

Consolidated Financial Statements of

**BRITISH COLUMBIA TRANSIT**

Year ended March 31, 2024

# MANAGEMENT REPORT

Year ended March 31, 2024


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 (“the Province”), 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 24, 2024.

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 PricewaterhouseCoopers LLP 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.

On behalf of BC Transit:

  
Erinn Pinkerton  
President and Chief Executive Officer  
May 24, 2024

  
Roland Gehrke, CPA CA  
Vice President, Finance and Chief Financial Officer  
May 24, 2024



## Independent auditor's report

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

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### Our opinion

In our opinion, the accompanying consolidated financial statements of British Columbia Transit and its subsidiaries (together, BC Transit) as at March 31, 2024 and for the year then ended are prepared, in all material respects, in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### What we have audited

BC Transit's consolidated financial statements comprise:

- the consolidated statement of financial position as at March 31, 2024;
- the consolidated statement of operations for the year then ended;
- the consolidated statement of changes in net debt for the year then ended;
- the consolidated statement of rereasurement gains and losses for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

### Independence

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

PricewaterhouseCoopers LLP  
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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### **Emphasis of matter – basis of accounting**

We draw attention to note 2(a) to the consolidated financial statements, which describes the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards. Note 20 to the consolidated financial statements discloses the impact of these differences. Our opinion is not modified in respect of this matter.

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### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation of the consolidated financial statements in accordance with the accounting requirements of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia, 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.

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

Those charged with governance are responsible for overseeing BC Transit's financial reporting process.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

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

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

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



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of BC Transit'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 BC Transit's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause BC Transit to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within BC Transit to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Surrey, British Columbia  
May 24, 2024

# BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position  
(In thousands of dollars)

March 31, 2024, with comparative figures for March 31, 2023

	March 31, 2024	March 31, 2023
<b>FINANCIAL ASSETS</b>	\$	\$
Cash and cash equivalents (Note 3)	51,664	49,936
Accounts receivable (Note 4)	80,725	50,216
Carbon credits (Note 2)	24,982	-
Debt sinking funds (Note 8)	60,004	55,855
	217,375	156,007
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities (Note 5)	54,945	57,134
Due to Province	1,146	1,138
Deferred revenue and contributions (Note 6)	119,889	99,853
Deferred capital contributions (Note 7)	369,411	338,981
Debt (Note 8)	168,159	108,659
Employee future benefits (Note 9)	20,590	21,922
	734,140	627,687
<b>NET DEBT</b>	(516,765)	(471,680)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	550,794	462,312
Inventories	23,240	22,313
Prepaid expenses and deposits	3,745	4,784
Prepaid lease payments	2,300	2,648
	580,079	492,057
<b>ACCUMULATED SURPLUS</b>		
Accumulated operating surplus	64,970	21,137
Accumulated rereasurement (losses)	(1,656)	(760)
	63,314	20,377

Commitments, contingent liabilities, and contractual rights (Notes 11, 12 and 13).

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

Approved on behalf of the Board of Directors:



Sherri Bell, Chair  
May 24, 2024



Blair Redlin, Director  
May 24, 2024

# BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations  
(In thousands of dollars)

Year ended March 31, 2024, with comparative figures for March 31, 2023

	Budget 2024 (Note 16)	March 31, 2024	March 31, 2023
<b>REVENUE</b>	\$	\$	\$
Operations (Note 14)	76,823	79,121	74,177
Government transfers:			
Provincial (Note 14)	150,557	136,841	141,067
Local government (Note 14)	146,120	130,676	141,090
Deferred capital contributions (Note 7)	42,479	47,226	46,441
Carbon credit income (Note 19)	3,352	34,560	2,975
Investment and other income	2,616	3,521	3,232
	421,947	431,945	408,982
<b>EXPENSES</b> (Note 15)			
Operations	294,042	292,699	282,326
Maintenance	84,736	91,852	81,782
Administration	43,169	48,121	45,836
	421,947	432,672	409,944
<b>NET DEFICIT</b> from operations	-	(727)	(962)
<b>OTHER</b>			
Disposal of capital assets			
(Loss) on disposal of capital assets	-	(2,167)	(472)
Other capital recoveries	-	1,281	438
Contributions for land purchase (Note 14)	-	45,435	2,743
Gain on investments	-	-	43
Other recovery (expenses)	-	11	(52)
		44,560	2,700
<b>ANNUAL SURPLUS</b>	-	43,833	1,738
Accumulated operating surplus, beginning of year	-	21,137	19,399
Accumulated operating surplus, end of year	-	64,970	21,137

