Consolidated Financial Statements
of

BC TRANSPORTATION FINANCING AUTHORITY

Year ended March 31, 2021

BC TRANSPORTATION FINANCING AUTHORITY
For the year ended March 31, 2021

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

Kathryn Krishna
Chief Executive Officer
Date: July 8, 2021

Nancy Bain
Executive Financial Officer
and Corporate Secretary
Date: July 8, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

I have audited the accompanying consolidated financial statements of the *BC Transportation Financing Authority* "the group", which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statements of operations, change 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.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the consolidated financial statements present fairly, in all material respects, the financial position of the group as at March 31, 2021, and the results of its operations, change 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 (PSAS).

Basis for Qualified Opinion

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

As described in Note 2(h) to the consolidated financial statements, the group'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 capital contributions (a liability) and then recognize revenue in the statement of operations, for the purchase or construction of capital assets, on the same basis as the related assets are amortized.

Under Canadian Public Sector Accounting Standards, the group'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 my opinion, certain contributions of the entity do not meet the definition of a liability, and as such the group'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. Had the group made an adjustment for this departure in the current year, the liability for deferred capital contributions as at March 31, 2021 would have been lower by $3.5 billion, revenue, annual operating surplus and accumulated surplus would have been higher by $3.5 billion and net debt would have been lower by $3.5 billion.

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the group in accordance with the ethical requirements that are relevant to my audit of the group's financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements.

Other Accompanying Information

Management is responsible for the other information accompanying the financial statements. The other information comprises the information included in the Annual Service Plan Report but does not include the consolidated financial statements and my auditor's report thereon. The Annual Service Plan Report is expected to be made available to us after the date of this auditor's report.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information that I have obtained prior to the date of my auditor's report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained during the audit or otherwise appears to be materially misstated.

When I read the Annual Service Plan Report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements.

Those charged with governance are responsible for the oversight of the financial reporting process. Management is responsible for the preparation and fair presentation of the 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting when the group will continue its operations for the foreseeable future.

Auditor's Responsibilities for the Audit of Financial Statements

My objectives are to obtain reasonable assurance about whether the group's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit and I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Russ Jones, FCPA, FCA, ICD.D
Deputy Auditor General

Victoria, British Columbia, Canada
July 8, 2021

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Financial Position

As at March 31	Note	2021 ($ 000s)	2020 ($ 000s)
Financial assets:			
Cash and cash equivalents	3	22,703	55,117
Due from government and government organizations	4	38,824	43,308
Accounts receivable	5	3,158	4,299
Investment in government business enterprise	6	227,150	215,002
Other financial assets	7	4,019	1,471
Derivative instruments	8	337,183	825,880
		633,037	1,145,077
Liabilities:			
Due to government and government organizations	9	437,623	409,675
Accounts payable and accrued liabilities	10	149,251	162,592
Debt	11	12,565,130	11,720,516
Public-private partnership liabilities	12	1,011,839	786,691
Deferred capital contributions	13	3,897,468	3,793,929
Deferred revenue	14	55,155	55,419
		18,116,466	16,928,822
Net debt		(17,483,429)	(15,783,745)
Non-financial assets:			
Tangible capital assets	15	17,935,759	17,216,526
Other non-financial assets	16	225	604
		17,935,984	17,217,130
Accumulated surplus		452,555	1,433,385
Accumulated surplus is comprised of:			
Accumulated operating surplus		167,512	914,213
Accumulated remeasurement gains		285,043	519,172
		452,555	1,433,385

Contractual rights	17
Contractual obligations	18
Contingent assets	19
Contingent liabilities	20

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

On behalf of BC Transportation Financing Authority:

Honourable Rob Fleming
Director
Date: July 8, 2021

BC TRANSPORTATION FINANCING AUTHORITY
Consolidated Statement of Operations

For the year ended March 31	Note	Budget (Note 25) ($ 000s)	2021 ($ 000s)	2020 ($ 000s)
Revenue:				
Tax revenue:	21			
Motor fuel tax		461,000	411,722	453,076
Car rental tax		10,000	10,000	12,000
Total tax revenue		471,000	421,722	465,076
Amortization of deferred capital contributions	13	176,187	173,269	173,161
Operating revenue	22	47,647	27,644	44,974
Earnings from government business enterprise	6	9,416	11,891	13,494
		704,250	634,526	696,705
Expenses:				
Operating expenses:				
Highway operations		660,818	676,956	665,158
Transit programs		176,147	131,809	129,081
Ferry operations		28,093	25,742	24,387
Other programs		138,759	137,787	129,325
Total operating expenses	23	1,003,817	972,294	947,951
Debt servicing costs	24	454,936	408,933	430,431
		1,458,753	1,381,227	1,378,382
Annual operating (deficit)		(754,503)	(746,701)	(681,677)
Accumulated operating surplus at beginning of year			914,213	1,595,890
Accumulated operating surplus at end of year			167,512	914,213

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 25) ($ 000s)	2021 ($ 000s)	2020 ($ 000s)
Annual operating deficit	(754,503)	(746,701)	(681,677)
Effect of change in tangible capital assets:			
Acquisition of tangible capital assets	(1,869,724)	(1,284,772)	(954,319)
Amortization of tangible capital assets	577,306	559,526	554,809
Asset write-off, disposal and other adjustments	10,000	6,013	52,334
	(1,282,418)	(719,233)	(347,176)
Effect of change in investment in government business enterprise:			
Other comprehensive gain		257	1,068
		257	1,068
Effect of change in fair value adjustments and foreign currency translation:			
Equity investments		564	187
Foreign currency translation		253,746	(151,393)
Derivative instruments		(488,696)	396,343
		(234,386)	245,137
Effect of change in other non-financial assets		379	3,335
		379	3,335
(Increase) in net debt		(1,699,684)	(779,313)
Net debt at beginning of year		(15,783,745)	(15,004,432)
Net debt at end of year		(17,483,429)	(15,783,745)

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	2021 ($ 000s)	2020 ($ 000s)
Accumulated remeasurement gains at beginning of year	519,172	272,967
Unrealized gains and losses:		
Unrealized gains on equity investments	564	187
Unrealized foreign exchange gains (losses) on debt	265,073	(151,669)
Unrealized (losses) gains on derivative instruments	(450,529)	425,701
	(184,892)	274,219
Realized gains and losses reclassified to the statement of operations:		
Realized foreign exchange (gains) losses	(11,327)	276
Realized (gains) on derivative instruments	(38,167)	(29,358)
	(49,494)	(29,082)
Unrealized comprehensive gains from government business enterprise	257	1,068
Accumulated remeasurement gains at end of year	285,043	519,172

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	2021 ($ 000s)	2020 ($ 000s)
Operating activities:		
Annual deficit	(746,701)	(681,677)
Items not involving cash:		
Amortization of tangible capital assets	559,526	554,809
Amortization of deferred capital contributions	(173,269)	(173,161)
Amortization of debt premiums, discounts and issue costs	(4,902)	(1,581)
Cost of properties sold (other financial assets)	10	8,833
Earnings from government business enterprise	(11,891)	(13,494)
Change in operating working capital:		
Decrease in due from government and government organizations	4,484	7,397
Decrease (Increase) in accounts receivable	1,141	(1,842)
Increase in due to government and government organizations	27,948	51,090
(Decrease) in accounts payable and accrued liabilities	(13,341)	(20,703)
	(356,995)	(270,329)
Financing activities:		
Cash received from debt issued	1,412,366	1,575,897
Cash used for debt retirement	(309,105)	(630,282)
Increase (Decrease) in public-private partnership liabilities	225,148	35,024
Net addition to deferred capital contributions	276,808	202,253
(Decrease) in deferred revenue	(264)	(1,509)
	1,604,953	1,181,383
Capital activities:		
Cash used to acquire tangible capital assets	(1,284,772)	(954,319)
Costs of tangible capital assets written down or disposed	4,016	50,614
Costs of tangible capital assets sold	5	2,942
Tangible capital assets reclassified as other non-financial assets	-	581
Decrease (Increase) in other non-financial assets	379	3,335
	(1,280,372)	(896,847)
Increase (Decrease) in cash and cash equivalents	(32,414)	14,207
Cash and cash equivalents at beginning of year	55,117	40,910
Cash and cash equivalents at end of year	22,703	55,117

Supplemental disclosure of cash flow information: Interest paid	423,129	433,955

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

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 has two wholly-owned subsidiaries:

British Columbia Railway Company (BCRC), a government business enterprise, became a subsidiary of BCTFA on April 1, 2010, with a mandate to acquire and hold railway corridor and strategic port lands and to make related infrastructure investments to provide benefits to the Province.

