BRITISH COLUMBIA TRANSIT

FIR, Schedule 1, Section 9

STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned represents BC Transit Management and has the overall responsibility for the preparation of the financial information included in this report, produced under the Financial Information Act.

____________________________
Name: Alan Thomas
Title: Vice President, Finance & Chief Financial Officer
Date: August 10, 2017

Prepared pursuant to the Financial Information Regulation, Schedule 1, Section 9.
BRITISH COLUMBIA TRANSIT

FIR, Schedule 1, Section 9

STATEMENT OF FINANCIAL INFORMATION APPROVAL

The undersigned represents the Board of Directors of BC Transit and approves all the statements and schedules included in this Statement of Financial Information, produced under the Financial Information Act.

____________________________
Name:  Frank Carson
Title:  Chair
Date:  August 10, 2017

Prepared pursuant to the Financial Information Regulation, Schedule 1, Section 9.
## Schedule of Long Term Debt and Sinking Funds

As at March 31, 2017

<table>
<thead>
<tr>
<th>Debt Issue</th>
<th>Debt Type</th>
<th>Maturity</th>
<th>Rate</th>
<th>Currency</th>
<th>Principal</th>
<th>Sinking Fund Book Value</th>
<th>Sinking Fund Market Value</th>
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<td>BCCD-21</td>
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<td>18-Dec-18</td>
<td>4.65%</td>
<td>CAD</td>
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<td>BCCP-62</td>
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<td>10-Mar-20</td>
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<td>1,828,000</td>
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<td>BCCP-63</td>
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<td>16,932,656</td>
<td>18,587,942</td>
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<td>Bond</td>
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<td>1,300,000</td>
<td>645,745</td>
<td>664,594</td>
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<td>BCCP-70</td>
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<td>BCCP-145</td>
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<td>1,007,143</td>
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<td>1,473,425</td>
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**Subtotal**  
180,079,152  
85,674,474  
94,000,961

**Net Unamortized Bond Discount**  
(73,129)

180,006,024  
85,674,474  
94,000,961
BRITISH COLUMBIA TRANSIT

FIR, Schedule 1, Section 5 (1)

Schedule of Guarantees & Indemnity Agreements
For the Year Ended March 31, 2017

There were no indemnity agreements entered into during the year which required the prior approval of the Minister of Finance or the Director of Risk Management Branch of the Ministry of Finance pursuant to the Guarantees and Indemnities Regulation (B.C. Reg. 258/87).

All agreements were undertaken as a normal part of doing business.
Elected Officials, Commission Members, and Members of the Board of Directors

<table>
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<tr>
<th>Member Name</th>
<th>Remuneration</th>
<th>Total Expenses</th>
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</thead>
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<td><strong>Members of the Board of Directors:</strong></td>
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<tr>
<td>Mahoney, Kevin</td>
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<td>Carson, Frank</td>
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<td>$525</td>
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<td>Cairns, Kelly</td>
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<td>Milobar, Peter</td>
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<td>De Clark, Bob</td>
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<td>LeClerc, Carol</td>
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<td><strong>Members of the Commission and Board of Directors:</strong></td>
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<td><strong>Members of the Commission:</strong></td>
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<td><strong>Total Remuneration and Expenses</strong></td>
<td><strong>$88,050</strong></td>
<td><strong>$13,621</strong></td>
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### BRITISH COLUMBIA TRANSIT

**FIR, Schedule 1, Section 6 (2)(b) & (c)**

Schedule Showing the Remuneration and Expenses over $75,000
Paid In Respect of Each Employee
For the Year Ended March 31, 2017

<table>
<thead>
<tr>
<th>EMPLOYEE NAME</th>
<th>*REMUNERATION</th>
<th>TOTAL EXPENSES</th>
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<td>Abhainn, Michael</td>
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<td>Anderson, Brian</td>
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<tbody>
<tr>
<td>Over 75,000 Remuneration</td>
<td>19,961,797</td>
<td>637,388</td>
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<td>39,408,628</td>
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<td>Grand Total Employees</td>
<td>59,370,425</td>
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* Remuneration in 2017 is based on a 26 pay period cycle (2016 - 27 pay periods) and includes Gross Pay and Taxable benefits payable to the employee, per the definition of "remuneration" under FIR Schedule 1, subsection 6(1). Remuneration also includes banked time payouts such as overtime and annual vacation.
## Schedule Showing the Remuneration and Expenses Paid to or on Behalf of Each Employee (Reconciliation)

For the Year Ended March 31, 2017

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total remuneration - elected officials, employees appointed by Cabinet and members of the Board of Directors</td>
<td>$88,050</td>
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<tr>
<td>Total remuneration - other employees</td>
<td>59,370,425</td>
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<tr>
<td><strong>Subtotal</strong></td>
<td>59,458,475</td>
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<tr>
<td>Less: Capitalized Remuneration</td>
<td>(1,897,292)</td>
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<tr>
<td>Less: Members of the Board of Directors' remuneration</td>
<td>(88,050)</td>
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<tr>
<td>Plus: Employee Benefits</td>
<td>14,074,195</td>
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<tr>
<td>Plus: Severance paid</td>
<td>191,251</td>
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<tr>
<td>Plus: Change in Accrued Payroll Liabilities &amp; Amounts Due to Timing</td>
<td>(2,071,579)</td>
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<tr>
<td><strong>Total per Statement of Revenue and Expenditure</strong></td>
<td><strong>69,667,000</strong></td>
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BRITISH COLUMBIA TRANSIT
FIR, Schedule 1, Section 6 (2)(d)
There were 4 severance agreements, representing 18.02 months compensation total, made between BC Transit and its non-unionized employees during the fiscal year 2016/2017.

These agreements present from 1.03 to 8.04 months of compensation.

This statement is prepared under the *Financial Information Regulation*, Schedule 1, Section 6(7).
## BRITISH COLUMBIA TRANSIT

Part II FIR, Schedule 1, Section 7 (1)(a) & (b)

Alphabetical List of Suppliers who Received Aggregate Payments
In Excess of $25,000
For the Year Ended March 31, 2017