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, 2024, with comparative figures for March 31, 2023

	Budget 2024 (Note 16)	March 31, 2024	March 31, 2023
	\$	\$	\$
Surplus for the year	-	43,833	1,738
Acquisition of tangible capital assets	(232,462)	(157,990)	(100,544)
Amortization of tangible capital assets	62,984	67,385	68,791
Transfers of tangible capital assets	-	(44)	-
Disposal of tangible capital assets	-	2,167	472
	(169,478)	(44,649)	(29,543)
Acquisition of inventories of parts	-	(37,681)	(37,157)
Consumption of inventories of parts	-	36,754	33,957
Acquisition of prepaid expenses and deposits	-	(10,794)	(10,617)
Consumption of prepaid expenses and deposits	-	11,833	12,007
Consumption of prepaid leases	-	348	347
	-	460	(1,463)
Realized gain reclassified to operations	-	-	(43)
Unrealized (loss) on portfolio investment	-	(896)	(2,164)
		(896)	(2,207)
Increase in net debt	(169,478)	(45,085)	(33,213)
Net debt, beginning of year	(471,680)	(471,680)	(438,467)
Net debt, end of year	(641,158)	(516,765)	(471,680)

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)

March 31, 2024, with comparative figures for March 31, 2023

	March 31, 2024	March 31, 2023
	\$	\$
Accumulated remeasurement (loss) gains, beginning of year	(760)	1,447
Unrealized (loss) on investments	(896)	(2,164)
Realized gain on investments, reclassified to Consolidated Statement of Operations	-	(43)
Accumulated remeasurement (losses), end of year	(1,656)	(760)

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

# BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows  
(In thousands of dollars)

March 31, 2024, with comparative figures for March 31, 2023

	March 31, 2024	March 31, 2023
Cash provided by (used for):	\$	\$
Operating transactions		
Annual surplus	43,833	1,738
Non-cash charges to operations (Note 17)	20,254	22,285
Changes in non-cash operating working capital (Note 17)	(39,631)	17,820
Cash received from operating transactions	24,456	41,843
Capital transactions		
Proceeds on disposal of tangible capital assets	393	91
Cash (used) to acquire tangible capital assets	(156,120)	(110,456)
Cash (used) for capital transactions	(155,727)	(110,365)
Investing transactions		
Purchase of debt sinking funds and investments	(5,425)	(5,727)
Redemption of debt sinking funds and investments	380	25,394
Cash (used) received from investing transactions	(5,045)	19,667
Financing transactions		
Short-term debt proceeds	100,564	-
Short-term debt repaid	(40,564)	-
Long-term debt repaid	(500)	(23,350)
Capital contributions received	78,544	69,457
Cash received from financing transactions	138,044	46,107
Increase (decrease) in cash and cash equivalents	1,728	(2,748)
Cash and cash equivalents, beginning of year	49,936	52,684
Cash and cash equivalents, end of year	51,664	49,936
Supplemental cash flow information		
Cash paid for interest	6,872	5,699
Cash received from interest	2,170	960

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

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 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 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 (“VRTC”), is responsible for the administration of all funds raised by certain tax levies. These funds are recorded as a liability and summarized in Note 6.

## 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 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 as 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. The impact of accounting for restricted contributions in accordance with Regulation 198/2011 is disclosed in Note 20.