Transportation Investment Corporation (TI Corp), a taxpayer supported Crown corporation, became a subsidiary of BCTFA on April 1, 2018, with a mandate to provide enhanced oversight, management and delivery of major transportation projects.

BCTFA, BCRC and TI Corp are 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:

Investment in the government business enterprise is consolidated into these financial statements using the modified equity method from the date the enterprise became a subsidiary of BCTFA. Under the modified equity method, net income/loss, other comprehensive income/loss, and changes in equity of the government business enterprise are consolidated. Inter-entity transactions are not eliminated. No adjustment is made for accounting policies of the government business enterprise that are different from BCTFA. Payments from the government business enterprise to the Province and BCTFA are deducted from the investment.

Investment in the taxpayer supported Crown corporation is consolidated into these financial statements using the full consolidation method from the date the corporation became a subsidiary of BCTFA. Under the full consolidation method, inter-entity balances and transactions, and any unrealized income and expenses arising from inter-entity transactions, are eliminated on consolidation. Adjustments are made for accounting policies of the taxpayer supported Crown corporation that are different from BCTFA.

2. Significant accounting policies (continued):

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 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.
iii) Level 3 - Internal models developed without observable market data.

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.

2. Significant accounting policies (continued):

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.

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(j) and the corresponding liabilities will be paid down over the term of the agreements using the effective interest rate method.

g) 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.

h) 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.

2. Significant accounting policies (continued):

i) 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.

j) 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:

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

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.

BCTFA records the cost of purchased intangible assets. Contributed intangibles assets, such as land use rights or licenses are not recorded.

2. Significant accounting policies (continued):

k) Inventories held for use:

Inventories are materials held for use in future construction projects are recorded at the lower of weighted average cost and net realizable value.

l) 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.

m) Impairment of accounts receivable:

At the end of each reporting period, BCTFA uses objective evidence, such as an aging analysis or ability to collect analysis, to determine the best estimate of any impairment associated with accounts receivable. Impairment losses on receivable are recorded in the statement of operations, and adjusted in subsequent periods if the amount of impairment changes.

n) 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.

o) 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.

The nature of BCTFA's activities sometimes 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.

2. Significant accounting policies (continued):

o) Liability for contaminated sites (continued):

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.

p) 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 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.

3. Cash and cash equivalents:

	2021 ($ 000s)	2020 ($ 000s)
Cash	17,695	50,117
Cash equivalents	5,008	5,000
	22,703	55,117

Included in cash equivalents are:

- $2.41 million (2020 - $0.084 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:

	2021 ($ 000s)	2020 ($ 000s)
Province of British Columbia	38,824	43,308

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

5. Accounts receivable:

Accounts receivable	2021 ($ 000s)	2020 ($ 000s)
Tolling related accounts receivable	12,114	12,141
Allowance for doubtful accounts	(12,114)	(12,141)
Net tolling related accounts receivable	-	-
GST rebate from federal government	-	322
Other accounts receivable	3,158	3,977
	3,158	4,299

Allowance for doubtful accounts	2021 ($ 000s)	2020 ($ 000s)
Beginning balance	12,141	12,205
(Reductions)	(27)	(64)
	12,114	12,141

Tolls on Port Mann Bridge were removed on September 1, 2017. BCTFA has continued to collect outstanding tolls. Provision has been made for outstanding toll receivables determined to be uncollectible.

6. 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.