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<tr>
<th>Vendor Name</th>
<th>Aggregate Amount Paid</th>
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<td>A.C.E. COURIER</td>
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<td>ABC TRANSMISSIONS</td>
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<td>ACCIONA FACILITY SERVICES CANADA</td>
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<td>ACKLANDS-GRAINGER INC.</td>
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<td>ALEXANDER DENNIS INC.</td>
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<td>ALEXANDER DENNIS LTD.</td>
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<td>AMPCO MANUFACTURERS INC.</td>
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<td>ARI FINANCIAL SERVICES INC.</td>
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<td>ARROW &amp; SLOCAN LAKES COMMUNITY</td>
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<td>AXION TECHNOLOGIES LTD.</td>
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<td>BAKER TRANSIT PARTS INC.</td>
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<td>BAL GLOBAL FINANCE CANADA CORP</td>
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<td>BC HYDRO</td>
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<td>BC TRANSIT FITNESS &amp; LIFESTYLE CENTRE</td>
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<td>BCT EMPLOYEE HEALTH &amp; BENEFIT TRUST</td>
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<td>BELLA COOLA VALLEY BUS COMPANY LTD.</td>
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<td>BOARDWALK COMMUNICATIONS</td>
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<td>CITY OF NELSON</td>
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<td>CITY OF POWELL RIVER</td>
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<td>CITY OF PRINCE GEORGE</td>
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<td>CITY OF REVELSTOKE</td>
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<td>CITY OF VICTORIA</td>
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<td>CLIFFE STREET CENTRE LTD.</td>
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<td>COLUMBIA FIRE &amp; SAFETY LTD.,</td>
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<td>CONSIDINE &amp; COMPANY</td>
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<td>GARTNER CANADA CO.</td>
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<td>GEONORTH ENGINEERING LTD.</td>
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<td>GIRO INC.</td>
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<td>GLENOAK FORD SALES LTD.</td>
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<td>GLOBE CONTRACTING LTD</td>
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<td>Vendor Name</td>
<td>Aggregate Amount Paid</td>
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<td>GRANDE WEST TRANSPORTATION</td>
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<td>HERJAVEC GROUP (VANCOUVER)</td>
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<td>LORDCO PARTS LTD.</td>
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<td>MICHELIN NORTH AMERICA INC. (CAN)</td>
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<td>MICROSOFT CORPORATION</td>
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<td>MONK OFFICE SUPPLY LTD.</td>
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<td>MONSTER WORLDWIDE CANADA LTD.</td>
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<td>MOTOR COACH INDUSTRIES LTD.</td>
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<td>NANAIMO REG. TRANSIT SYSTEM</td>
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<td>NEW FLYER INDUSTRIES LTD.</td>
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<td>NICOLA VALLEY TRANSPORTATION SOCIETY</td>
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<td>NORCAN FLUID POWER LTD.</td>
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<td>NORDBO SERVICES LTD.</td>
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<tr>
<td>Vendor Name</td>
<td>Aggregate Amount Paid</td>
</tr>
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<td>NORTH ISLAND COMMUNITY SERVICES SOCIETY</td>
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<td>OAKCREST PARK ESTATES LTD.</td>
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<td>OLYMPUS STAGE LINES LTD.</td>
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<td>OMEGA UNIFORM SYSTEMS LTD.</td>
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<td>OPTUM HEALTH SERVICES (CANADA ) LTD</td>
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<td>PATIO SOCIAL INC. ( DBA PATIO )</td>
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<td>PREVOST CAR INC.</td>
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<td>PRINCE GEORGE TRANSIT LTD</td>
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<td>RBC/BC TRANSIT GRP PLAN #005422</td>
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<td>RESOLVER INC.</td>
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<td>ROGER MILLER</td>
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<td>ROGERS</td>
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<td>ROYAL ROADS UNIVERSITY</td>
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<td>SAFETY-KLEEN CANADA, INC.</td>
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<td>SCHOOL DISTRICT # 20, TRAIL</td>
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<td>SEON DESIGN INC</td>
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<td>SERVICE FIRST LTD.</td>
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<td>SHAW CABLE</td>
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<td>SIDNEY TAXI LTD</td>
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<td>Aggregate Amount Paid</td>
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<td>STACEY HOLLOWAY AND ASSOCIATES LTD.</td>
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<td>TELUS COMMUNICATIONS (BC) INC.</td>
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<td>TELUS SERVICES INC.</td>
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<td>TERAGO NETWORKS INC.</td>
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<td>THE AFTERMARKET PARTS COMPANY, LLC</td>
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<td>THE GEAR CENTRE</td>
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<td>THE LAKERS’ GO BUS SOCIETY</td>
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<td>THERMO KING OF BRITISH COLUMBIA INC.</td>
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<td>THINK MINT MEDIA INC</td>
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<td>TOTEM TOWING</td>
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<td>TRAIL TRANSIT SERVICES INC.</td>
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<td>URBAN SYSTEMS LTD.</td>
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<td>USSC GROUP, INC.</td>
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<td>VAN KAM FREIGHTWAYS LTD</td>
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<td>VENTURES LTD</td>
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<td>VICTORIA CONTRACTING &amp;</td>
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<td>VICTORIA WATERJET LTD</td>
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<td>VOITH TRANSMISSION CANADA INC.</td>
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<td>WASTE CONNECTIONS OF CANADA INC.</td>
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<td>WHEATON CHEVROLET BUICK</td>
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<td>WHISTLER CONNECTION LTD</td>
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<td>WHISTLER TRANSIT LTD.</td>
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<td>WORKSAFE BC</td>
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<td>WSP CANADA INC.</td>
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<td>XPO LOGISTICS LTD CANADA</td>
<td>68,996</td>
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<td>YELLOWHEAD COMMUNITY SERVICES</td>
<td>336,071</td>
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<td>Vendor Name</td>
<td>Aggregate Amount Paid</td>
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<td>----------------------------------------------------------------------------</td>
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<tr>
<td>Consolidated Total of Payments in Excess of $25,000 Paid to Suppliers</td>
<td>233,963,321</td>
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<tr>
<td>Consolidated Total of Payments Less than $25,000 Paid to Suppliers</td>
<td>3,171,009</td>
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<tr>
<td>Total Aggregate Payments Made to Suppliers Per Accounts Payable Ledger</td>
<td>237,134,330</td>
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<tr>
<td>Vendor Analysis</td>
<td>237,134,330</td>
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<tr>
<td><strong>Vendor Payments not on Statement of Operations:</strong></td>
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<tr>
<td>Amounts paid to vendors on Capital Assets and WIP</td>
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<td>Other Timing Differences Between Cash Disbursements &amp; the Accrual Basis of Accounting</td>
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<td><strong>Expense Items not in 16/17 vendor analysis</strong></td>
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<tr>
<td>Amortization</td>
<td>54,395,000</td>
</tr>
<tr>
<td>Debt service</td>
<td>9,192,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>104,381,609</td>
</tr>
<tr>
<td><strong>BC Transit Statement of operations:</strong></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>213,357,000</td>
</tr>
<tr>
<td>Maintenance</td>
<td>54,292,000</td>
</tr>
<tr>
<td>Administration</td>
<td>25,586,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>293,235,000</td>
</tr>
</tbody>
</table>
BRITISH COLUMBIA TRANSIT

Part II FIR, Schedule 1, Section 7 (2)(b)

Total of Payments to Suppliers for Grants and Contributions Exceeding $25,000 For the Year Ended March 31, 2017

<table>
<thead>
<tr>
<th>Vendor Name</th>
<th>Aggregate Amount Paid</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNITED WAY</td>
<td>26,170</td>
</tr>
</tbody>
</table>

Consolidated total of grants exceeding $25,000: 0

Consolidated total of contributions exceeding $25,000: 26,170

Consolidated total of all grants and contributions exceeding $25,000: 26,170
Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

Year ended March 31, 2017
MANAGEMENT REPORT
Year ended March 31, 2017

The consolidated financial statements of British Columbia Transit ("BC Transit") are the responsibility of management and have been prepared in accordance with Canadian public sector accounting standards as required by Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia except in regard to the accounting for government transfers which is based on the Restricted Contributions Regulation 198/2011.

These consolidated financial statements include some amounts based on management’s best estimates and careful judgment. A precise determination of assets and liabilities is dependent upon future events and, consequently, the preparation of periodic consolidated financial statements necessarily involves the use of management’s judgment in establishing the estimates and approximations used. The consolidated financial statements have, in management’s opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available as at May 31, 2017.

BC Transit’s system of internal controls is designed to provide reasonable assurance that assets are safeguarded, transactions are properly recorded and executed in accordance with management’s authorization, financial information is reliable and ethics codes are observed. Inherent to the concept of reasonable assurance is the recognition that there are limits in all internal control systems and that system costs should not exceed the expected benefits. The system includes the selection, training and development of qualified personnel, organizational division of responsibilities, appropriate delegation of authority and formal written company policies and procedures including the Code of Conduct applicable to all BC Transit officers and employees.

The consolidated financial statements have been examined by the Auditor General of British Columbia, BC Transit’s independent external auditors. Their responsibility is to express their opinion whether the consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of Canadian public sector accounting standards. The Board of Directors meets regularly with management and the external auditors to satisfy itself that BC Transit’s system of internal control is adequate and to ensure that responsibilities for financial reporting are being met.

Management is responsible for all of the information in this Annual Report. Financial information presented elsewhere in this Annual Report is consistent with the consolidated financial statements.

On behalf of BC Transit:

Manuel Achadinha
President and Chief Executive Officer
Date: May 31, 2017

Alan Thomas, CPA, CMA
Vice President, Finance and Chief Financial Officer
Date: May 31, 2017
INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of British Columbia Transit, and
To the Minister of Transportation and Infrastructure, Province of British Columbia

I have audited the accompanying consolidated financial statements of British Columbia Transit ("the entity"), which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of operations, changes in net debt, cash flows, and remeasurement gains and losses 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 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 2(a) to the consolidated financial statements, the entity’s accounting treatment for contributions received from governments and for externally restricted 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 either on the same basis as the related expenditures occur or, in the case of funds for the purchase or construction of capital assets, to recognize revenue on the same basis as the related assets are amortized. The entity was required to adopt this accounting policy as prescribed by Province of British Columbia Treasury Board Regulation 198/2011.