### (b) Basis of Consolidation

#### 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.

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

0915866 B.C. Ltd.

0925406 B.C. Ltd.

0922667 B.C. Ltd.

0928624 B.C. Ltd.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 2. Summary of Significant Accounting Policies (continued)

### (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 based 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 are recognized as 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 as revenue in the year in which the stipulation or restriction on the contribution has been met.

See Note 20 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. Transit passes purchased in advance of services being performed are deferred and recognized in the month the service is delivered.

### (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.

### (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.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 2. Summary of Significant Accounting Policies (continued)

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.

### (i) *Carbon credits*

Carbon credits are financial assets recorded at fair value, less any selling costs. Provincial carbon credits are earned under the terms of the *Low Carbon Fuels Act* and validated by the Ministry of Energy, Mines and Low Carbon Innovation (EMLI). These financial assets are held for sale and are measured using a Level 2 valuation. Any changes in fair value are recognized in the statement of remeasurement gains and losses. Upon sale, the cumulative gain or loss is recognized in the statement of operations as carbon credit income. Realized gains or losses in the year were not significant and therefore not recorded in the year.

### (ii) *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 (BCI), 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.

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 no term and are held for the purpose of meeting short-term cash commitments, rather than for investing. They are reported at fair value and are measured using a Level 1 valuation.

### (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 exist. Changes in valuation allowance are recognized in the statement of operations.

### (iii) *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-trusted pension plans follow defined contribution pension plan accounting. Contributions are expensed as they become payable.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 2. Summary of Significant Accounting Policies (continued)

- (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), 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 and were effective March 31, 2024.

### (g) **Asset Retirement Obligation**

BC Transit maintains tangible capital assets to deliver transit services. Liabilities are recognized for statutory, contractual, or legal obligations associated with the retirement of tangible capital assets when those obligations result from the acquisition, construction, development, or normal operation of the assets.

A liability is recognized when, as at the financial reporting date:

- (i) there is a legal obligation to incur retirement costs in relation to a tangible capital asset;
- (ii) the past transaction or event giving rise to the liability has occurred;
- (iii) it is expected that future economic benefits will be given up; and
- (iv) a reasonable estimate of the amount can be made.

The obligations are measured initially at fair value, determined using present value methodology with a discount rate of 3.55 per cent, and the resulting costs capitalized into the carrying amount of the related tangible capital asset. In subsequent periods, the liability is adjusted for accretion and any changes in the amount or timing of the underlying future cash flows. The capitalized asset retirement cost is amortized on the same basis as the related asset and accretion expense is included in the Consolidated Statement of Operations. As at March 31, 2024, BC Transit has not identified any asset retirement obligations that meet the criteria for recognition.

### (h) **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:

- (i) an environmental standard exists;
- (ii) contamination exceeds the environmental standard;
- (iii) BC Transit is directly responsible or accepts responsibility; and
- (iv) a reasonable estimate of the amount can be made.

As at March 31, 2024, BC Transit has not identified any contaminated sites that meet the criteria for recognition.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 2. Summary of Significant Accounting Policies (continued)

### (i) **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:

Asset	Useful Life - Years
Land	Indefinite
Exchanges, shelters, and other transit infrastructure	3 – 40
Buildings	3 – 40
Vehicles – including major components	2 – 20
Other equipment	2 – 25

#### (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.

#### (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, prepaid software, and prepaid property leases. These are expensed over the period they are expected to benefit.

#### (vii) *Intangibles*

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

### (j) **Use of Estimates**

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.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 2. Summary of Significant Accounting Policies (continued)

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.

### (k) **New Accounting Standard**

Effective April 1, 2023, BC Transit adopted PS3400 Revenue on a prospective basis. PS3400 defines and establishes standards for recognition, measurement, presentation, and disclosure of revenue, differentiating between revenue arising from exchange transactions with performance obligations and non-exchange transactions. BC Transit completed a review of revenue within the scope of PS3400 and determined there are no material impacts.