	2021 ($ 000s)	2020 ($ 000s)
Investment in BCRC at beginning of year	215,002	200,440
Earnings for the year	11,891	13,494
Other comprehensive gain	257	1,068
	12,148	14,562
Investment in BCRC at end of year	227,150	215,002

6. Investment in government business enterprise (continued):

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	2021 ($ 000s)	2020 ($ 000s)
Current assets	126,890	123,950
Non-current assets	439,296	464,702
Total assets	566,186	588,652
Current liabilities	3,322	4,547
Non-current liabilities	335,714	369,103
Total liabilities	339,036	373,650
Total shareholder's equity	227,150	215,002
Total liabilities and shareholder's equity	566,186	588,652

Consolidated Statement of Comprehensive Income For the year ended March 31	2021 ($ 000s)	2020 ($ 000s)
Revenue	28,293	32,061
Expenses	(16,402)	(18,567)
Net income	11,891	13,494
Other comprehensive gain	257	1,068
Total comprehensive income	12,148	14,562

7. Other financial assets:

	2021 ($ 000s)	2020 ($ 000s)
Equity investments	866	301
Properties held for sale	3,153	1,170
	4,019	1,471

7. Other financial assets (continued):

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, 2021, BCTFA holds 28,250 shares (2020 - 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).

8. 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 2021/22 and 2049/50 with a fair value of $241 million (2020 - $497 million) for interest rate swaps and $96 million (2020 - $329 million) for currency swaps as of March 31, 2021.

BCTFA entered into two new derivative contracts this fiscal (2020 - eight new contracts entered) and no derivative contracts expired during the year (2020 - three contracts expired).

9. Due to government and government organizations:

	2021 ($ 000s)	2020 ($ 000s)
Province of British Columbia	428,574	401,398
BC Infrastructure Benefits Inc.	9,049	8,277
	437,623	409,675

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

10. Accounts payable and accrued liabilities:

	2021 ($ 000s)	2020 ($ 000s)
Interest payable	98,816	107,070
Liabilities for contaminated sites	31,677	37,726
Other payables and accrued liabilities	18,743	17,796
GST remittance to federal government	15	-
	149,251	162,592

11. Debt:

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.

BCTFA acquired $1,412 million new debt (2020 - $1,576 million) and retired $309 million debt during the year (2020 - $630 million).

	Year of maturity	Canadian currency debt ($ 000s)	(Canadian equivalent) Foreign currency debt [1] ($ 000s)	2021 Canadian total ($ 000s)	2020 Canadian total ($ 000s)
Promissory notes	2021	-	-	-	175,191
	2022	40,000	134,911	174,911	-
Debt	2021	-	-	-	308,823
	2022	791,464	248,500	1,039,964	1,039,964
	2023	228,864	100,000	328,864	328,864
	2024	130,569	-	130,569	130,569
	2025	96,961	199,500	296,461	296,461
	2026	544,501	100,000	644,501	644,501
	2027 - 2031	1,232,000	870,251	2,102,251	1,902,251
	2032- 2036	699,490	-	699,490	699,490
	2037 - 2041	1,520,423	150,000	1,670,423	1,670,423
	2042- 2046	1,753,537	194,870	1,948,407	1,348,407
	2047- 2051	2,492,000	831,715	3,323,715	2,890,165
Total debt issued		9,529,809	2,829,747	12,359,556	11,435,109
Unrealized foreign exchange loss on debt				46,107	299,853
Unamortized debt premium, discount and issue cost				159,467	(14,446)
				12,565,130	11,720,516
The weighted average effective interest rates on the above debt as of March 31 are:				2.82%	3.36%

[1] As at March 31, 2021, BCTFA has $1,275 million US dollar debt (2020 - $1,011 million) and 865 million Euro dollar debt (2020 - 715 million) outstanding.

11. Debt (continued):

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

Principal repayment in Canadian currency ($ 000s)	
2022	1,214,875
2023	328,864
2024	130,569
2025	296,461
2026	644,501
and thereafter	9,744,286
	12,359,556

12. Public-private partnership liabilities:

During the year, BCTFA entered into a design, build and finance (DBF) contract with private sector partners to deliver the Broadway Subway Project. The liability shown below for the Broadway Subway Project and the Pattullo Replacement project represents private sector partners' financing amount, net of progress payments made by the entity.