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 and contributions of $21.6 million and for deferred capital contributions of $196.7 million, an understatement of opening accumulated surplus of $220.8 million, and a current year overstatement of revenue of $2.5 million. Accordingly, the current year surplus is overstated by $2.5 million and net debt is overstated by $218.3 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 the British Columbia Transit as at March 31, 2017, 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
Russ Jones, FCPA, FCA
Deputy Auditor General
May 31, 2017
BRITISH COLUMBIA TRANSIT
Consolidated Statement of Financial Position
(In thousands of dollars)
March 31, 2017, with comparative figures for March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents (note 3)</td>
<td>$ 39,663</td>
<td>$ 47,481</td>
</tr>
<tr>
<td>Accounts receivable:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial and federal capital grants</td>
<td>11,774</td>
<td>1,289</td>
</tr>
<tr>
<td>Local government</td>
<td>17,187</td>
<td>15,081</td>
</tr>
<tr>
<td>Trade and other</td>
<td>15,407</td>
<td>5,324</td>
</tr>
<tr>
<td>Debt sinking funds (note 6)</td>
<td>94,001</td>
<td>90,993</td>
</tr>
<tr>
<td></td>
<td>178,032</td>
<td>160,168</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>25,611</td>
<td>28,582</td>
</tr>
<tr>
<td>Provincial funding payable</td>
<td>-</td>
<td>2,177</td>
</tr>
<tr>
<td>Deferred revenue and contributions (note 4)</td>
<td>55,211</td>
<td>35,096</td>
</tr>
<tr>
<td>Deferred capital contributions (note 5)</td>
<td>196,737</td>
<td>202,858</td>
</tr>
<tr>
<td>Debt (note 6)</td>
<td>180,006</td>
<td>186,346</td>
</tr>
<tr>
<td>Employee future benefits (note 7)</td>
<td>19,457</td>
<td>18,254</td>
</tr>
<tr>
<td></td>
<td>477,022</td>
<td>473,313</td>
</tr>
<tr>
<td><strong>NET DEBT</strong></td>
<td>$ (298,990)</td>
<td>$ (313,145)</td>
</tr>
<tr>
<td><strong>NON FINANCIAL ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible capital assets (note 8)</td>
<td>298,748</td>
<td>314,157</td>
</tr>
<tr>
<td>Inventories</td>
<td>9,334</td>
<td>8,739</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>2,347</td>
<td>3,302</td>
</tr>
<tr>
<td>Prepaid lease payments</td>
<td>4,807</td>
<td>5,223</td>
</tr>
<tr>
<td></td>
<td>315,236</td>
<td>331,421</td>
</tr>
<tr>
<td><strong>ACCUMULATED SURPLUS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accumulated operating surplus</td>
<td>7,919</td>
<td>7,852</td>
</tr>
<tr>
<td>Accumulated remeasurement gains</td>
<td>8,327</td>
<td>10,424</td>
</tr>
<tr>
<td></td>
<td>$ 16,246</td>
<td>$ 18,276</td>
</tr>
</tbody>
</table>

Commitments and contingencies (notes 11 and 12)

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

Approved on behalf of the Board:

Frank Carson, Chair
May 31, 2017

Kelly Cairns, Director
May 31, 2017
### BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations  
(In thousands of dollars)

<table>
<thead>
<tr>
<th></th>
<th>Budget 2017</th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operations</td>
<td>$ 70,584</td>
<td>$ 74,495</td>
<td>$ 70,494</td>
</tr>
<tr>
<td>Government transfers:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial (note 13)</td>
<td>105,665</td>
<td>104,903</td>
<td>103,862</td>
</tr>
<tr>
<td>Local government (note 13)</td>
<td>103,324</td>
<td>80,095</td>
<td>81,433</td>
</tr>
<tr>
<td>Deferred capital contributions (note 5)</td>
<td>29,673</td>
<td>30,150</td>
<td>30,587</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>4,821</td>
<td>3,536</td>
<td>3,294</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td>314,067</td>
<td>293,179</td>
<td>289,670</td>
</tr>
</tbody>
</table>

| **Expenses:** (note 14) |             |                |                |
| Operations            | 231,345     | 213,357        | 212,018        |
| Maintenance           | 55,523      | 54,292         | 50,878         |
| Administration        | 27,199      | 25,586         | 26,841         |
| **Total Expenses**    | 314,067     | 293,235        | 289,737        |

| **Net deficit from operations** | (56) | (67) |

| **Other:**                  |             |                |                |
| Vancouver Assets:           |             |                |                |
| Deferred capital contributions | -           | -              | 2,494          |
| Amortization expense        | -           | -              | (2,494)        |
| Disposal and impairment of capital assets: | | | |
| Loss on disposal of capital assets | - | (1,592) | (177) |
| Other capital recoveries    | -           | 1,645          | 405            |
| Provincial government transfers (land) (note 13) | - | 88 | - |
| Gain on investments         | -           | 10             | 127            |
| Other income (expense)      | -           | (28)           | 102            |
|                            | -           | 123            | 457            |
| **Annual surplus**          | -           | 67             | 390            |

| Non-routine loss on transfer of Vancouver assets (note 9) | - | - | (65,875) |

| **Annual surplus (deficit) after non-routine loss** | - | 67 | (65,485) |

| Accumulated operating surplus, beginning of year | 7,852 | 7,852 | 73,337 |
| Accumulated operating surplus, end of year | $ 7,852 | $ 7,919 | $ 7,852 |

The accompanying notes are an integral part of these consolidated financial statements.
# BRITISH COLUMBIA TRANSIT

Consolidated Statement of Change in Net Debt
(In thousands of dollars)

Year ended March 31, 2017, with comparative figures for March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Budget 2017</th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surplus (deficit) for the year</td>
<td>$ (67)</td>
<td>$ 67</td>
<td>($65,485)</td>
</tr>
<tr>
<td>Acquisition of tangible capital assets</td>
<td>(66,437)</td>
<td>(40,269)</td>
<td>(50,708)</td>
</tr>
<tr>
<td>Amortization of tangible capital assets</td>
<td>56,429</td>
<td>54,395</td>
<td>57,329</td>
</tr>
<tr>
<td>Loss on disposal of tangible capital assets</td>
<td>-</td>
<td>1,687</td>
<td>177</td>
</tr>
<tr>
<td>Transfer of deferred capital contributions</td>
<td>-</td>
<td>-</td>
<td>609,245</td>
</tr>
<tr>
<td>Loss on transfer of Vancouver assets</td>
<td>-</td>
<td>-</td>
<td>65,875</td>
</tr>
<tr>
<td>Proceeds on disposal of tangible capital assets and assets under lease</td>
<td>-</td>
<td>95</td>
<td>170</td>
</tr>
<tr>
<td></td>
<td>(10,008)</td>
<td>15,975</td>
<td>616,603</td>
</tr>
<tr>
<td>Acquisition of inventories of parts</td>
<td>-</td>
<td>(24,071)</td>
<td>(22,795)</td>
</tr>
<tr>
<td>Consumption of inventories of parts</td>
<td>-</td>
<td>23,476</td>
<td>23,409</td>
</tr>
<tr>
<td>Acquisition of prepaid expenses</td>
<td>-</td>
<td>(9,420)</td>
<td>(8,914)</td>
</tr>
<tr>
<td>Consumption of prepaid expenses</td>
<td>-</td>
<td>9,876</td>
<td>7,121</td>
</tr>
<tr>
<td>Acquisition of prepaid leases</td>
<td>-</td>
<td>-</td>
<td>(1,934)</td>
</tr>
<tr>
<td>Consumption of prepaid leases</td>
<td>-</td>
<td>416</td>
<td>352</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>277</td>
<td>(2,761)</td>
</tr>
<tr>
<td>Realized gain reclassified to operations</td>
<td>-</td>
<td>(10)</td>
<td>(127)</td>
</tr>
<tr>
<td>Unrealized loss on portfolio investment</td>
<td>-</td>
<td>(2,087)</td>
<td>(1,771)</td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>(2,097)</td>
<td>(1,898)</td>
</tr>
<tr>
<td>(Increase) decrease in net debt</td>
<td>(10,008)</td>
<td>14,155</td>
<td>611,944</td>
</tr>
<tr>
<td>Net debt, beginning of year</td>
<td>(313,145)</td>
<td>(313,145)</td>
<td>(925,089)</td>
</tr>
<tr>
<td>Net debt, end of year</td>
<td>$ (323,153)</td>
<td>$ (298,990)</td>
<td>$ (313,145)</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
BRITISH COLUMBIA TRANSIT
Consolidated Statement of Remeasurement Gains and Losses
(In thousands of dollars)