## 3. Cash and Cash Equivalents

Major components of cash and cash equivalents are comprised of the following:

	2024	2023
	\$	\$
Cash	51,087	39,369
Cash equivalents	577	10,567
<b>Total cash and cash equivalents</b>	<b>51,664</b>	<b>49,936</b>

## 4. Accounts Receivable

Accounts receivable are comprised of the following:

	2024	2023
Provincial:	\$	\$
Operating	7,188	4,447
Capital grants	18,734	13,263
	25,922	17,710
Federal:		
Capital grants	19,325	8,201
	19,325	8,201
Local governments	23,008	16,125
Trade and other	12,470	8,180
<b>Total accounts receivable</b>	<b>80,725</b>	<b>50,216</b>



# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are comprised of the following:

	2024	2023
	\$	\$
Trade payables	14,511	21,084
Payable to operating companies	19,229	16,267
Payroll liabilities	11,865	14,140
Asset retirement obligation	-	339
Holdbacks payable	4,142	1,121
Interest Payable on long-term debt	3,973	2,722
Other	1,225	1,461
Total accounts payable and accrued liabilities	54,945	57,134

## 6. Deferred Revenue and Contributions

Deferred service funding consists of operating contributions and restricted contributions, that have been received but not yet earned.

Deferred contributions for assets relate to the operating costs and capital costs of assets required to provide transit service. Differences between contributions received and costs incurred are deferred and used to fund transit services in future periods.

Deferred Victoria Regional Transit funds are held on behalf of the VRTC. These funds are restricted for the use of funding transit in the Capital Regional District. Inflows to the VRTC fund include property taxes, gas tax, interest and other grants received periodically. Outflows are in the form of municipal billings and occur on a monthly basis.

Deferred sales represent transit fees received in advance of services being performed and are recognized as revenue over the period the service is performed.

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

	2024	2023
	\$	\$
Deferred service funding contributions	40,816	14,229
Deferred contributions for assets	61,544	52,298
Deferred Victoria Regional Transit Fund	16,168	32,266
Deferred sales	1,361	1,060
Total deferred revenue and contributions	119,889	99,853

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 6. Deferred Revenue and Contributions (continued)

Continuity of deferred service funding, contributions and revenue:

	2024	2023
Deferred service funding contributions:	\$	\$
Balance, beginning of year	14,229	19,016
Service funding contributions received	134,314	111,215
Service funding recognized as revenue	(107,727)	(116,002)
Balance, end of year	40,816	14,229
Deferred contributions for assets:		
Balance, beginning of year	52,298	51,371
Contributions received	32,195	26,364
Contributions recognized as revenue	(22,949)	(25,437)
Balance, end of year	61,544	52,298
Deferred Victoria Regional Transit Fund:		
Balance, beginning of year	32,266	49,383
Revenue fuel tax received	17,862	17,821
Revenue property tax received	44,189	36,720
Investment and other income received	1,664	1,608
Government transfers recognized as revenue	(79,813)	(73,266)
Balance, end of year	16,168	32,266
Deferred sales:		
Balance, beginning of year	1,060	669
Amounts received	10,805	6,516
Amounts recognized as revenue	(10,504)	(6,125)
Balance, end of year	1,361	1,060
Balance, end of year	119,889	99,853

## 7. Deferred Capital Contributions

Deferred capital contributions include federal, provincial, and municipal grants subject to amortization on the same basis as the related asset.

	2024	2023
	\$	\$
Balance, beginning of year	338,981	316,312
Contributions and other additions	78,544	69,457
Impairment and disposal of capital assets	(888)	(347)
Amortization	(47,226)	(46,441)
Balance, end of year	369,411	338,981

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 8. Debt

BC Transit's long-term debt, including principal and interest, is either held or guaranteed by the Province. BC Transit has not experienced any losses to date under this guarantee. 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.

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. Terms 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, can be renewed for another term as approved by the Minister, and is due upon maturity. Interest on the loan is based on money market rates.

