

Consolidated Financial Statements of

BRITISH COLUMBIA TRANSIT

Year ended March 31, 2014

MANAGEMENT REPORT

Year ended March 31, 2014

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

These consolidated financial statements include some amounts based on management's best estimates and careful judgment. A precise determination of assets and liabilities is dependent upon future events and, consequently, the preparation of periodic consolidated financial statements necessarily involves the use of management's judgment in establishing the estimates and approximations used. The consolidated financial statements have, in management's opinion, been properly prepared within the framework of the accounting policies summarized in the notes to the consolidated financial statements and incorporate, within reasonable limits of materiality, all information available as at May 22, 2014.

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 conflict of interest policy of all BC Transit officers and employees.

The consolidated financial statements have been examined by the Auditor General of British Columbia, BC Transit's independent external auditors. Their responsibility is to express their opinion whether the consolidated financial statements are prepared, in all material respects, in accordance with the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act*. The Board of Directors meets regularly with management and the external auditors to satisfy itself that BC Transit's system of internal control is adequate and to ensure that responsibilities for financial reporting are being met.

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



Manuel Achadinha
President and Chief Executive Officer
Date: May 22, 2014



Anwar Chaudhry, CPA, CA
Vice President, Finance and Chief Financial Officer
Date: May 22, 2014



INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying consolidated financial statements of British Columbia Transit, which comprise the consolidated statement of financial position as at March 31, 2014, and the consolidated statement of operations, consolidated statement of change in net debt, consolidated statement of remeasurement gains and losses and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

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

Opinion

In my opinion, the consolidated financial statements of British Columbia Transit for the year ended March 31, 2014, 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.

Emphasis of Matter

Without modifying my opinion, I draw attention to Note 2(a) to the consolidated financial statements which discloses that the accounting requirements of section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia are in accordance with Canadian public sector accounting standards except in regard to the accounting treatment of government transfers. Note 18 to the consolidated financial statements discloses the impact of these differences.



Russ Jones, MBA, CA
Auditor General

Victoria, British Columbia
May 22, 2014

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Financial Position
(in thousands of dollars)

March 31, 2014, with comparative information for March 31, 2013

	2014	2013
FINANCIAL ASSETS		
Cash and cash equivalents (note 3)	\$ 40,706	\$ 69,878
Accounts receivable:		
Provincial and federal capital grants	5,088	1,056
Local government	14,580	12,905
Trade and other	5,706	7,585
Debt sinking funds (note 6)	94,127	85,429
	160,207	176,853
LIABILITIES		
Accounts payable and accrued liabilities	33,443	31,955
Provincial funding payable	1,415	5,162
Deferred contributions (note 4)	8,749	6,822
Deferred capital contributions (note 5)	805,787	807,748
Debt (note 6)	231,140	240,706
Employee future benefits (note 7)	17,080	14,963
	1,097,614	1,107,356
NET DEBT	(937,407)	(930,503)
NON FINANCIAL ASSETS		
Tangible capital assets (note 8)	300,713	304,496
Tangible capital assets under lease (note 9)	680,194	672,676
Inventories	8,987	8,335
Prepaid expenses	1,340	1,223
Prepaid lease payments	3,824	4,041
	995,058	990,771
ACCUMULATED SURPLUS		
Accumulated operating surplus	52,290	52,131
Accumulated rereasurement gains	5,361	8,137
	\$ 57,651	\$ 60,268

Commitments and contingencies (notes 11 and 12)

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

Approved on behalf of the Board:



Kevin Mahoney, Chair
May 22, 2014



Kelly Cairns, Director
May 22, 2014

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Operations
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