Years ended March 31, 2017, with comparative figures for March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulated remeasurement gains, beginning of year</td>
<td>$10,424</td>
<td>$12,322</td>
</tr>
<tr>
<td>Unrealized loss on investments</td>
<td>(2,087)</td>
<td>(1,771)</td>
</tr>
<tr>
<td>Realized gain on investments, reclassified to Consolidated Statement of Operations</td>
<td>(10)</td>
<td>(127)</td>
</tr>
<tr>
<td>Accumulated remeasurement gains, end of year</td>
<td>$8,327</td>
<td>$10,424</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
## BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows  
(In thousands of dollars)

Years ended March 31, 2017, with comparative figures for March 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>March 31, 2017</th>
<th>March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash provided by (used for):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual surplus (deficit)</td>
<td>$ 67</td>
<td>$(65,485)</td>
</tr>
<tr>
<td>Non-cash charges to operations (note 15)</td>
<td>24,646</td>
<td>90,611</td>
</tr>
<tr>
<td>Changes in non-cash operating working capital (note 15)</td>
<td>(5,998)</td>
<td>9,289</td>
</tr>
<tr>
<td><strong>Cash provided by operating transactions</strong></td>
<td>$18,715</td>
<td>34,415</td>
</tr>
<tr>
<td>Capital transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds on disposal of tangible capital assets</td>
<td>95</td>
<td>170</td>
</tr>
<tr>
<td>Cash used to acquire tangible capital assets</td>
<td>(39,776)</td>
<td>(48,170)</td>
</tr>
<tr>
<td><strong>Cash applied to capital transactions</strong></td>
<td>(39,681)</td>
<td>(48,000)</td>
</tr>
<tr>
<td>Investing transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in debt sinking funds and investments net of unrealized gain (loss)</td>
<td>(5,106)</td>
<td>8,401</td>
</tr>
<tr>
<td><strong>Cash provided by (applied to) investing transactions</strong></td>
<td>(5,106)</td>
<td>8,401</td>
</tr>
<tr>
<td>Financing transactions</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prepaid lease payments</td>
<td>-</td>
<td>(1,934)</td>
</tr>
<tr>
<td>Debt repaid</td>
<td>(6,378)</td>
<td>(25,595)</td>
</tr>
<tr>
<td>Deferred capital contributions received</td>
<td>24,632</td>
<td>42,138</td>
</tr>
<tr>
<td><strong>Cash provided by financing transactions</strong></td>
<td>$18,254</td>
<td>14,609</td>
</tr>
<tr>
<td>Increase / (decrease) in cash and cash equivalents</td>
<td>(7,818)</td>
<td>9,425</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>47,481</td>
<td>38,056</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents, end of year</strong></td>
<td>$39,663</td>
<td>$47,481</td>
</tr>
<tr>
<td>Supplemental cash flow information:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>$ 9,178</td>
<td>$ 9,776</td>
</tr>
<tr>
<td>Cash received from interest</td>
<td>$ 241</td>
<td>$ 205</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these consolidated financial statements.
1. **Nature of Operations:**

British Columbia Transit ("BC Transit") is a Crown corporation, established under the *British Columbia Transit Act*, as amended in 1998, to operate the urban transit systems in the Province of British Columbia (the "Province") outside of the Metro Vancouver Regional service area. BC Transit is included in the government reporting entity of the Province of British Columbia and reports to the Legislative Assembly through the Ministry of Transportation and Infrastructure. BC Transit is exempt from income taxes under the *Income Tax Act*.

BC Transit, on behalf of the Victoria Regional Transit Commission, is responsible for the administration of all funds raised by certain tax levies. These funds held in trust are excluded from the consolidated financial statements and are summarized in note 10.

2. **Summary of Significant Accounting Policies:**

   (a) **Basis of accounting:**

   These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board.

   Regulation 198/2011 requires that restricted contributions be recognized as revenue in the period the restriction is met, and that restricted contributions for the purpose of acquiring or developing a depreciable tangible capital asset, be recognized in revenue at the same rate the amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

   Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for the deferral of revenue recognition to future years, recognized for non-capital government transfers in the period the restriction the transfer is subject to is met and for capital transfers in income systematically over the useful life of the asset, rather than in the year the transfer was made. This results in differences in deferred contributions, deferred capital contributions and accumulated operating surplus on the consolidated statement of financial position, and the government transfers revenue and annual surplus on the statement of operations.

   (b) **Basis of consolidation:**

   (i) **Consolidated entities:**

   The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by BC Transit. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities eliminated on consolidation.
2. Summary of Significant Accounting Policies (continued):

(b) Basis of consolidation (continued):

(i) Consolidated entities:

The following organizations are controlled by BC Transit and are fully consolidated in these financial statements:

- TBC Vehicle Management Inc.
- TBC Operations Inc.
- TBC Properties Inc.
- 0915866 B.C. Ltd.
- 0922667 B.C. Ltd.
- 0925406 B.C. Ltd.
- 0928624 B.C. Ltd.

(c) Deferred contributions and revenue recognition:

Government transfers received relate to contributions from federal, provincial and local governments to fund capital projects, operating costs, sinking fund and interest payments.

Under Restricted Contributions Regulation 198/2011, government transfers are reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

(i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.

(ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.

See note 18 for the impact of this regulation on these consolidated financial statements.

Transit user charges are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and when services have been provided to the users.

(d) Investment income:

Investment income is reported as revenue in the period earned. When required by the funding party or related Act, investment income earned on deferred contributions is added to the investment and forms part of the deferred contributions balance.
2. Summary of Significant Accounting Policies (continued):

(e) Financial instruments:

BC Transit has elected to measure specific financial instruments at fair value, to correspond with how they are evaluated and managed. These financial instruments are identified in this note by financial asset and financial liability classification and are not reclassified for the duration of the period they are held. All other financial assets and financial liabilities are measured at cost or amortized cost. The following classification system is used to describe the basis of the inputs used to measure the fair values of financial instruments in the fair value measurement category:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Market based inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs for the asset or liability that are not based on observable market data; assumptions are based on the best internal and external information available, and are most suitable and appropriate based on the type of financial instrument being valued, in order to establish what the transaction price would have been on the measurement date in an arm’s length transaction.

Unrealized gains and losses from changes in the fair value of financial instruments are recognized in the statement of remeasurement gains and losses. Upon settlement, the cumulative gain or loss is reclassified from the statement of remeasurement gains and losses and recognized in the statement of operations. Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write down of an investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense. Transaction costs are a component of cost for financial instruments measured using cost or amortized cost.

(i) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a term to maturity of 90 days or less at acquisition, are held for the purpose of meeting short term cash commitments rather than for investing, are reported at fair value and are measured using a Level 1 valuation.
2. Summary of Significant Accounting Policies (continued):

(e) Financial instruments (continued):

(ii) Accounts receivable:

Accounts receivable are recorded at cost less any amount for valuation allowance. Valuation allowances are made to reflect accounts receivable at the lower of cost and the net recoverable value, when collectability and risk of loss exists. Changes in valuation allowance are recognized in the statement of operations.

(iii) Debt sinking funds:

Investments in sinking funds consist of pooled investment portfolios and Canadian, Provincial government and Crown Corporation bonds managed by the British Columbia Investment Management Corporation (“bcIMC”), a corporation established under the Public Sector Pension Plans Act. Sinking fund investments are recorded at fair value and measured using a Level 1 valuation. Discounts and premiums arising on the purchase of these investments are amortized over the term of the investments.

(iv) Debt and other financial liabilities:

All debt and other financial liabilities are recorded using cost or amortized cost. Discounts and premiums arising on the issuance of debt are amortized over the term of the debt.

(f) Employee future benefits:

(i) BC Transit and its employees contribute to the Public Service Pension Plan in accordance with the Public Service Pension Plans Act. Multi-employer, jointly-trusteed pension plans follow defined contribution pension plan accounting. Contributions are expensed as they become payable.

(ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical, MSP), post-employment benefits (vacation, overtime) and continuation of long term disability benefits. The future obligations under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for March 31, 2015, extrapolated to March 31, 2017.
2. Summary of Significant Accounting Policies (continued):

(g) Liability for contaminated sites:

Contaminated sites are a result of contamination being introduced into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard. The liability is recorded net of any expected recoveries. A liability for remediation of contaminated sites is recognized when all of the following criteria are met:

1. An environmental standard exists;
2. Contamination exceeds the environmental standard;
3. British Columbia Transit:
   a. is directly responsible; or
   b. accepts responsibility; and
4. A reasonable estimate of the amount can be made.

As at March 31, 2017, BC Transit has not identified any contaminated sites that meet the criteria for recognition.

(h) Non-financial assets:

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to the acquisition, design, construction, development, improvement or betterment of the asset. The costs, less the residual value, of the tangible capital assets are amortized on a straight line basis over their estimated useful lives as follows:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Useful Life - Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>Indefinite</td>
</tr>
<tr>
<td>Exchanges, shelters, and other transit infrastructure</td>
<td>3 – 40</td>
</tr>
<tr>
<td>Buildings</td>
<td>5 – 40</td>
</tr>
<tr>
<td>Vehicles – including major components</td>
<td>2 – 20</td>
</tr>
<tr>
<td>Other Equipment</td>
<td>4 – 20</td>
</tr>
</tbody>
</table>

(ii) Contributions of tangible capital assets:

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt with a corresponding entry made to deferred capital contributions. The contributed tangible capital assets are then amortized over their estimated useful lives.
2. **Summary of Significant Accounting Policies (continued):**

   (h) Non-financial assets (continued):

   (iii) Interest capitalization:

   Interest is capitalized whenever debt is issued to finance the construction of tangible capital assets. Interest is capitalized from the date of advance of funds until the assets are available for service.

   (iv) Inventories:

   Inventories held for consumption are recorded at the lower of historical cost or replacement cost.

   (v) Impairment of tangible capital assets:

   BC Transit monitors the recoverability of tangible capital assets. Whenever events or changes in circumstances indicate that the tangible capital asset no longer contributes to the ability to provide transit services or that the value of the future economic benefits associated with the tangible capital asset is less than its net book value, the cost of the tangible capital asset is written down to residual value.

   (vi) Prepaid expenses and leases:

   Prepaid expenses and leases include prepaid insurance, parts credits and prepaid property leases. These are charged to expense over the period they are expected to benefit.

   (vii) Intangibles:

   Intangible assets are not recognized in BC Transit's financial statements.

   (i) Measurement uncertainty:

   The preparation of consolidated 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 the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

   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. Significant measurement uncertainty includes assumptions used in the determination of amortization periods, employee future benefits and estimating provisions for certain accrued liabilities. Actual results could differ from these estimates.

   (j) Budget data:

   The budget data presented in these consolidated financial statements was included in the 2016/17 – 2018/19 Service Plan approved by the Board of Directors on January 21, 2016.
3. **Cash and cash equivalents:**

Major components of cash and cash equivalents are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$18,646</td>
<td>$34,166</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td>21,017</td>
<td>13,315</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$39,663</strong></td>
<td><strong>$47,481</strong></td>
</tr>
</tbody>
</table>

4. **Deferred revenue and contributions:**

Deferred revenue is restricted for a specific purpose and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.

Debt service contributions to fund sinking fund and interest payments are recovered from local government partners over the estimated service life of the related assets. These contributions may differ from the annual amortization of the related assets. Such differences are deferred to be recognized as a recovery in future periods.

Operating contributions that have been received but not yet earned are reflected as deferred service funding.

The deferred revenue and contributions, reported on the consolidated statement of financial position, are made up of the following:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred service funding</td>
<td>$32,493</td>
<td>$15,790</td>
</tr>
<tr>
<td>contributions</td>
<td>17,736</td>
<td>13,217</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>4,982</td>
<td>6,089</td>
</tr>
<tr>
<td><strong>Total deferred revenue and contributions</strong></td>
<td><strong>$55,211</strong></td>
<td><strong>$35,096</strong></td>
</tr>
</tbody>
</table>
4. Deferred revenue and contributions (continued):

Continuity of deferred service funding, contributions and revenue:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred service funding contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$15,790</td>
<td>$-</td>
</tr>
<tr>
<td>Service funding contributions received</td>
<td>63,360</td>
<td>63,497</td>
</tr>
<tr>
<td>Service funding contributions applied</td>
<td>(46,657)</td>
<td>(47,707)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>32,493</td>
<td>15,790</td>
</tr>
<tr>
<td>Deferred contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$13,217</td>
<td>$8,682</td>
</tr>
<tr>
<td>Contributions received</td>
<td>37,956</td>
<td>38,261</td>
</tr>
<tr>
<td>Contributions used</td>
<td>(33,437)</td>
<td>(33,726)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>17,736</td>
<td>13,217</td>
</tr>
<tr>
<td>Deferred revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>6,089</td>
<td>5,873</td>
</tr>
<tr>
<td>Amounts received</td>
<td>1,058</td>
<td>1,155</td>
</tr>
<tr>
<td>Amounts recognized as revenue</td>
<td>(2,165)</td>
<td>(939)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>4,982</td>
<td>6,089</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$55,211</td>
<td>$35,096</td>
</tr>
</tbody>
</table>

5. Deferred capital contributions:

Deferred capital contributions include Federal and Provincial grants subject to amortization on the same basis as the related asset.

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance, beginning of year</td>
<td>$202,858</td>
<td>$191,379</td>
</tr>
<tr>
<td>Contributions and other additions</td>
<td>24,632</td>
<td>42,139</td>
</tr>
<tr>
<td>Impairment and disposals of capital assets</td>
<td>(603)</td>
<td>(73)</td>
</tr>
<tr>
<td>Amortization</td>
<td>(30,150)</td>
<td>(30,587)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$196,737</td>
<td>$202,858</td>
</tr>
</tbody>
</table>
6. Debt:

BC Transit’s debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this indemnity. Under the British Columbia Transit Act, BC Transit is subject to a borrowing ceiling limit of $500 million in total. The Minister of Finance, as BC Transit’s fiscal agent, arranges financing at BC Transit’s request.

The gross amount of debt and the amount of sinking fund assets available to retire the debt are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td>$180,006</td>
<td>$186,346</td>
</tr>
<tr>
<td>Debt has a weighted average rate of 5.06%, maturing at various dates to 2040, amortized from 8 to 30 years</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The total debt maturities for the next five years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-</td>
<td>11,200</td>
<td>1,828</td>
<td>19,070</td>
<td>15,972</td>
<td>132,009</td>
</tr>
</tbody>
</table>

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Gain on investments includes $10 (2016 - $127) of realized gains on disposition of investments in sinking funds. Sinking fund investments are managed by the British Columbia Investment Management Corporation and have cost and market values as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cost</td>
<td>Market value</td>
</tr>
<tr>
<td>Provincial bonds</td>
<td>$83,375</td>
<td>$91,611</td>
</tr>
<tr>
<td>Money market funds</td>
<td>387</td>
<td>387</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>1,912</td>
<td>2,003</td>
</tr>
<tr>
<td>Total</td>
<td>$85,674</td>
<td>$94,001</td>
</tr>
</tbody>
</table>

Debt sinking fund installments in each of the next five years are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
<th>Thereafter</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>6,780</td>
<td>6,083</td>
<td>4,631</td>
<td>4,279</td>
<td>3,971</td>
<td>24,983</td>
</tr>
</tbody>
</table>
6. *Debt (continued):*

In October 1992, BC Transit entered into an unsecured revolving credit facility with a Canadian Financial Institution totaling $10 million. The revolving credit may be terminated in whole or in part and shall be due on demand. Interest on the revolving credit is based on the prime lending rate which is a variable per annum reference rate of interest for loans made by the Bank of Canada in Canadian dollars. Interest accrues on a day to day basis. As of March 31, 2017 BC Transit has not drawn on the facility.

In November 2002, BC Transit entered into a loan agreement pursuant to section 54(1) of the *Financial Administration Act* with the Minister of Finance and Corporate Relations to lend a maximum principal amount not to exceed $90 million in Canadian currency. Term and conditions of the loan state the Minister will use reasonable commercial efforts to comply with the borrowing requirements of BC Transit; however, the terms and conditions of the loan are within the sole discretion of the Minister. The maximum term on the loan is one year and can be another term as approved by the Minister and is due upon maturity. Interest on the loan is based on money market rates. As of March 31, 2017 BC Transit has not drawn on the facility.