The gross amount of short-term debt, long-term debt and the amount of sinking fund assets available to retire the debt are as follows:

	2024	2023
	\$	\$
Short-term debt has a weighted average rate of 5.08%, maturing at various dates to 2024, with six-month terms.	60,000	-
Long-term debt has a weighted average rate of 4.56%, maturing at various dates to 2040, amortized from 15 to 30 years.	108,159	108,659
<b>Total debt</b>	<b>168,159</b>	<b>108,659</b>

The total long-term debt principal and interest payments for the next five years are as follows:

	\$
2025	4,911
2026	12,902
2027	42,964
2028	5,661
2029	12,784
Thereafter	60,491

Investments held in sinking funds, including interest earned, are to be used to repay the related long-term debt at maturity. Gain on investments includes \$nil (2023 - \$43) of realized gains on disposition of investments in sinking funds. Sinking fund investments are managed by the BCI and have cost and market values as follows:

	2024		2023	
	Cost	Market Value	Cost	Market Value
	\$	\$	\$	\$
Provincial bonds	61,100	59,444	56,397	55,636
Money market funds	560	560	218	219
<b>Total sinking funds</b>	<b>61,660</b>	<b>60,004</b>	<b>56,615</b>	<b>55,855</b>

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 8. Debt (continued)

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

	\$
2025	3,433
2026	3,433
2027	3,186
2028	1,537
2029	1,470
Thereafter	4,701

In April 2017, BC Transit entered into an unsecured revolving credit facility with a Canadian financial institution totaling \$10 million. Interest on the credit facility 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. At March 31, 2024, the facility was not in use.

## 9. Employee Future Benefits

BC Transit provides sick leave and other benefits to its employees. Funding is provided when the benefits are paid and accordingly, there are no plan assets. These employee-related liabilities will require funding in future periods and are set out below.

Continuity of employee future benefits liability:

	2024	2023
Accrued benefit liability:	\$	\$
Balance, beginning of year	21,922	22,758
Current benefit cost and event-driven expense	1,121	686
Interest	287	248
Census data revision adjustment	(1,027)	-
Amortization of actuarial gain	(1,520)	(1,337)
Benefits paid	(193)	(433)
Balance, end of year	20,590	21,922
Unamortized actuarial gain	(11,705)	(12,445)
Employee future benefit obligation	8,885	9,477

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 9. Employee Future Benefits (continued)

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

	2024	2023
	\$	\$
Non-pension post-retirement benefits	4,279	5,737
Post-employment benefits	1,319	1,065
Continuation of long-term disability benefits	3,287	2,675
Total employee future benefit obligation	8,885	9,477
Unamortized actuarial gain	11,705	12,445
Total employee future benefit liability	20,590	21,922

The unamortized actuarial gain on future payments is amortized over the expected period of the liability which is 12 years (2023 – 12 years) for post-employment benefits and post-retirement benefits.

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

	2024	2023
Discount rate	4.1% - 4.4%	3.3% - 4.1%
Expected future inflationary increases	2.5%	2.6% - 5.2%
Weighted average health care trend – end of year	6.2% in 2024 grading to 3.5% in and after 2037	6.1% in 2023 grading to 3.8% in and after 2040
Dental and MSP trend – end of year	3.5%	4.0%

### Public Service Pension Plan

BC Transit and its employees contribute to the Public Service Pension Plan, a jointly-trusted 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 150,210 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, 2023, indicated a funding surplus of \$4,491 million for basic pension benefits. The next valuation will be as at March 31, 2026.

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, 2024, for employer contributions was \$10,123 (2023 - \$8,267).