	Budget	2014	2013
Revenue:			
Operations	\$ 69,877	\$ 69,192	\$ 67,944
Government transfers:			
Provincial (note 13)	101,761	95,415	89,013
Local government (note 13)	88,401	84,984	76,312
Deferred capital contributions (note 13)	33,202	38,746	28,805
Investment and other income	4,329	5,219	4,152
	297,570	293,556	266,226
Expenses: (note 14)			
Operations	225,466	222,642	201,116
Maintenance	48,235	46,609	42,933
Administration	23,869	24,432	22,390
	297,570	293,683	266,439
Net (loss) from operations	-	(127)	(213)
Other:			
Vancouver Assets:			
Deferred capital contributions (note 5)	14,773	14,581	14,340
Amortization expense (note 9)	(14,773)	(15,010)	(14,769)
Gain (loss) on disposal of capital assets	-	16	(370)
Gain on investments	-	706	587
Foreign exchange loss	-	(7)	(9)
	-	286	(221)
Surplus (deficit) for the year	-	159	(434)
Accumulated operating surplus, beginning of year	52,131	52,131	52,565
Accumulated operating surplus, end of year	\$ 52,131	\$ 52,290	\$ 52,131

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)

Years ended March 31, 2014, with comparative information for March 31, 2013

	Budget	2014	2013
Surplus (deficit) for the year	\$ -	\$ 159	\$ (434)
Acquisition of tangible capital assets	(109,424)	(79,413)	(47,631)
Amortization of tangible capital assets	69,825	75,608	62,508
(Gain) on sale of tangible capital assets	-	(16)	370
Proceeds on sale of tangible capital assets and assets under lease	-	86	253
	(39,599)	(3,576)	15,066
Acquisition of inventories of parts	-	(27,380)	(23,807)
Consumption of inventories of parts	-	26,728	23,638
Acquisition of prepaid expenses	-	(5,435)	(4,345)
Consumption of prepaid expenses	-	5,318	5,013
Acquisition of prepaid leases	-	(1,223)	(1,937)
Consumption of prepaid leases	-	1,440	1,422
	-	(552)	(16)
Realized (gain) reclassified to operations	-	(699)	(254)
Unrealized (loss) on portfolio investment	-	(2,077)	1,885
	-	(2,776)	1,631
Change in net debt	(39,599)	(6,904)	16,681
Net debt, beginning of year	(930,503)	(930,503)	(947,184)
Net debt, end of year	\$ (970,102)	\$ (937,407)	\$ (930,503)

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Remeasurement Gains and Losses
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

	2014	2013
Accumulated remeasurement gains and (losses), beginning of year	\$ 8,137	\$ 6,506
Unrealized (loss) gain on investments	(2,077)	1,885
Realized (gain) on investments, reclassified to Consolidated Statement of Operations (Gain on investments)	(699)	(254)
Accumulated remeasurement gains and (losses), end of year	\$ 5,361	\$ 8,137

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

BRITISH COLUMBIA TRANSIT

Consolidated Statement of Cash Flows
(in thousands of dollars)

Years ended March 31, 2014, with comparative information for March 31, 2013

	2014	2013
Cash provided by (used for):		
Operating activities:		
Annual surplus (deficit)	\$ 159	\$ (434)
Non-cash charges to operations (note 15)	23,743	21,196
Changes in non-cash operating working capital (note 15)	(2,812)	800
Net change in cash from operating activities	21,090	21,562
Capital activities:		
Proceeds from disposal of assets under lease	-	50
Proceeds on sale of tangible capital assets	54	203
Cash used to acquire tangible capital assets and assets under lease	(56,885)	(40,873)
Net change in cash from capital activities	(56,831)	(40,620)
Investing activities:		
Increase in debt sinking funds and investments net of unrealized gain	(11,474)	(19,599)
Net change in cash from investing activities	(11,474)	(19,599)
Financing activities:		
Prepaid lease payments	(1,223)	(1,937)
Debt repaid	(9,604)	-
Deferred capital contributions received	28,870	22,574
Net change in cash from financing activities	18,043	20,637
Net change in cash and cash equivalents	(29,172)	(18,020)
Cash and cash equivalents, beginning of year	69,878	87,898
Cash and cash equivalents, end of year	\$ 40,706	\$ 69,878
Supplemental cash flow information:		
Cash paid for interest	\$ 11,026	\$ 11,073
Cash received from interest	\$ 3,516	\$ 3,617

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, 2014

1. Nature of Operations:

British Columbia Transit ("BC Transit") was 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 exempt from income taxes under the *Income Tax Act*.