BCTFA has four design, build, finance and operate (DBFO) contracts with private sector partners where the related infrastructure have been placed in service. 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 18.

	Project status	Interest rate (%)	Contract type	Contract term (Years)	Capital liabilities 2021 ($ 000s)	Capital liabilities 2020 ($ 000s)
Pattullo Bridge Replacement	Work-in-progress	2.87	DBF	5.7	176,321	61,915
Broadway Subway Project	Work-in-progress	3.06	DBF	5.3	148,190	-
South Fraser Perimeter Road	Completed	9.16	DBFO	20	154,277	157,363
Kicking Horse Park Bridge	Completed	7.40	DBFO	25	47,158	50,501
Sea-to-Sky Highway Corridor	Completed	7.52	DBFO	25	344,878	370,733
William R. Bennett Bridge	Completed	7.88	DBFO	30	141,015	146,179
					1,011,839	786,691

12. 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)
2022	45,212
2023	49,531
2024	229,951
2025	201,435
2026	54,903
and thereafter	430,807
	1,011,839

13. 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, 2020 balance ($ 000s)	Net addition ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2021 balance ($ 000s)
Provincial government	1,778,680	1,600	(115,522)	1,664,758
Federal government	1,885,098	261,409	(53,641)	2,092,866
Municipal government	52,197	(963)	(1,559)	49,675
Other partners	77,954	14,762	(2,547)	90,169
	3,793,929	276,808	(173,269)	3,897,468

14. Deferred revenue:

	April 1, 2020 balance ($ 000s)	Addition ($ 000s)	Transfer to revenue ($ 000s)	March 31, 2021 balance ($ 000s)
British Columbia Ferry Services Inc. terminal lease	52,820	-	(1,228)	51,592
Other deferred revenue	2,599	1,576	(612)	3,563
	55,419	1,576	(1,840)	55,155

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.

15. 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.

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 2022 and 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, 2021 is $2,316 million (2020 - $2,365 million).

In 2020, the Province entered into an agreement with the City of Vancouver for rights to specific Vancouver lands during the construction and operation of the Broadway Subway at no cost to the Province. The land use rights represent the City of Vancouver's in-kind contribution to the project, but are not recognized in these financial statements. In accordance with PSAS, purchased intangible assets are recognized, and contributed intangible assets are not recognized.

15. Tangible capital assets (continued):

Cost	April 1, 2020 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Reclass[3] / Disposal ($ 000s)	March 31, 2021 balance ($ 000s)
Highway infrastructure [1]	19,477,477	(1,419)	766,323	(1,706)	20,240,675
Transit infrastructure [2]	3,271,111	-	118,758	-	3,389,869
Ferry terminals and facilities	23,575	-	-	-	23,575
Vessels	93,014	-	(1,460)	-	91,554
Building and improvements	60,460	351	-	-	60,811
Land [3]	2,081,384	50,167	-	(2,093)	2,129,458
Capital projects in progress [4]	1,017,082	1,235,673	(883,621)	(2,701)	1,366,433
	26,024,103	1,284,772	-	(6,500)	27,302,375

Accumulated amortization	April 1, 2020 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Reclass[3] / Disposal ($ 000s)	March 31, 2021 balance ($ 000s)
Highway infrastructure [1]	(7,552,036)	(503,375)	-	487	(8,054,924)
Transit infrastructure [2]	(1,202,963)	(51,012)	-	-	(1,253,975)
Ferry terminals and facilities	(8,515)	(824)	-	-	(9,339)
Vessels	(30,429)	(2,828)	-	-	(33,257)
Building and improvements	(13,634)	(1,487)	-	-	(15,121)
	(8,807,577)	(559,526)	-	487	(9,366,616)

Net book value	April 1, 2020 balance ($ 000s)	March 31, 2021 balance ($ 000s)
Highway infrastructure [1]	11,925,441	12,185,751
Transit infrastructure [2]	2,068,148	2,135,894
Ferry terminals and facilities	15,060	14,236
Vessels	62,585	58,297
Building and improvements	46,826	45,690
Land [3]	2,081,384	2,129,458
Capital projects in progress [4]	1,017,082	1,366,433
	17,216,526	17,935,759

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes rail stations, guideways, vehicles, rolling stocks, bus exchanges and park & ride facilities.