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 10. Tangible Capital Assets

Cost	Balance, March 31, 2023	Additions	Disposals	Transfers	Balance, March 31, 2024
	\$	\$	\$	\$	\$
Land	33,187	45,523	-	-	78,710
Exchanges, shelters, and other transit infrastructure	74,985	-	-	1,362	76,347
Buildings	141,815	(233)	(120)	2,502	143,964
Vehicles	586,634	-	(30,847)	59,538	615,325
Other equipment	90,990	(106)	(1,335)	10,698	100,247
Capital projects in progress	66,197	112,806	(1,784)	(74,100)	103,119
<b>Total</b>	<b>993,808</b>	<b>157,990</b>	<b>(34,086)</b>	<b>-</b>	<b>1,117,712</b>

Accumulated amortization	Balance, March 31, 2023	Disposals	Amortization	Transfers	Balance, March 31, 2024
	\$	\$	\$	\$	\$
Exchanges, shelters, and other transit infrastructure	46,459	-	5,175	-	51,634
Buildings	45,647	(95)	5,567	(29)	51,090
Vehicles	370,348	(30,560)	50,242	-	390,030
Other equipment	69,042	(1,264)	6,401	(15)	74,164
<b>Total</b>	<b>531,496</b>	<b>(31,919)</b>	<b>67,385</b>	<b>(44)</b>	<b>566,918</b>

Net book value	Balance, March 31, 2024	Balance, March 31, 2023
	\$	\$
Land	78,710	33,187
Exchanges, shelters, and other transit infrastructure	24,713	28,526
Buildings	92,874	96,168
Vehicles	225,295	216,286
Other equipment	26,083	21,948
Capital projects in progress	103,119	66,197
<b>Total</b>	<b>550,794</b>	<b>462,312</b>

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 10. Tangible Capital Assets (continued)

Cost	Balance, March 31, 2022	Additions	Disposals	Transfers	Balance, March 31, 2023
	\$	\$	\$	\$	\$
Land	31,000	-	-	2,187	33,187
Exchanges, shelters, and other transit infrastructure	69,727	-	(457)	5,715	74,985
Buildings	130,198	233	-	11,384	141,815
Vehicles	556,209	-	(16,880)	47,305	586,634
Other equipment	90,450	106	(1,888)	2,322	90,990
Capital projects in progress	35,108	100,205	(203)	(68,913)	66,197
<b>Total</b>	<b>912,692</b>	<b>100,544</b>	<b>(19,428)</b>	<b>-</b>	<b>993,808</b>

Accumulated amortization	Balance, March 31, 2022	Disposals	Amortization	Transfers	Balance, March 31, 2023
	\$	\$	\$	\$	\$
Exchanges, shelters, and other transit infrastructure	41,731	(447)	5,175	-	46,459
Buildings	39,515	-	6,132	-	45,647
Vehicles	334,850	(16,622)	52,120	-	370,348
Other equipment	65,565	(1,887)	5,364	-	69,042
<b>Total</b>	<b>481,661</b>	<b>(18,956)</b>	<b>68,791</b>	<b>-</b>	<b>531,496</b>

Net book value	Balance, March 31, 2023	Balance, March 31, 2022
	\$	\$
Land	33,187	31,000
Exchanges, shelters, and other transit infrastructure	28,526	27,996
Buildings	96,168	90,683
Vehicles	216,286	221,359
Other equipment	21,948	24,885
Capital projects in progress	66,197	35,108
<b>Total</b>	<b>462,312</b>	<b>431,031</b>

Capital projects in progress having a value of \$103,119 (2023 - \$66,197) 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 \$2,167 (2023 - \$472) were written off.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 11. Commitments

BC Transit has entered various contracts as part of the normal course of operations and capital programs. These consist of outstanding commitments from contracts for leased properties (operating leases), contracts with vendors and operating partners for transit operations (operating contracts), vehicle purchase, and contracts for construction projects including facilities and equipment, exchanges and on-street infrastructure, and technology (capital contracts). Amounts are as summarized below:

	2025	2026	2027	2028	2029
	\$	\$	\$	\$	\$
Operating leases	2,230	2,106	1,706	1,368	519
Operating contracts	23,057	11,117	8,716	2,009	-
Vehicle purchases	18,312	52,744	-	-	-
Capital contracts	46,380	2,860	980	881	881
Total commitments	89,979	68,827	11,402	4,258	1,400

## 12. Contingent Liabilities

The nature of BC Transit's activities is such that there may be litigation pending or in process at any time. With respect to unsettled claims at March 31, 2024, 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.