7. *Employee future benefit obligations:*

BC Transit provides sick leave and other various benefits to its employees. These amounts and other employee related liabilities will require funding in future periods and are set out below.

The employee future benefits liability reported on the statement of financial position is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued benefit obligation:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Balance, beginning of year</td>
<td>$18,254</td>
<td>$16,646</td>
</tr>
<tr>
<td>Current benefit cost and event-driven expense</td>
<td>996</td>
<td>1,307</td>
</tr>
<tr>
<td>Interest</td>
<td>506</td>
<td>450</td>
</tr>
<tr>
<td>Actuarial loss</td>
<td>69</td>
<td>174</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(368)</td>
<td>(323)</td>
</tr>
<tr>
<td>Balance, end of year</td>
<td>$19,457</td>
<td>18,254</td>
</tr>
<tr>
<td>Unamortized actuarial loss</td>
<td></td>
<td>116</td>
</tr>
<tr>
<td>Liability for benefits</td>
<td>$19,457</td>
<td>$18,370</td>
</tr>
</tbody>
</table>

Information about BC Transit’s benefit plans is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-pension post retirement benefits</td>
<td>$16,648</td>
<td>$15,452</td>
</tr>
<tr>
<td>Post employment benefits</td>
<td>928</td>
<td>1,095</td>
</tr>
<tr>
<td>Continuation of long term disability benefits</td>
<td>1,881</td>
<td>1,823</td>
</tr>
<tr>
<td>Total liability for benefits</td>
<td>$19,457</td>
<td>$18,370</td>
</tr>
</tbody>
</table>

Included in expenses is $69 (2016 – $174) for amortization of the actuarial loss.
7. Employee future benefit obligations (continued):

The unamortized actuarial loss on future payments is amortized over the expected period of the liability which is 9 years (2016 – 9 years) for post employment benefits and 10 years (2016 – 10 years) for post retirement benefits.

The actuarial assumptions adopted in measuring BC Transit’s accrued benefit obligations are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>2.9% - 3.1%</td>
<td>2.7% - 3.0%</td>
</tr>
<tr>
<td>Expected future inflationary increases</td>
<td>2.6% - 5.15%</td>
<td>2.6% - 5.15%</td>
</tr>
<tr>
<td>Weighted average health care trend - end of year</td>
<td>6.94% in 2017 grading to</td>
<td>6.94% in 2016 grading to</td>
</tr>
<tr>
<td></td>
<td>4.29% in and after 2029</td>
<td>4.29% in and after 2029</td>
</tr>
<tr>
<td>Dental and MSP trend – end of year</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Public Service Pension Plan

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly trusteed pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. The plan has approximately 119,000 active and retired members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2014, indicated a funding surplus of $193,698 million for basic pension benefits. The next valuation will be March 31, 2017 with results available later in 2017.

Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year. This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore there is no consistent and reliable basis for allocating the obligation, assets and costs to individual employers participating in the plan.

The total amount paid into this pension plan by BC Transit for the year ended March 31, 2017 for employer contributions was $5,223 (2016 – $4,835).
8. Tangible capital assets:

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2016</th>
<th>Additions</th>
<th>Disposals</th>
<th>Balance, March 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$15,694</td>
<td>-</td>
<td>-</td>
<td>$15,694</td>
</tr>
<tr>
<td>Exchanges, shelters and other transit infrastructure</td>
<td>59,018</td>
<td>2,890</td>
<td>-</td>
<td>61,908</td>
</tr>
<tr>
<td>Buildings</td>
<td>50,252</td>
<td>899</td>
<td></td>
<td>51,151</td>
</tr>
<tr>
<td>Vehicles</td>
<td>451,602</td>
<td>25,532</td>
<td>(14,136)</td>
<td>462,998</td>
</tr>
<tr>
<td>Other equipment</td>
<td>56,948</td>
<td>1,973</td>
<td>-</td>
<td>58,921</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>11,353</td>
<td>40,673</td>
<td>(31,309)</td>
<td>20,717</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$644,867</strong></td>
<td><strong>$71,967</strong></td>
<td><strong>(45,445)</strong></td>
<td><strong>$671,389</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2016</th>
<th>Disposals</th>
<th>Amortization</th>
<th>Balance, March 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchanges, shelters and other transit infrastructure</td>
<td>$11,389</td>
<td>-</td>
<td>$4,727</td>
<td>$16,116</td>
</tr>
<tr>
<td>Buildings</td>
<td>24,662</td>
<td>-</td>
<td>1,826</td>
<td>26,488</td>
</tr>
<tr>
<td>Vehicles</td>
<td>260,003</td>
<td>(12,464)</td>
<td>42,967</td>
<td>290,506</td>
</tr>
<tr>
<td>Other equipment</td>
<td>34,656</td>
<td>-</td>
<td>4,875</td>
<td>39,531</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$330,710</strong></td>
<td><strong>(12,464)</strong></td>
<td><strong>$54,395</strong></td>
<td><strong>$372,641</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Balance, March 31, 2016</th>
<th></th>
<th></th>
<th>Balance, March 31, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$15,694</td>
<td></td>
<td></td>
<td>$15,694</td>
</tr>
<tr>
<td>Exchanges, shelters, and other transit infrastructure</td>
<td>47,629</td>
<td>45,792</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Buildings</td>
<td>25,590</td>
<td></td>
<td></td>
<td>24,663</td>
</tr>
<tr>
<td>Vehicles</td>
<td>191,599</td>
<td></td>
<td></td>
<td>172,492</td>
</tr>
<tr>
<td>Other equipment</td>
<td>22,292</td>
<td></td>
<td></td>
<td>19,390</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>11,353</td>
<td>20,717</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$314,157</strong></td>
<td></td>
<td></td>
<td><strong>$298,748</strong></td>
</tr>
</tbody>
</table>
8. Tangible capital assets (continued):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$15,694</td>
<td>-</td>
<td>-</td>
<td>$15,694</td>
</tr>
<tr>
<td>Exchanges, shelters and other transit infrastructure</td>
<td>31,054</td>
<td>27,964</td>
<td>-</td>
<td>59,018</td>
</tr>
<tr>
<td>Buildings</td>
<td>49,723</td>
<td>529</td>
<td>-</td>
<td>50,252</td>
</tr>
<tr>
<td>Vehicles</td>
<td>413,200</td>
<td>62,618</td>
<td>(24,216)</td>
<td>451,602</td>
</tr>
<tr>
<td>Other equipment</td>
<td>48,673</td>
<td>8,275</td>
<td>-</td>
<td>56,948</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>61,231</td>
<td>49,507</td>
<td>(99,385)</td>
<td>11,353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$619,575</td>
<td>$148,893</td>
<td>$(123,601)</td>
<td>$644,867</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchanges, shelters and other transit infrastructure</td>
<td>$7,777</td>
<td>-</td>
<td>3,612</td>
<td>$11,389</td>
</tr>
<tr>
<td>Buildings</td>
<td>22,883</td>
<td>-</td>
<td>1,779</td>
<td>24,662</td>
</tr>
<tr>
<td>Vehicles</td>
<td>238,629</td>
<td>(24,039)</td>
<td>45,413</td>
<td>260,003</td>
</tr>
<tr>
<td>Other equipment</td>
<td>30,625</td>
<td>-</td>
<td>4,031</td>
<td>34,656</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$299,914</td>
<td>$(24,039)</td>
<td>$54,835</td>
<td>$330,710</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$15,694</td>
<td>$15,694</td>
</tr>
<tr>
<td>Exchanges, shelters, and other transit infrastructure</td>
<td>23,277</td>
<td>47,629</td>
</tr>
<tr>
<td>Buildings</td>
<td>26,840</td>
<td>25,590</td>
</tr>
<tr>
<td>Vehicles</td>
<td>174,571</td>
<td>191,599</td>
</tr>
<tr>
<td>Other equipment</td>
<td>18,048</td>
<td>22,292</td>
</tr>
<tr>
<td>Capital projects in progress</td>
<td>61,231</td>
<td>11,353</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$319,661</td>
<td>$314,157</td>
</tr>
</tbody>
</table>

Assets under construction having a value of $20,717 (2016 - $11,353) have not been amortized. Amortization of these assets will commence when the asset is available for service.