[3] Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.

[4] 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.

15. Tangible capital assets (continued):

Cost	April 1, 2019 balance ($ 000s)	Addition ($ 000s)	Transfer ($ 000s)	Reclass[3] / Disposal ($ 000s)	March 31, 2020 balance ($ 000s)
Highway infrastructure [1]	18,818,958	-	658,010	509	19,477,477
Transit infrastructure [2]	3,240,799	-	30,312	-	3,271,111
Ferry terminals and facilities	23,575	-	-	-	23,575
Vessels	83,884	-	9,130	-	93,014
Building and improvements	60,980	-	-	(520)	60,460
Land [3]	2,037,497	46,042	-	(2,155)	2,081,384
Capital projects in progress [4]	856,425	908,277	(697,452)	(50,168)	1,017,082
	25,122,118	954,319	-	(52,334)	26,024,103

Accumulated amortization	April 1, 2019 balance ($ 000s)	Amortization ($ 000s)	Transfer ($ 000s)	Disposal ($ 000s)	March 31, 2020 balance ($ 000s)
Highway infrastructure [1]	(7,052,154)	(499,359)	-	(523)	(7,552,036)
Transit infrastructure [2]	(1,153,397)	(49,566)	-	-	(1,202,963)
Ferry terminals and facilities	(7,681)	(834)	-	-	(8,515)
Vessels	(27,824)	(2,605)	-	-	(30,429)
Building and improvements	(11,712)	(2,445)	-	523	(13,634)
	(8,252,768)	(554,809)	-	-	(8,807,577)

Net book value	April 1, 2019 balance ($ 000s)	March 31, 2020 balance ($ 000s)
Highway infrastructure [1]	11,766,804	11,925,441
Transit infrastructure [2]	2,087,402	2,068,148
Ferry terminals and facilities	15,894	15,060
Vessels	56,060	62,585
Building and improvements	49,268	46,826
Land [3]	2,037,497	2,081,384
Capital projects in progress [4]	856,425	1,017,082
	16,869,350	17,216,526

[1] Highway infrastructure includes highways, roads, bridges, tunnels, culverts and other related assets.

[2] Transit infrastructure includes rail stations, guideways, vehicles, rolling stocks, bus exchanges and park & ride facilities.

[3] Land meeting the criteria in note 2(d) is reclassified as other financial assets - properties held for sale.

[4] 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.

16. Other non-financial assets:

Other non-financial assets are mainly inventories held for use in future construction projects.

17. 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, 2021, BCTFA has the following rights which arise from cost-share agreements with federal and local governments and other partners for capital projects; and lease and rental agreements entered into for BCTFA's properties.

($ millions)	2022	2023	2024	2025	2026	Future rights
Capital project cost-share agreements	484.6	478.7	393.4	184.1	109.7	-
Lease and rental agreements	4.0	3.7	2.2	2.1	2.0	32.1
	488.6	482.4	395.6	186.2	111.7	32.1

18. Contractual obligations:

During the year, BCTFA entered into a design, build, and finance (DBF) contract with private sector partners to deliver the Broadway Subway Project, and a design, build (DB) contract with private sector partners to deliver the Kicking Horse Canyon Phase 4 Project. During fiscal year 2019/20, BCTFA entered into a design, build and finance (DBF) contract with private sector partners to deliver the Pattullo Bridge Replacement Project. The amounts shown below represent the entity's remaining financial commitments to the contract.

Information presented under public-private partnership (DBFO) 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 12.

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.