BC Transit provides secured letters of credit and construction bonds where required for development permits or other activities. The letters of credit and bonds are held by a beneficiary who can request a draw on BC Transit's bank account for the specified amount in the event of non-compliance. At March 31, 2024, there were five letters of credit and one construction bonds outstanding for a total amount of \$5,558 (2023 - \$3,581), none of which have been drawn upon.

## 13. Contractual Rights

BC Transit has three contractual rights contribution agreements with the Province which are summarized below:

- (i) Funding to acquire tangible capital assets as part of Canada and British Columbia's Investing in Canada Infrastructure Program. Approved projects under the contribution agreement allow federal funding of up to \$266,543 and provincial funding of up to \$262,826 for future fiscal years to fund eligible expenditures incurred to December 31, 2033, as defined within the agreement.
- (ii) Funding to acquire tangible capital assets as part of Canada's Zero Emission Transit Fund Program. Approved projects under the contribution agreement allow federal funding of up to \$81,839 for future fiscal years to fund eligible expenditures incurred to September 30, 2025, as defined within the agreement.
- (iii) Receipt of carbon credits for meeting milestones in the progression of low-carbon fleet projects including the purchase of light and heavy-duty buses and their charging infrastructure. The phased agreements grant up to 31,154 carbon credits through to December 31, 2025.



# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 14. Government Transfers

The transfers reported on the statement of operations are:

	2024	2023
Government transfers:	\$	\$
Provincial contributions:		
Operating transfers	136,841	141,067
Deferred capital contributions	28,347	28,162
Write-off of capital assets	789	176
Contributions for land purchase	45,319	1,448
	211,296	170,853
Federal contributions:		
Deferred capital contributions	17,108	16,833
Write-off of capital assets	99	151
	17,207	16,984
Local government contributions:		
Transfers under cost share agreements	130,676	141,090
Deferred capital contributions	1,349	1,039
Contributions for land purchase	116	1,295
	132,141	143,424
Other:		
Deferred capital contributions	422	407
Write-off of capital assets	1	21
	423	428
<b>Total government transfers</b>	<b>361,067</b>	<b>331,689</b>

In addition to the ongoing government funding programs, BC Transit signed a contribution agreement with the Province under the federal Safe Restart Agreement and the BC Restart Plan. In 2021, this agreement provided for \$88.3 million in a one-time contribution funded 50/50 by the federal and provincial governments to provide financial relief to Local Government Partners and help ensure that affordable transit services continue through the COVID-19 recovery period. Under this agreement, local governments limited average annual public fare increases to 2.3 per cent and worked with BC Transit to maintain essential transit service levels to March 31, 2024.

In 2022, BC Transit signed an extension to this agreement which provided an additional \$28.1 million in funding and extended the terms to March 31, 2025.

Included in operations revenue is \$12,361 (2023 - \$12,570) from the provincial government to pay for fares under the BC Bus Pass and the Free Transit for Children 12 and Under programs.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
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Year Ended March 31, 2024, with comparative figures for March 31, 2023

## 15. Classification of Expense by Object

	Budget	2024	2023
	\$	\$	\$
Salaries, wages, and benefits	110,497	125,425	112,539
Contracted management fees, wages, and benefits	127,123	123,133	118,316
Amortization of capital assets	62,984	67,385	68,791
Fuel and lubricants	42,182	33,637	36,573
Fleet maintenance	27,349	28,866	24,650
Information systems	9,275	10,331	8,275
Facility maintenance	7,186	8,233	8,156
Interest	6,415	6,929	5,956
Insurance	7,492	6,716	6,051
Leases and taxes	5,607	5,573	5,014
Corporate expenses	5,167	4,585	4,577
Marketing and communications	2,276	3,035	3,201
Local government expenses	2,523	2,523	2,462
Contracted and professional fees	1,547	2,475	1,826
Taxi programs	1,909	2,083	1,717
Travel and meetings	1,500	1,432	1,185
Major projects and initiatives	915	311	655
Total operating expenses	421,947	432,672	409,944

## 16. Budget Data

The budget data presented in these consolidated financial statements was included in the 2023/24-2025/26 Service Plan, approved by the Board of Directors on February 2, 2023, and by the Government of British Columbia on February 10, 2023.