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

2. Significant accounting policies:

(a) Basis of presentation:

The consolidated financial statements have been prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as required by Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and supplemented by Regulation 198/2011 issued by the Province of British Columbia Treasury Board.

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

Canadian public sector accounting standards require government transfers, which do not contain a stipulation that creates a liability, to be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met. The Regulation allows for the deferral of revenue recognition to future years, recognized for non-capital government transfers in the period the restriction the transfer is subject to is met and for capital transfers in income systematically over the useful life of the asset, rather than in the year the transfer was made. This results in differences in Deferred Contributions, Deferred Capital Contributions and Accumulated Operating Surplus on the Consolidated Statements of Financial Position, and the Government transfers revenue and Annual Surplus on the Statement of Operations.

(b) Basis of accounting:

BC Transit follows the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(c) Future accounting policy changes:

(i) Liability for contaminated sites:

In June 2010, the Public Sector Accounting Board (PSAB) issued PS 3260 *Liability for Contaminated Sites* effective for April 1, 2014. PS 3260 establishes recognition, measurement and disclosure standards for liabilities relating to contaminated sites of governments. The main features of the section are as follows:

- A liability should be recognized when contamination exceeds an accepted environmental standard and the entity is directly responsible, or accepts responsibility for the damage.
- A liability should be measured at the entity's best estimate of the costs directly attributable to remediation of the contamination; and
- Outstanding site assessments do not negate the requirement to assess whether a liability exists.

Effective April 1, 2014 management adopted this standard.

(d) Basis of consolidation:

(i) Consolidated entities

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of organizations which are controlled by BC Transit. Controlled organizations are consolidated with inter-organizational transactions, balances, and activities eliminated on consolidation.

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

TBC Vehicle Management Inc.

TBC Operations Inc.

TBC Properties Inc.

0915866 B.C. Ltd.

0922667 B.C. Ltd.

0925406 B.C. Ltd.

0928624 B.C. Ltd.

(e) Deferred contributions and revenue recognition:

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

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(e) Deferred contributions and revenue recognition (continued):

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset for use in providing services are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services.
- (ii) Contributions restricted for specific purposes other than for those to be held in perpetuity or the acquisition or development of a depreciable tangible capital asset are recorded as deferred contributions and recognized in revenue in the year in which the stipulation or restriction on the contribution has been met.

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

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

(f) 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.

(g) 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. Forward contracts to purchase fuel for BC Transit's normal use are not recognized as financial assets in these financial statements and do not need to be fair valued. 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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

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

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

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

(i) Cash and cash equivalents:

Cash and cash equivalents include cash in bank and in transit, certificates of deposit and short-term investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These short-term investments generally have a term to maturity of 90 days or less at acquisition, are held for the purpose of meeting short term cash commitments rather than for investing, are reported at fair value and 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 exists. Changes in valuation allowance are recognized in the statement of operations.

(iii) Debt sinking funds:

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

(iv) Debt and other financial liabilities:

All debt and other financial liabilities are recorded using cost or amortized cost.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(h) Employee future benefits:

(i) BC Transit and its employees contribute to the Public Service Pension Plan (the "Plan"), a jointly trustee pension plan. The Board of Trustees, representing Plan members and employers, is responsible for overseeing the management of the Plan, including investment of the assets and administration of the benefits. The pension plan is a multi-employer defined benefit plan, together with other British Columbia public service employers, in accordance with the Public Sector Pension Plans Act. The plan provides a pension on retirement based on the member's age at retirement, length of service and highest earnings averaged over 5 years. Inflation adjustments are contingent upon available funding.

Multi-employer defined benefit plans follow defined contribution pension plan accounting. Contributions to the plan are recorded as an expense in the year they are made. The joint trustee board of the plan determines the required plan contributions annually. Using this method, employer contribution rates are set out so that, in combination with member contributions, they will fully pay for benefits earned by the typical new entrants to the Plan and will maintain the Plan's unfunded accrual liability for funding purposes, if any, as a constant percentage of employer payrolls.

Every three years an actuarial valuation is performed to assess the financial position of the Plan and the adequacy of Plan funding. The most recent valuation as at March 31, 2011, indicated a deficit of \$275,401 for basic pension benefits for all plan employers including BC Transit. The actuary does not attribute portions of the deficit to individual employers.

