Tangible capital assets:

BCTFA's mandate is to acquire, construct, hold, improve or operate transportation infrastructure and is obligated for providing services to the general public by holding, improving or operating the infrastructure over their useful lives. All BCTFA's tangible capital assets are subject to the above restrictions. Changes to the use of the assets or disposal require the provincial government's approval. At each fiscal year-end, BCTFA reclassifies land that meets the criteria for properties held for sale in note 2(d) to other financial assets.

The Evergreen Line achieved substantial completion in December 2016. Construction of the Evergreen Line was led by BCTFA, with South Coast British Columbia Transportation Authority (TransLink) owning the portion defined in the Funding and Support Agreement as the TransLink Evergreen Infrastructure. Upon substantial completion the final value of the TransLink Evergreen Infrastructure was determined. An account receivable of \$429.76 million was established and the corresponding amount removed from BCTFA's work in progress asset account. The account receivable was eliminated through the legal offset of the deferred revenue amount of \$292.787 million and payments of \$136.973 million received in fiscal 2016/17.

#### Tangible capital assets under lease:

Included in tangible capital assets are capital assets leased to TransLink. These capital assets under lease consist of land and interests in land, park and ride facilities, improvements such as stations and guideways, rolling stock, and other assets related to the Evergreen Line, Millennium Line, and Expo Line SkyTrain systems and to the West Coast Express. Leased assets are made available for TransLink's use for a nominal rent under various lease arrangements and licences. The Expo Line and Millennium Line Use Agreements expire in January 2019. They may be renewed, if mutually agreed, for successive five year terms as long as the assets remain a part of the Greater Vancouver regional transportation system. Leases and licences for the park and ride facilities expire in 2032. The net book value of these assets as at March 31, 2018 is \$2,357 million (2017 - \$2,380 million).

**BC TRANSPORTATION FINANCING AUTHORITY**

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**14. Tangible capital assets (continued):**

<b>Cost</b>	April 1, 2017 balance (\$ 000s)	Addition (\$ 000s)	Transfer (\$ 000s)	Reclass <sup>3</sup> / Disposal (\$ 000s)	March 31, 2018 balance (\$ 000s)
Highway infrastructure <sup>1</sup>	14,713,674	-	398,443	(26)	15,112,091
Transit infrastructure <sup>2</sup>	3,147,351	-	18,954	-	3,166,305
Ferry terminals and facilities	23,575	-	-	-	23,575
Vessels	62,380	-	13,394	(477)	75,297
Building and improvements	58,229	-	-	-	58,229
Land <sup>3</sup>	1,978,723	41,207	-	(16,640)	2,003,290
Capital projects in progress <sup>4</sup>	444,136	667,720	(430,791)	(10,578)	670,487
	20,428,068	708,927	-	(27,721)	21,109,274

<b>Accumulated amortization</b>	April 1, 2017 balance (\$ 000s)	Amortization (\$ 000s)	Transfer (\$ 000s)	Disposal (\$ 000s)	March 31, 2018 balance (\$ 000s)
Highway infrastructure <sup>1</sup>	(5,892,225)	(441,142)	-	-	(6,333,367)
Transit infrastructure <sup>2</sup>	(1,061,227)	(45,381)	-	-	(1,106,608)
Ferry terminals and facilities	(5,996)	(845)	-	-	(6,841)
Vessels	(23,735)	(2,097)	-	361	(25,471)
Building and improvements	(6,985)	(1,510)	-	-	(8,495)
	(6,990,168)	(490,975)	-	361	(7,480,782)

<b>Net book value</b>	April 1, 2017 balance (\$ 000s)	March 31, 2018 balance (\$ 000s)
Highway infrastructure <sup>1</sup>	8,821,449	8,778,724
Transit infrastructure <sup>2</sup>	2,086,124	2,059,697
Ferry terminals and facilities	17,579	16,734
Vessels	38,645	49,826
Building and improvements	51,244	49,734
Land <sup>3</sup>	1,978,723	2,003,290
Capital projects in progress <sup>4</sup>	444,136	670,487
	13,437,900	13,628,492

<sup>1</sup> Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

<sup>2</sup> Transit infrastructure includes rail stations, guideways, vehicles, rolling stocks, bus exchanges and park & ride facilities.