During the year, assets with a net book value of $1,672 (2016 - $177) were written off.

Interest capitalized for capital projects in 2017 was $738 (2016 - $3,328).
9. Tangible capital assets under lease:

For the prior year ending March 31, 2016 capital assets under lease consisted of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets were made available to the South Coast British Columbia Transportation Authority (“SCBCTA”) for their use pursuant to an Order in Council and operating lease. The operating lease arrangements with SCBCTA for the Expo and Millennium Line guideways and system improvements included a nominal lease fee amount.

On May 14, 2015, Bill 2 – 2015 BC Transportation Financing Authority Transit Assets and Liabilities Act (the “Bill”) was granted Royal Assent. The Bill called for all the assets and liabilities of Rapid Transit Project 2000 Ltd. (“RTP 2000”) and the assets and liabilities connected to the regional transportation system of Greater Vancouver Regional District, owned by BC Transit, to be transferred to the BCTFA.

Effective May 21, 2015, BC Transit transferred, for nil proceeds, tangible capital assets with a net book value of $675,120 and deferred capital contributions of $609,245 to BCTFA. Upon transfer, BC Transit recognized a reduction in annual surplus of $65,875, representing the carrying value of land transferred.

Subsequently on June 1, 2015 the public sector accounting board released a new standard PS 3430 - Restructuring Transactions which applies to restructuring transactions occurring in fiscal years beginning on or after April 1, 2018 and allowing for earlier adoption. This standard directs entities to recognize restructuring transactions through the statement of operations. BC Transit elected to early adopt PS 3430 – Restructuring Transactions. The following table reflects the financial impact to BC Transit and BCTFA and the consolidated financial impact to the Province of BC.

<table>
<thead>
<tr>
<th>Entity</th>
<th>Tangible capital assets</th>
<th>Accumulated amortization</th>
<th>Net book value</th>
<th>Deferred capital contributions</th>
<th>Net gain (loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BC Transit</td>
<td>$(1,374,789)</td>
<td>$699,669</td>
<td>$(675,120)</td>
<td>$609,245</td>
<td>$(65,875)</td>
</tr>
<tr>
<td>BCTFA</td>
<td>1,374,789</td>
<td>(699,669)</td>
<td>675,120</td>
<td>(609,245)</td>
<td>65,875</td>
</tr>
</tbody>
</table>

Summary Financial Statement, Province of BC

<table>
<thead>
<tr>
<th></th>
<th>$</th>
<th>-</th>
<th>$</th>
<th>-</th>
<th>$</th>
<th>-</th>
</tr>
</thead>
</table>

19
10. Victoria Regional Transit Commission:

BC Transit holds funds in trust on behalf of the Victoria Regional Transit Commission. These funds are not included in the consolidated statement of financial position. The cash held in trust and transactions during the year are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash held in trust, beginning of year</td>
<td>$9,801</td>
<td>$11,788</td>
</tr>
<tr>
<td>Revenue:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fuel tax</td>
<td>12,321</td>
<td>11,951</td>
</tr>
<tr>
<td>Property tax</td>
<td>30,155</td>
<td>30,048</td>
</tr>
<tr>
<td>Investment and other income</td>
<td>135</td>
<td>187</td>
</tr>
<tr>
<td>Government transfers</td>
<td>(43,389)</td>
<td>(44,173)</td>
</tr>
<tr>
<td>Cash held in trust, end of year</td>
<td>$9,023</td>
<td>$9,801</td>
</tr>
</tbody>
</table>

11. Commitments:

BC Transit has outstanding commitments as summarized below:

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Leases</td>
<td>$1,460</td>
<td>$1,596</td>
<td>$1,671</td>
<td>$1,711</td>
<td>$1,739</td>
</tr>
<tr>
<td>Facilities</td>
<td>5,997</td>
<td>135</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Vehicle Purchases</td>
<td>68,730</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Information Technology</td>
<td>2,495</td>
<td>377</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>1,806</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$80,488</td>
<td>$2,108</td>
<td>$1,671</td>
<td>$1,711</td>
<td>$1,739</td>
</tr>
</tbody>
</table>

12. Contingent liabilities:

The nature of BC Transit's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2017 management has determined that BC Transit has valid defenses and appropriate insurance coverage in place. In the event any claims are successful, management believes that such claims are not expected to have a material effect on the financial position of BC Transit.
13. Government transfers:

The transfers reported on the statement of operations are:

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government transfers:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provincial contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating transfers</td>
<td>$104,903</td>
<td>$103,862</td>
</tr>
<tr>
<td>Deferred capital contributions</td>
<td>24,798</td>
<td>25,584</td>
</tr>
<tr>
<td>Write-off capital assets</td>
<td>603</td>
<td>73</td>
</tr>
<tr>
<td>Contributions for the purchase of land</td>
<td>88</td>
<td>-</td>
</tr>
<tr>
<td>Deferred capital contributions - Vancouver</td>
<td>-</td>
<td>2,494</td>
</tr>
<tr>
<td>Transfer of deferred capital contributions – Vancouver</td>
<td>-</td>
<td>577,109</td>
</tr>
<tr>
<td>Total</td>
<td>130,392</td>
<td>709,122</td>
</tr>
<tr>
<td>Federal contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred capital contributions</td>
<td>4,162</td>
<td>3,819</td>
</tr>
<tr>
<td>Transfer of deferred capital contributions – Vancouver</td>
<td>-</td>
<td>32,136</td>
</tr>
<tr>
<td>Total</td>
<td>4,162</td>
<td>35,955</td>
</tr>
<tr>
<td>Local government contributions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers under cost share agreements</td>
<td>80,095</td>
<td>81,433</td>
</tr>
<tr>
<td>Deferred capital contributions</td>
<td>1,066</td>
<td>1,080</td>
</tr>
<tr>
<td>Total</td>
<td>81,161</td>
<td>82,513</td>
</tr>
<tr>
<td>Other:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred capital contributions</td>
<td>124</td>
<td>104</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total government transfers</strong></td>
<td>$215,839</td>
<td>$827,694</td>
</tr>
</tbody>
</table>

14. Classification of expense by object:

<table>
<thead>
<tr>
<th></th>
<th>Budget</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contracted salaries, wages and benefits</td>
<td>$85,546</td>
<td>$84,683</td>
<td>$82,117</td>
</tr>
<tr>
<td>Salaries, wages and benefits</td>
<td>70,417</td>
<td>69,667</td>
<td>67,715</td>
</tr>
<tr>
<td>Amortization of capital assets</td>
<td>56,429</td>
<td>54,395</td>
<td>54,835</td>
</tr>
<tr>
<td>Fuel and lubricants</td>
<td>32,551</td>
<td>21,301</td>
<td>22,738</td>
</tr>
<tr>
<td>Fleet maintenance</td>
<td>29,605</td>
<td>28,411</td>
<td>27,150</td>
</tr>
<tr>
<td>Interest</td>
<td>10,746</td>
<td>9,192</td>
<td>9,478</td>
</tr>
<tr>
<td>Insurance</td>
<td>5,147</td>
<td>5,348</td>
<td>5,090</td>
</tr>
<tr>
<td>Facility maintenance</td>
<td>3,613</td>
<td>3,446</td>
<td>3,423</td>
</tr>
<tr>
<td>Information systems</td>
<td>3,933</td>
<td>3,498</td>
<td>3,430</td>
</tr>
<tr>
<td>Leases and taxes</td>
<td>2,973</td>
<td>2,723</td>
<td>2,435</td>
</tr>
<tr>
<td>Major projects and initiatives</td>
<td>2,487</td>
<td>708</td>
<td>2,050</td>
</tr>
<tr>
<td>Local government expenses</td>
<td>2,169</td>
<td>2,148</td>
<td>2,135</td>
</tr>
<tr>
<td>Marketing and communications</td>
<td>2,044</td>
<td>1,972</td>
<td>1,881</td>
</tr>
<tr>
<td>Taxi programs</td>
<td>1,879</td>
<td>1,722</td>
<td>1,905</td>
</tr>
<tr>
<td>Corporate expenses</td>
<td>2,444</td>
<td>2,054</td>
<td>1,710</td>
</tr>
<tr>
<td>Professional fees</td>
<td>976</td>
<td>780</td>
<td>965</td>
</tr>
<tr>
<td>Travel and meetings</td>
<td>1,108</td>
<td>757</td>
<td>680</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>$314,067</td>
<td>$293,235</td>
<td>$289,737</td>
</tr>
</tbody>
</table>
15. Additional information for the Statement of cash flows:

<table>
<thead>
<tr>
<th>Non-cash charges to operations:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amortization of debt discount</td>
<td>$38</td>
<td>$38</td>
</tr>
<tr>
<td>Amortization of tangible capital assets</td>
<td>$54,395</td>
<td>$57,329</td>
</tr>
<tr>
<td>Amortization of prepaid lease</td>
<td>$416</td>
<td>$352</td>
</tr>
<tr>
<td>Loss (gain) on the disposal of tangible capital assets</td>
<td>$(53)</td>
<td>$98</td>
</tr>
<tr>
<td>Loss on the transfer of Vancouver assets</td>
<td>-</td>
<td>$65,875</td>
</tr>
<tr>
<td>Amortization of deferred capital contributions</td>
<td>$(30,150)</td>
<td>$(33,081)</td>
</tr>
<tr>
<td></td>
<td>$24,646</td>
<td>$90,611</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Changes in non-cash operating working capital:</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts receivable</td>
<td>$(22,674)</td>
<td>$290</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>$(2,971)</td>
<td>$(12,140)</td>
</tr>
<tr>
<td>Provincial revenue and funding payable</td>
<td>$(2,177)</td>
<td>$674</td>
</tr>
<tr>
<td>Deferred revenue and contributions</td>
<td>$20,760</td>
<td>$19,036</td>
</tr>
<tr>
<td>Employee future benefits</td>
<td>$1,203</td>
<td>$1,608</td>
</tr>
<tr>
<td>Inventories of parts</td>
<td>$(595)</td>
<td>$614</td>
</tr>
<tr>
<td>Inventories held for sale</td>
<td>-</td>
<td>$1,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>$456</td>
<td>$(1,793)</td>
</tr>
<tr>
<td></td>
<td>$(5,998)</td>
<td>$9,289</td>
</tr>
</tbody>
</table>
16. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, assets held for sale, accounts receivable and accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of the instruments. Debt sinking funds are reflected on the statement of financial position at fair value.

In evaluating the fair value information, considerable judgment is required to interpret the market data used to develop the estimates. The use of different market assumptions and/or different valuation techniques may have a material effect on the estimated fair value amounts for financial instruments. Accordingly, the estimates of fair value presented herein may not be indicative of the amounts that could be realized in a current market exchange.

(b) Risks associated with financial assets and liabilities:

BC Transit is exposed to financial risks from its financial assets and liabilities. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange risks as well as credit risk and liquidity risk.

Market risk:

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of commodity price risk, interest rate risk, foreign exchange risk and credit risk as discussed below.

Commodity price risk:

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, entering into physical fixed price agreements to fix all or a portion of fuel prices with a supplier, and/or the potential to enter into financial commodity derivative contracts. Management does not have the authority under the British Columbia Transit Act to enter into financial commodity derivative contracts directly. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. No such hedge agreements were entered into during the year.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. BC Transit is exposed to interest rate risk to the extent that there are changes in the prime interest rate. BC Transit may from time to time enter into interest rate swap contracts to manage exposure to interest rates and cash flow risk. No such derivative contracts were entered into during the year.
16. Financial instruments (continued):

(b) Risks associated with financial assets and liabilities (continued):

Foreign exchange risk:

BC Transit is exposed to currency risk on purchases of various capital assets and parts from suppliers requiring payment in either US dollars or pounds sterling. These risks are monitored and can be mitigated by management by entering into foreign currency option agreements. There were no such arrangements entered into during the year.

Sensitivity analysis:

The following table is a sensitivity analysis indicating the impact on net surplus (deficit) of a change in each type of market risk discussed above. The sensitivity analysis is based on reasonable possible movement within the forecast period, being one year. These assumptions may not be representative of actual movements in these risks and should not be relied upon. Given the volatility in the financial and commodity markets, the actual percentage changes may differ significantly from the outcomes noted below. Each risk is contemplated independent of other risks.

<table>
<thead>
<tr>
<th>Risk</th>
<th>Estimated Impact of a 1% Change on Annual Surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest rate risk</td>
<td>$ 363</td>
</tr>
<tr>
<td>Foreign exchange risk</td>
<td>360</td>
</tr>
<tr>
<td>Commodity risk (fuel)</td>
<td>311</td>
</tr>
</tbody>
</table>

Liquidity risk:

Liquidity risk is the risk that BC Transit will encounter difficulty in meeting obligations associated with financial liabilities as they come due. BC Transit manages liquidity risk through its cash, debt, sinking fund and funding management initiatives. Accounts payable and accrued liabilities are due in the next fiscal year. Maturity of long term debt is disclosed in note 6. Other commitments with future minimum payments are disclosed in note 11.

Credit risk:

Credit risk is the potential for financial loss to BC Transit if the counterparty in a transaction fails to meet its obligations. Financial instruments that potentially give rise to concentrations of credit risk include cash and cash equivalents and debt sinking funds where they are invested in Canadian Money Market and Bond Funds. It is management’s opinion that BC Transit is not exposed to any significant credit risk due to the credit worthiness of the investments.
16. Financial instruments (continued):

(c) Capital disclosures:

BC Transit defines capital as accumulated surplus plus deferred capital contributions. BC Transit receives the majority of these capital funds from Federal, Provincial or from municipal government partners.

BC Transit’s objective when managing capital is to meet its current Service Plan initiatives with the current funding available. BC Transit manages its capital structure in conjunction with the Province and makes adjustments to its Service Plan and related budgets based on available government funding. The focus is to ensure that service levels are preserved within the funding restrictions by the Province and municipal partners.

BC Transit is not subject to debt covenants or other restrictions with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined by the funding party. BC Transit has complied with the external restrictions on any external funding provided.

17. Related party transactions:

As a Crown Corporation of the Province, BC Transit and the Province are considered related parties. All transactions between BC Transit and the Province are considered to possess commercial substance and are consequently recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Related party transactions and balances have been disclosed elsewhere in the financial statements (note 10).

18. Impact of accounting for Government Transfers in accordance with Section 23.1 of the Budget Transparency and Accountability Act:

As noted in the significant accounting policies, note 2(a), Section 23.1 of the Budget Transparency and Accountability Act and Restricted Contributions Regulation 198/2001, require BC Transit to recognize non-capital government transfers into revenue in the period the restriction is met, and also require BC Transit to recognize government transfers for the acquisition of capital assets into revenue on the same basis as the related amortization expense. As these transfers do not contain stipulations that create a liability, Canadian public sector accounting standards would require these grants to be fully recognized into revenue. The impact of this difference on the consolidated financial statements of BC Transit is as follows:


March 31, 2017 – increase in accumulated surplus by $218,376 (2016 – $220,837), a decrease in deferred capital contributions by $196,737 (2016 - $202,858), and a decrease in deferred revenue and contributions by $21,639 (2016 - $17,979).
19. Investment in Transportation Property and Casualty Company Inc:

In January 2010, the Board of Directors approved the withdrawal from the Transportation Property and Casualty Company Inc. Program ("TPCCP"). As a replacement to TPCCP, BC Transit procured a comprehensive stand-alone insurance coverage program effective April 1, 2010 which is renewed annually. Claims which have been registered and served prior to the withdrawal from the TPCCP program, continue to be settled in an orderly manner and BC Transit will continue to monitor these claims. $1,828 (2016 - $1,816) remains in cash equivalents to offset other potential future claims. See Note 12 for further details regarding unsettled claims.

20. Economic Dependency:

BC Transit is dependent on receiving government transfers from the Province of BC and Local Government Partners for its continued existence and ability to carry out its normal activities.

21. Comparative figures:

Certain of the comparative figures have been reclassified to conform with current year’s consolidated financial statement presentation.

22. Subsequent events:

On May 30, 2017 BC Transit finalized the purchase of a property in Duncan, British Columbia for $3,200. The property will be used for the purpose of constructing a new transit operations and maintenance facility to service the Cowichan Valley. The purchase was part of the long-term capital plan and will be funded by a combination of provincial and local government contributions.