Total cash payments to the multi-employer plan for employee future benefits for the year ended March 31, 2014 consisting of cash contributed by BC Transit to its multi-employer defined benefit plan was \$4,706 (2012/13 - \$4,436)

(ii) Outside of the Public Service Pension Plan, BC Transit maintains various benefit arrangements available to retired employees including non-pension post-retirement benefits (retiree hospital, drugs, vision, medical, MSP), post-employment benefits (vacation, overtime) and continuation of long term disability benefits. The future obligation under these benefit plans are accrued as the employees render the services necessary to earn the benefit. Management, using an estimate of salary escalation and expected retirement ages, calculates the cost of the defined retirement benefit. The recorded liability represents these estimated future costs discounted to a present value using market interest rates applicable to BC Transit, and the cumulative unrecognized actuarial gains and losses are amortized over the expected average remaining service lifetime of active employees covered under the plan. The accrued employee benefit obligations and the net periodic benefit cost were estimated by an actuarial valuation completed effective for March 31, 2014.

(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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(i) Tangible capital assets:

Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less 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 – not amortized
Exchanges, shelters, and other transit infrastructure	3 – 40
Buildings	5 – 40
Vehicles – including major components	2 – 20
Hydrogen components and chassis (note 8)	4 – 10
Hydrogen fuelling station (note 8)	5
Equipment and other capital assets	4 – 20

(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 to deferred capital contributions. Tangible capital assets are amortized over their estimated useful lives.

(iii) Interest capitalization:

Interest is capitalized whenever external 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) Leased tangible capital assets (Vancouver Assets):

Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

Asset	Useful Life - Years
SkyTrain – transit infrastructure	20 – 100
SkyTrain buildings	20
West Coast Express – transit infrastructure	30

(v) Inventories:

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

2. Significant accounting policies (continued):

(i) Non-financial assets (continued):

(vi) 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.

(vii) Intangibles:

Intangible assets are not recognized in BC Transit financial statements.

(j) Measurement uncertainty:

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the consolidated financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the consolidated financial statements and are reviewed annually to reflect new information as it becomes available. Significant measurement uncertainty includes assumptions used in the determination of amortization periods, employee future benefits and estimating provisions for certain accrued liabilities. Actual results could differ from these estimates.

(k) Budget data:

The budget data presented in these consolidated financial statements was included in the Revised 2013/14 – 2015-16 Service Plans tabled with the June 2013 Budget Update and approved by the Board of Directors on July 24, 2013.

3. Cash and cash equivalents:

Major components of cash and cash equivalents are as follows:

	2014	2013
Cash	\$ 9,785	\$ 8,872
Cash equivalents	28,043	61,006
Restricted cash equivalents (note 19 & 20)	2,878	-
	<u>\$ 40,706</u>	<u>\$ 69,878</u>

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

4. Deferred contributions:

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

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

	2014	2013
Deferred funding	\$ 3,660	\$ 1,876
Deferred local contributions	5,089	4,946
Total deferred contributions	\$ 8,749	\$ 6,822

Continuity of deferred contributions is as follows:

	2014	2013
Balance, beginning of year	\$ 6,822	\$ 7,347
Contributions from local governments – Victoria Regional	37,859	33,320
Contributions from other local governments	49,052	42,467
	93,733	83,134
Deferred local contributions used	(84,984)	(76,312)
Balance, end of year	\$ 8,749	\$ 6,822

5. Deferred capital contributions:

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

	2014	2013
Deferred capital contributions	\$ 177,227	\$ 187,135
Deferred capital contributions -Vancouver Assets	628,560	620,613
Total deferred capital contributions	\$ 805,787	\$ 807,748

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Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

5. Deferred capital contributions (continued):

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

	2014	2013
Balance, beginning of year	\$ 187,135	\$ 193,366
Contributions and other additions	28,838	22,574
Amortization	(38,746)	(28,805)
Balance, end of year	177,227	187,135
Capital assets under lease (Vancouver Assets):		
Balance, beginning of year	620,613	628,195
Contributions and other additions	22,528	6,758
Amortization	(14,581)	(14,340)
Balance, end of year	628,560	620,613
Total deferred capital contributions	\$ 805,787	\$ 807,748