<sup>3</sup> Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.

<sup>4</sup> Interest related to capital projects in progress is capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.

**BC TRANSPORTATION FINANCING AUTHORITY**

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For the year ended March 31, 2018

**14. Tangible capital assets (continued):**

<b>Cost</b>	April 1, 2016			Reclass <sup>3</sup> / Disposal (\$ 000s)	March 31, 2017
	balance (\$ 000s)	Addition (\$ 000s)	Transfer (\$ 000s)		balance (\$ 000s)
Highway infrastructure <sup>1</sup>	14,188,315	-	525,359	-	14,713,674
Transit infrastructure <sup>2</sup>	2,390,142	-	757,209	-	3,147,351
Ferry terminals and facilities	23,614	-	704	(743)	23,575
Vessels	62,380	-	-	-	62,380
Building and improvements	58,229	-	-	-	58,229
Land <sup>3</sup>	1,893,653	92,705	-	(7,635)	1,978,723
Capital projects in progress <sup>4</sup>	1,433,801	730,299	(1,713,032)	(6,932)	444,136
	20,050,134	823,004	(429,760)	(15,310)	20,428,068

<b>Accumulated amortization</b>	April 1, 2016			Disposal (\$ 000s)	March 31, 2017
	balance (\$ 000s)	Amortization (\$ 000s)	Transfer (\$ 000s)		balance (\$ 000s)
Highway infrastructure <sup>1</sup>	(5,451,915)	(440,310)	-	-	(5,892,225)
Transit infrastructure <sup>2</sup>	(1,025,463)	(35,764)	-	-	(1,061,227)
Ferry terminals and facilities	(5,734)	(874)	-	612	(5,996)
Vessels	(21,723)	(2,012)	-	-	(23,735)
Building and improvements	(5,475)	(1,510)	-	-	(6,985)
	(6,510,310)	(480,470)	-	612	(6,990,168)

<b>Net book value</b>	April 1, 2016		March 31, 2017
	balance (\$ 000s)		balance (\$ 000s)
Highway infrastructure <sup>1</sup>	8,736,400		8,821,449
Transit infrastructure <sup>2</sup>	1,364,679		2,086,124
Ferry terminals and facilities	17,880		17,579
Vessels	40,657		38,645
Building and improvements	52,754		51,244
Land <sup>3</sup>	1,893,653		1,978,723
Capital projects in progress <sup>4</sup>	1,433,801		444,136
	13,539,824		13,437,900

<sup>1</sup> Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

<sup>2</sup> Transit infrastructure includes rail stations, guideways, vehicles, rolling stocks, bus exchanges and park & ride facilities.

<sup>3</sup> Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.

<sup>4</sup> Interest related to capital projects in progress is capitalized. Capital projects in progress are transferred to completed infrastructure when substantial completion is attained or when assets are available for use.



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Notes to Consolidated Financial Statements

For the year ended March 31, 2018

**15. Other non-financial assets:**

Other non-financial assets are deferred land selling costs which will be charged to expense when the related property is sold.

**16. Contractual rights:**

Contractual rights are rights to economic resources arising from contracts or agreements that will result in revenues or assets in the future. As at March 31, 2018, BCTFA has the following rights which arise from cost-share agreements signed with federal and local governments and other partners for capital projects; and lease and rental agreements entered into for BCTFA's properties.

(\$ millions)	2019	2020	2021	2022	2023	Future rights
Capital project cost-share agreements	280.1	183.7	56.9	37.4	37.7	2.1
Lease and rental agreements	4.2	4.0	3.7	3.7	3.6	36.7
	284.3	187.7	60.6	41.1	41.3	38.8

**17. Contractual obligations:**

Information presented under public-private partnership projects are BCTFA's future obligations to private sector concessionaires who financed, built and operate certain transportation infrastructure. These obligations are financing and operating payments to P3 concessionaires. They are contingent on specified performance criteria and include an estimation of inflation as per the concession agreements. Capital liabilities resulting from the public-private partnership contracts are disclosed in note 11.