## 17. Additional Information for the Statement of Cash Flows

	2024	2023
Non-cash charges to operations:	\$	\$
Amortization of tangible capital assets	67,385	68,791
Amortization of prepaid lease	348	347
Gain on the disposal of debt sinking funds	-	(43)
Loss on the disposal of tangible capital assets	886	34
Amortization of deferred capital contributions	(47,226)	(46,441)
Long-term disability benefits expense	(1,139)	(403)
	20,254	22,285
Changes in non-cash operating working capital:		
Accounts receivable	(30,509)	21,137
Accounts payable and accrued liabilities	(2,189)	9,103
Carbon credits	(24,982)	-
Due to Province	8	497
Deferred revenue and contributions	20,036	(20,586)
Employee future benefits	(193)	(433)
Inventories	(927)	(3,200)
Prepaid expenses and deposits	1,039	1,390
Net change in accrued acquisition of tangible capital assets	(1,914)	9,912
	(39,631)	17,820

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 18. Financial Instruments

### (a) Fair Value

The carrying value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of the instruments. Carbon credits, debt and 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 or financial asset 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 and carbon credit gains and losses. Management continually monitors the exposure to fuel commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, use of alternative fueling technologies, 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 *Financial Administration Act of British Columbia* to directly enter into financial commodity derivative contracts. 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. Management monitors the exposure to carbon credit market volatility. Risk mitigation strategies include engaging market specialists to broker and sell credits, working to secure new credit agreements, and managing the timing of credit sales to maximize value.

#### *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.

#### *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.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements

(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 18. Financial Instruments (continued)

### *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.

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Estimated impact of a 1% change on annual surplus:	\$
Interest rate risk	547
Foreign exchange risk	571
Commodity risk (fuel)	386
Carbon credit market risk	250

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### *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 8. 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 and collectability of accounts receivable.

## (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 and 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.

# BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements  
(In thousands of dollars)

Year Ended March 31, 2024, with comparative figures for March 31, 2023

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## 19. Related-Party Transactions

There are certain parties that are considered related due to their ability to exercise control over the financial and operating policies of BC Transit. All transactions between BC Transit and its related parties 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.

As a Crown corporation of the Province, BC Transit and the Province are considered related parties. Provincial transactions and balances have been disclosed elsewhere in the financial statements (Note 14), other than carbon credit income which was received from the province in the year.

The BC Transit Board of Directors and Senior Leadership Team are also considered related parties. Transactions consist of remuneration and expense reimbursement.

## 20. 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 198/2011, require BC Transit to recognize non-capital government transfers as revenue in the period the restriction is met, and also require BC Transit to recognize government transfers for the acquisition of capital assets as 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 as revenue.

The impact of correcting this difference on the consolidated financial statements of BC Transit is as follows:

- i. As at March 31, 2024, an increase in deferred capital contributions of \$369,411 (2023 - \$338,981), and a decrease in accumulated surplus by the same amounts;
- ii. For the year ended March 31, 2024, an overall increase in the annual surplus of \$30,430 (2023 - \$22,669).

## 21. 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 (2023 - \$1,828) remains in deferred revenue to offset other potential future claims. See Note 12 for further details regarding unsettled claims.

## 22. Economic Dependency

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

## 23. Comparative Information

To facilitate understanding, presentation of comparative information for carbon credit income has been reclassified from investment and other income.