6. Debt:

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

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

	2014	2013
Sinking fund bonds, weighted average interest rate of 4.60%, maturing at various dates to 2040, amortized from 5 to 30 years	\$ 231,140	\$ 240,706

Investments held in sinking funds, including interest earned, are to be used to repay the related debt at maturity. Investment income includes \$517 (2013 - \$157) of realized gains on disposition of investments in sinking funds.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

6. Debt (continued):

Sinking fund investments are managed by the British Columbia Investment Management Corporation and have cost and market values as follows:

	2014		2013	
	Cost	Market value	Cost	Market value
Money market funds	\$ 5,984	\$ 5,984	\$ 5,322	\$ 5,324
Provincial bonds	82,782	88,143	72,380	80,105
Total	\$ 88,766	\$ 94,127	\$ 77,702	\$ 85,429

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

2015	\$ 19,275
2016	25,595
2017	6,378
2018	-
2019	11,200
Thereafter	168,879

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

2015	\$ 15,284
2016	12,638
2017	8,005
2018	6,780
2019	6,083
Thereafter	37,863

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

7. Employee future benefits:

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

	2014	2013
Non-pension post retirement benefits	\$ 19,328	\$ 16,307
Post employment benefits	400	432
Continuation of long term disability benefits	1,616	1,389
Total liability for benefits	\$ 21,344	\$ 18,128

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

	2014	2013
Accrued benefit obligation:		
Balance, beginning of year	\$ 14,963	\$ 13,448
Current benefit cost and event-driven expense	1,458	1,305
Interest	582	572
Actuarial (gain) loss	295	85
Benefits paid	(218)	(447)
Balance, end of year	17,080	14,963
Unamortized actuarial loss (gain)	4,264	3,165
Liability for benefits	\$ 21,344	\$ 18,128

Included in expenses is \$295 (2013 – \$85) for amortization of the actuarial loss.

The unamortized actuarial loss on future payments is amortized over the expected period of the liability which is 10 years for post employment benefits and 11 years for post retirement benefits.

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

	2014	2013
Discount rate	2.9% - 3.6%	2.6% - 3.3%
Expected future inflationary increases	2.6% - 5.15%	2.6% - 5.15%
Weighted average health care trend - end of year	6.88% in 2014 grading to 4.50% in and after 2029	7.06% in 2013 grading to 4.50% in and after 2029
Dental and MSP trend – end of year	4.5%	4.5%

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

8. Tangible capital assets:

Cost	Balance, March 31, 2013	Additions	Disposals	Balance, March 31, 2014
Land	\$ 2,608	\$ -	\$ -	\$ 2,608
Exchanges, shelters and other transit infrastructure	22,313	5,881	-	28,194
Buildings	42,441	7,281	-	49,722
Vehicles	374,639	31,442	(16,828)	389,253
Hydrogen components and chassis	52,648	-	(40,868)	11,780
Hydrogen fuel station	9,810	-	(9,810)	-
Other equipment	39,007	3,223	(22)	42,208
Capital projects in progress	52,555	56,885	(47,827)	61,613
Total	\$ 596,021	\$ 104,712	\$ (115,355)	\$ 585,378

Accumulated amortization	Balance, March 31, 2013	Disposals	Amortization expense	Balance, March 31, 2014
Exchanges, shelters and other transit infrastructure	\$ 4,468	\$ -	\$ 1,660	\$ 6,128
Buildings	19,237	-	1,854	21,091
Vehicles	208,149	(16,759)	34,198	225,588
Hydrogen components and chassis	30,361	(40,868)	15,510	5,003
Hydrogen fuel station	6,370	(9,810)	3,440	-
Other equipment	22,940	(21)	3,936	26,855
Capital projects in progress	-	-	-	-
Total	\$ 291,525	\$ (67,458)	\$ 60,598	\$ 284,665