Under the terms of the Provincial Funding Agreement for the Canada Line Rapid Transit Project, BCTFA is committed to contribute capital and operating funding for the construction and operations of the Canada Line. The obligations presented below include BCTFA's commitment to Canada Line operating payments. These payments are also contingent on specific performance criteria being met.

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**17. Contractual obligations (continued):**

(\$ millions)	Contract end date	2019	2020	2021	2022	2023	Future payments
Public-private partnership projects:							
Sea-to-Sky Highway Corridor	2030	48.9	47.9	47.1	46.0	44.6	314.7
Kicking Horse Canyon Projects	2030	8.7	8.9	9.3	9.1	9.4	84.0
South Fraser Perimeter Road	2035	30.0	33.8	24.9	22.0	21.8	237.9
William R. Bennett Bridge	2035	16.5	16.3	16.0	15.7	15.4	152.6
Canada Line	2040	19.3	19.3	19.3	19.3	19.3	326.9
Golden Ears Bridge <sup>1</sup>	2018	24.3	-	-	-	-	-
Other commitments		307.2	67.8	1.0	0.9	-	0.8
		454.9	194.0	117.6	113.0	110.5	1,116.9

<sup>1</sup> On August 23, 2017, BCTFA and TransLink entered into an interim agreement to compensate TransLink for removal of Golden Ears Bridge tolls. The term of the agreement commences on August 23, 2017 and expires on August 31, 2018. If by August 31, 2018, BCTFA and TransLink have not entered into a long term agreement, the term will automatically extend on a month-to-month basis, and the compensation period will similarly be deemed to be extended on a month-to-month basis, and the other terms and conditions of the agreement will continue to apply, until both parties have entered into a long term agreement. The obligation under the Golden Ears Bridge in the table above represents the projected foregone toll revenue between April 1 and August 31, 2018. Future obligations of the Golden Ears Bridge will be determined when a long term agreement between BCTFA and TransLink is reached.

**18. Contingent liabilities:**

The nature of BCTFA's activities is such that there is litigation pending or in progress at any time. Based on all currently available information, BCTFA recorded a provision for litigation that a reasonable estimate can be made and it is probable that a settlement could be reached. The basis of the estimate comes from the advice of professional consultants and the entity's experience on similar circumstances.

BCTFA performs an annual assessment of all contingent liabilities and makes changes to the provision in the year the status or estimates change. As at March 31, 2018, BCTFA has unrecorded contingent liabilities of \$62 million (2017 - \$71 million) in which \$59 million (2017 - \$68 million) are related to property and contaminated sites claims.

**19. Tax revenue:**

Under section 13 of the *Motor Fuel Tax Act*, BCTFA receives motor fuel tax of 6.75 cents per litre. Under section 43 of the *Provincial Sales Tax Act*, BCTFA receives a car rental tax of \$1.50 per car rental day.

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**20. Operating revenue:**

Operating revenue consists of the following:

	2018 (\$ 000s)	2017 (\$ 000s)
Net revenue from property sales	29,924	24,136
Rental and leases	9,322	10,602
Grants from the Province	2,853	2,998
Miscellaneous revenue	8,693	3,494
	50,792	41,230

**21. Operating expenses:**

Operating expenses by group account classification:

	2018 (\$ 000s)	2017 (\$ 000s)
Amortization expense	490,975	480,470
Grants	129,535	127,163
Operating costs	117,561	89,681
Other costs	67,230	62,461
Administration expense	7,374	7,134
Asset write-down or disposal	10,953	8,000
	823,628	774,909

**22. Debt servicing costs:**

	2018 (\$ 000s)	2017 (\$ 000s)
Interest on debt and public-private partnership obligations	437,607	417,650
Interest capitalized	(7,198)	(6,481)
	430,409	411,169
Amortization of debt premium, discount and issue cost	(867)	(678)
Realized foreign exchange loss on maturity of debt	110,170	-
Realized (gain) on maturity of derivative instruments	(110,170)	-
Realized net (gain) on periodic derivative instrument payments	(50,428)	(54,378)
	379,114	356,113

## BC TRANSPORTATION FINANCING AUTHORITY

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### 23. Budget:

The budget in these consolidated financial statements is based upon the operating and capital budget in the approved 2017/18 - 2019/20 Ministry of Transportation and Infrastructure service plan September 2017 update and the Province's budget and fiscal plan September 2017 update.