18. Contractual obligations (continued):

($ millions)	Contract end date	2022	2023	2024	2025	2026	Beyond 2026
Public-private partnership project:							
Pattullo Bridge Replacement (DBF)	2026	240.0	267.2	156.7	79.0	22.0	-
Sea-to-Sky Highway Corridor (DBFO)	2030	46.1	44.7	43.4	41.7	38.9	192.0
Kicking Horse Canyon (DBFO)	2030	9.1	9.4	9.7	10.0	8.6	55.8
South Fraser Perimeter Road (DBFO)	2035	21.8	19.7	21.6	23.2	24.4	158.6
William R. Bennett Bridge (DBFO)	2035	15.7	15.4	15.0	14.6	14.2	108.8
Broadway Subway (DBF)	2026	505.5	454.6	438.3	81.0	72.4	-
Kicking Horse Canyon (DB)	2030	148.8	140.0	63.6	1.0	-	-
Canada Line	2040	19.3	19.3	19.3	19.3	19.3	269.0
Golden Ears Bridge[1]	2022	65.4	-	-	-	-	-
Other commitments		514.2	308.3	57.2	11.6	7.2	84.0
		1,585.9	1,278.6	824.8	281.4	207.0	868.2

[1] 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 commenced on August 23, 2017 and expired on August 31, 2018. If by August 31, 2018, BCTFA and TransLink did not enter 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, 2021 and March 31, 2022. Future obligations of the Golden Ears Bridge will be determined when a long term agreement between BCTFA and TransLink is reached.

19. Contingent assets:

TI Corp developed a Park & Ride Station known as the 202 Street Park & Ride Project. To develop the project, TI Corp entered into a Development Works Agreement (DWA) with the Township of Langley (Township), which specifies that for a 15-year term, the Township is responsible to collect specified charges from any developer who develops benefiting parcels. Further, the Township is required to remit the specified charges collected from the benefiting parcels to TI Corp. Because there are set conditions required to collect the specified charges, the total amount to be received by TI Corp is considered conditional and unknown and, therefore, meets the definition of a contingent asset.

In fiscal 2020, the contingent asset was transferred to BCTFA as part of a restructuring. BCTFA received $2.05 million (2020 - $1.6 million) under the DWA during the year.

20. 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, 2021, BCTFA has unrecorded contingent liabilities of $42 million (2020 - $36 million) in which $27 million (2020 - $26 million) are related to property and contaminated sites claims.

21. 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.

22. Operating revenue:

Operating revenue consists of the following:

	2021 ($ 000s)	2020 ($ 000s)
Net revenue from property sales	13,989	19,783
Rental and leases	7,060	6,479
Grants from the Province	3,647	8,780
Miscellaneous revenue	2,948	9,932
	27,644	44,974

23. Operating expenses:

Operating expenses by group account classification:

	2021 ($ 000s)	2020 ($ 000s)
Amortization expense	559,526	554,809
Grants	165,189	161,740
Operating costs	168,188	118,599
Other costs	65,540	52,702
Administration expense	9,835	9,487
Asset write-down or disposal	4,016	50,614
	972,294	947,951

24. Debt servicing costs:

	2021 ($ 000s)	2020 ($ 000s)
Interest on debt and public-private partnership obligations	465,979	470,653
Interest capitalized	(2,650)	(9,559)
	463,329	461,094
Amortization of debt premiums, discounts and issue costs	(4,902)	(1,581)
Realized foreign exchange losses (gains)	(11,327)	276
Realized (gains) on derivative instruments	(38,167)	(29,358)
	408,933	430,431

25. Budget:

The budget presented in these consolidated financial statements is based upon the operating and capital budget in the approved 2020/21 - 2021/22 Ministry of Transportation and Infrastructure service plan and the province's budget and fiscal plan.

26. 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, 2021, 27.40% (2020 - 26.66%) of BCTFA's debt is variable-rate. A 0.25% change in interest rates will have a financial impact of $8.6 million (2020 - $7.3 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.

26. Risk management (continued):

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, 2021, BCTFA has $1,275 million US dollar debt (2020 - $1,011 million) and 865 million Euro dollar debt (2020 - 715 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.

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.

27. 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.

28. Significant event:

In March 2020, the World Health Organization declared a global pandemic related to the coronavirus disease known as COVID-19. The impacts to the economy have been far reaching. The primary impact to BCTFA has been reduced fuel tax revenues due to travel restrictions in effect during 2020/21.