Net book value	Balance March 31, 2013	Balance March 31, 2014
Land	\$ 2,608	\$ 2,608
Exchanges, shelters, and other transit infrastructure	17,845	22,066
Buildings	23,204	28,631
Vehicles	166,490	163,665
Hydrogen components and chassis	22,287	6,777
Hydrogen fuel station	3,440	-
Other equipment	16,067	15,353
Capital projects in progress	52,555	61,613
Total	\$ 304,496	\$ 300,713

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

8. Tangible capital assets (continued):

Cost	Balance, March 31, 2012	Additions	Disposals	Balance, March 31, 2013
Land	\$ 2,608	\$ -	\$ -	\$ 2,608
Exchanges, shelters and other transit infrastructure	16,259	6,054	-	22,313
Buildings	42,074	367	-	42,441
Vehicles	367,486	13,625	(6,472)	374,639
Hydrogen components and chassis	52,648	-	-	52,648
Hydrogen fuel station	9,810	-	-	9,810
Other equipment	35,172	3,835	-	39,007
Capital projects in progress	35,563	40,873	(23,881)	52,555
Total	\$ 561,620	\$ 64,754	\$ (30,353)	\$ 596,021

Accumulated amortization	Balance, March 31, 2012	Disposals	Amortization expense	Balance, March 31, 2013
Exchanges, shelters and other transit infrastructure	\$ 3,312	\$ -	\$ 1,156	\$ 4,468
Buildings	17,727	-	1,510	19,237
Vehicles	183,206	(5,899)	30,842	208,149
Hydrogen components and chassis	21,009	-	9,352	30,361
Hydrogen fuel station	4,408	-	1,962	6,370
Other equipment	20,023	-	2,917	22,940
Capital projects in progress	-	-	-	-
Total	\$ 249,685	\$ (5,899)	\$ 47,739	\$ 291,525

Net book value	Balance, March 31, 2012	Balance, March 31, 2013
Land	\$ 2,608	\$ 2,608
Exchanges, shelters and other transit infrastructure	12,947	17,845
Buildings	24,347	23,204
Vehicles	184,280	166,490
Hydrogen components and chassis	31,639	22,287
Hydrogen fuel station	5,402	3,440
Other equipment	15,149	16,067
Capital projects in progress	35,563	52,555
Total	\$ 311,935	\$ 304,496

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

8. Tangible capital assets (continued):

Assets under construction having a value of \$61,613 (2013 - \$52,555) have not been amortized. Amortization of these assets will commence when the asset is available for service.

On November 26, 2013 the Province of BC confirmed cancellation of the Hydrogen Fuel Cell Pilot Project effective on the contract maturity date of March 31, 2014. The Hydrogen fuel station and hydrogen fuel components are fully amortized as at March 31, 2014 and management is preparing a comprehensive business case outlining repowering options for the hydrogen buses. Repowering of the buses is expected to commence in 2014/15.

During the year, \$71 (2013 - \$573) of equipment was recognized as a write-down when equipment was removed from service.

Interest capitalized for capital projects in 2014 was \$1,424 (2013 - \$556).

9. Tangible capital assets under lease:

Capital assets under lease consist of land, land improvements, stations, guideways and other assets related to the SkyTrain system and West Coast Express. These assets are made available to the South Coast British Columbia Transportation Authority ("SCBCTA") for their use pursuant to an Order in Council and operating lease and represent one of the Province's contributions toward public transportation in the Metro Vancouver service area.

The operating lease arrangements with SCBCTA for the Expo and Millennium Line guideways or system improvements include a nominal lease fee amount and expire in 2018 and 2015, respectively. The Expo lease has an available five-year renewal period.