### 24. Risk management:

#### a) Interest rate risk:

BCTFA is exposed to changes in interest rates on its debt. Based on the entity's debt policy, variable interest rate exposure for debt is limited to a maximum of 40%. To manage interest rate exposure and to maintain the target debt ratio, BCTFA may from time to time enter into interest rate swap contracts.

As at March 31, 2018, 26.18% (2017 - 27.13%) of BCTFA's debt is variable-rate. A 0.25% change in interest rates will have a financial impact of \$6.1 million (2017 - \$5.6 million), net of all interest rate swap contracts, to BCTFA's future operating result and cash flow.

BCTFA regularly monitors the economic and interest rate conditions through the Ministry of Finance and may make recommendations, if necessary, to the Board to change its target debt structure in order to manage its financial resources effectively.

#### b) Foreign exchange risk:

BCTFA's foreign exchange risk exposure is limited due to the fact that its primary business activities are conducted in Canada using Canadian currency. BCTFA's risk management policy is to mitigate foreign exchange risk. When a Canadian dollar denominated debt is not available or is not in the best financial interest of the entity, BCTFA will borrow funds in other currencies and will immediately enter into currency swaps to offset the currency risk.

As at March 31, 2018, BCTFA has \$864 million US dollar debt (2017 - \$1,164 million) and \$175 million Euro dollar debt (2017 - \$175 million) outstanding. The foreign exchange risk of these debt issues is fully offset by currency swaps.

#### c) Credit risk:

Credit risk is the risk that BCTFA will incur financial loss due to a counterparty defaulting on its financial obligation to BCTFA. In accordance with the government's policy guidelines, the Province reduces its credit risk by dealing with only highly rated counterparties. The Province only enters into derivative transactions with counterparties that have a rating from Standard & Poor's and Moody's Investors Service Inc. of at least A+/A1. The Province also establishes limits on individual counterparty credit exposures and monitors these exposures on a regular basis. Since the Province is BCTFA's borrowing agent, all derivative contracts BCTFA enters are in accordance with government's policy guidelines, therefore reducing BCTFA's exposure to credit risk.

Other than credit risks arising from the use of financial derivative instruments, BCTFA has limited exposure to other credit risks as it mainly conducts business with the Province and other levels of government / government entities.

## **BC TRANSPORTATION FINANCING AUTHORITY**

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### **24. Risk management (continued):**

#### d) Liquidity risk:

Liquidity risk is the risk that BCTFA will encounter difficulty in meeting its financial obligations as they come due. BCTFA manages liquidity risk through effective financial and contract management.

Each year, BCTFA reviews its net cash requirement for operational activities and capital investments for the next three years and submits a long-term borrowing plan to Treasury Board for approval. As the fiscal agent of BCTFA, the Minister of Finance has provided BCTFA a pre-authorized short-term borrowing limit of which BCTFA can access short-term funds to meet liquidity needs within one day's notice.

### **25. Related party transactions:**

BCTFA is related through common ownership to all Province of British Columbia ministries, agencies and Crown corporations and all public sector organizations that are included in the provincial government reporting entity. BCTFA and the Ministry of Transportation and Infrastructure (Ministry) signed a Memorandum of Understanding that the Ministry will undertake the delivery of all infrastructure projects on behalf of BCTFA. BCTFA will reimburse the Ministry for all costs incurred for delivery of the projects.

### **26. Subsequent event:**

On March 20, 2018, the Lieutenant Governor of the B.C. issued an Order in Council approving section 8 of the *Budget Measures Implementation Act 2017*, transferring the share of the Transportation Investment Corporation (TI Corp) from the Province to the BCTFA on April 1, 2018. As a result, TI Corp became a wholly-owned subsidiary of BCTFA in the new fiscal year. TI Corp continues to operate as a separate entity and retain its legal and legislative authorities and agreements.

### **27. Comparative figures:**

Certain comparative figures have been restated to conform to current year's presentation.