Cost	Balance, March 31, 2013	Additions	Disposals	Balance, March 31, 2014
SkyTrain	\$ 1,204,048	\$ 3,793	\$ -	\$ 1,207,841
West Coast Express	128,848	-	-	128,848
Capital projects in progress	6,758	22,528	(3,793)	25,493
Total	\$ 1,339,654	\$ 26,321	\$ (3,793)	\$ 1,362,182

Accumulated amortization	Balance, March 31, 2013	Disposals	Amortization expense	Balance, March 31, 2014
SkyTrain	\$ 592,180	\$ -	\$ 10,715	\$ 602,895
West Coast Express	74,798	-	4,295	79,093
Capital projects in progress	-	-	-	-
Total	\$ 666,978	\$ -	\$ 15,010	\$ 681,988

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

9. Tangible capital assets under lease (continued):

	Balance, March 31, 2013	Balance, March 31, 2014
Net book value		
SkyTrain	\$ 611,868	\$ 604,946
West Coast Express	54,050	49,755
Capital projects in progress	6,758	25,493
Total	\$ 672,676	\$ 680,194

Cost	Balance, March 31, 2012	Additions	Disposals	Balance, March 31, 2013
SkyTrain	\$ 1,204,098	\$ -	\$ (50)	\$ 1,204,048
West Coast Express	128,848	-	-	128,848
Capital projects in progress	-	6,758	-	6,758
Total	\$ 1,332,946	\$ 6,758	\$ (50)	\$ 1,339,654

Accumulated amortization	Balance, March 31, 2012	Disposals	Amortization expense	Balance, March 31, 2013
SkyTrain	\$ 581,708	\$ -	\$ 10,472	\$ 592,180
West Coast Express	70,501	-	4,297	74,798
Capital projects in progress	-	-	-	-
Total	\$ 652,209	\$ -	\$ 14,769	\$ 666,978

Net book value	Balance, March 31, 2012	Balance, March 31, 2013
SkyTrain	\$ 622,390	\$ 611,868
West Coast Express	58,347	54,050
Capital projects in progress	-	6,758
Total	\$ 680,737	\$ 672,676

10. Victoria Regional Transit Commission:

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

10. Victoria Regional Transit Commission (continued):

	2014	2013
Cash held in trust, beginning of year	\$ 8,461	\$ 4,761
Revenue:		
Fuel tax	11,688	11,855
Property tax	28,131	24,940
Interest earned	148	475
Government transfers	(38,034)	(33,570)
Cash held in trust, end of year	\$ 10,394	\$ 8,461

11. Commitments:

BC Transit has outstanding commitments as summarized below:

	2015	2016	2017	2018	2019
Operating leases	\$ 1,294	\$ 1,350	\$ 1,396	\$ 1,399	\$ 1,560
Facilities	14,120	131	131	131	131
Vehicle purchases	20,408	12,475	-	-	-
Fixed price fuel commitments	6,329	-	-	-	-
Information technology	1,131	250	250	250	-
	\$ 43,282	\$ 14,206	\$ 1,777	\$ 1,780	\$ 1,691

12. Contingent liabilities:

The nature of BC Transit's activities is such that there is usually litigation pending or in process at any time. With respect to unsettled claims at March 31, 2014 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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

13. Government transfers:

The transfers reported on the statement of operations are:

	2014	2013
Revenue:		
Provincial grants:		
Operating	\$ 95,415	\$ 89,013
	95,415	89,013
Deferred Capital Contributions	38,364	28,680
	133,779	117,693
Federal grants:		
Deferred Capital Contributions	382	125
Local government contributions:		
Transfers under cost share agreements	84,984	76,312
	85,366	76,437
Total revenues	\$ 219,145	\$ 194,130

14. Classification of expense by object:

	Budget	2014	2013
Contracted salaries, wages and benefits	\$ 75,721	\$ 74,695	\$ 71,028
Salaries, wages and benefits	69,001	67,991	63,893
Amortization of capital assets	55,052	60,596	47,740
Fuel and lubricants	33,207	30,325	28,671
Fleet Maintenance	24,504	23,589	22,732
Interest	11,551	10,794	11,045
Insurance	4,314	5,384	4,360
Leases and taxes	3,092	2,501	2,479
Major projects and initiatives	6,200	3,397	1,538
Local government expenses	2,035	2,020	1,957
Marketing and communications	2,042	1,874	1,846
Taxi programs	1,745	1,778	1,703
Facility maintenance	3,193	2,712	2,518
Information systems	2,144	2,224	1,805
Corporate expenses	1,709	1,500	1,381
Professional fees	1,003	1,540	1,047
Travel and meetings	1,057	763	696
Total operating expenses	\$ 297,570	\$ 293,683	\$ 266,439

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

15. Additional information for the Statement of cash flows:

	2014	2013
Non-cash charges to operations:		
Amortization of debt discount	\$ 38	\$ 41
Amortization of tangible capital assets	75,608	62,508
Amortization of prepaid lease	1,440	1,422
Loss (Gain) on sale of tangible capital assets	(16)	370
Amortization of deferred capital contributions	(53,327)	(43,145)
	\$ 23,743	\$ 21,196
Changes in non-cash operating working capital:		
Accounts receivable	\$ (3,828)	\$ 895
Accounts payable and accrued liabilities	1,488	3,585
Provincial funding payable	(3,747)	(5,169)
Deferred contributions	1,927	(525)
Employee future benefits	2,117	1,515
Inventories	(652)	(169)
Prepaid expenses	(117)	668
	\$ (2,812)	\$ 800

16. Financial instruments:

(a) Fair value:

The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities, approximate their fair value due to the relatively short periods to maturity of the instruments. Debt sinking funds are reflected on the statement of financial position at fair value. The fair value of long-term debt at March 31, 2014 is \$231,140 (2013 - \$240,706).

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.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

16. Financial instruments (continued):

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

Market risk:

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

Commodity price risk:

BC Transit is exposed to commodity price risk. Commodity price risk and volatility has a significant impact on BC Transit's fuel costs. Management continually monitors the exposure to commodity price volatility and assesses possible risk mitigation strategies including continuing to buy at rack prices, entering into physical fixed price agreements to fix all or a portion of fuel prices with a supplier, and/or the potential to enter into financial commodity derivative contracts. Management does not have the authority under the *British Columbia Transit Act* to enter into financial commodity derivative contracts directly. The ability for management to execute physical hedge agreements with suppliers is governed under formal policies and is subject to limits established by the Board of Directors. Management entered into a fixed price physical supply contract during the year for operational purposes fixing certain fuel purchases during fiscal 2014 as described in note 11.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate from changes in market interest rates. BC Transit is exposed to interest rate risk to the extent of 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 and loans denominated in the U.S dollar. BC Transit periodically makes commitments to acquire certain capital assets, primarily transit vehicles, 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 outstanding as at March 31, 2014.

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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Year ended March 31, 2014

16. Financial instruments (continued):

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

Sensitivity analysis:

The following table is a sensitivity analysis indicating the impact on net revenue (expenditures) 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.

1% change		
Interest rate risk	\$	107
Foreign exchange risk		500

Liquidity risk:

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

Credit risk:

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

(c) Capital disclosures:

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

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

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
(in thousands of dollars)

Year ended March 31, 2014

16. Financial instruments (continued):

(c) Capital disclosures (continued):

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

17. Related party transactions:

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

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

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

As at March 31, 2014 – decrease in annual surplus by \$34 (2013 - \$14,338)

March 31, 2014 – increase in accumulated surplus by \$814,536 (2013 - \$814,570), a decrease in deferred capital contributions by \$805,787 (2013 - \$807,748), and a decrease in deferred contributions by \$8,749 (2013 - \$6,822).

19. Investment in Transportation Property and Casualty Company Inc:

In January 2010, the Board of Directors approved the withdrawal from the Transportation Property and Casualty 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. \$2,878 (2013 - \$0) remains in restricted cash equivalents to offset the potential legal judgment disclosed in note 20 and other potential future claims (note 3).

BRITISH COLUMBIA TRANSIT

Notes to Consolidated Financial Statements
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20. Legal Judgment:

On January 7, 2014 a judgment against BC Transit in the amount of \$5.9 million was awarded to the plaintiff relating to a vehicle and bus accident. BC Transit's maximum exposure is limited to \$1 million plus apportionment of legal costs under the old TPCCP program as ICBC provided coverage for the first million, BC Transit self-insured for the second million and underwriters provided coverage in excess. The expenditure for this potential settlement has been reflected in insurance expense (note 14) in the Statement of Operations. The Plaintiff's counsel is currently appealing the judge's award and the defense counsel has appealed the appeal.

21. Economic Dependency:

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

22. Comparative figures:

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