

Financial Statements of

Transportation Investment Corporation

Year Ended March 31, 2019



May 10th, 2019

Statement of Management Responsibility
Year ended March 31, 2019

The financial statements of Transportation Investment Corporation have been prepared by management in accordance with Canadian Public Sector Accounting Standards as modified by Treasury Board and include certain estimates that reflect management's best judgments.

Management is responsible for the preparation of the financial statements and has established a system of internal control to provide reasonable assurance that assets are safeguarded, transactions are properly authorized, and financial records provide reliable information for the preparation of financial statements.

The Corporation's Board of Directors is responsible for the review and approval of the financial statements and meets with management and the external auditor to discuss the results of the audit examination and financial reporting matters. The external auditor has full access to the Board with and without the presence of management.

The Auditor General of British Columbia has performed an independent audit of the financial statements. The Auditor's report outlines the scope of his examination and expresses an opinion on the financial statements of the Transportation Investment Corporation.

Your truly,

A handwritten signature in blue ink that reads "Amanda Farrell".

Amanda Farrell
Chief Executive Officer

A handwritten signature in black ink that reads "Mario Piscitelli".

Mario Piscitelli
Executive Director, Finance and CFO



INDEPENDENT AUDITOR'S REPORT

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

Opinion

I have audited the accompanying financial statements of the Transportation Investment Corporation (“the entity”) which comprise the statement of financial position at March 31, 2019, and the statements of operations, remeasurement gains and losses, change in net assets (debt) and cash flows, for the year then ended, and a summary of significant accounting policies and other explanatory information.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the entity as at March 31, 2019, and the results of its operations, change in its net debt, remeasurement gains and losses and its cash flows for the year then ended in accordance with Canadian Public Sector Accounting Standards (PSAS).

Basis for Opinion

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

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

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

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

Auditor's Responsibilities for the Audit of Financial Statements

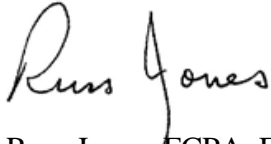
My objectives are to obtain reasonable assurance about whether the entity's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

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

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

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



Russ Jones, FCPA, FCA
Deputy Auditor General

Victoria, British Columbia, Canada
May 10, 2019



Transportation Investment Corporation

Statement of Financial Position

For the year ended March 31, 2019

(in \$000's)

	Notes	31-Mar-19	31-Mar-18
Financial assets			
Cash		\$ 23,800	\$ 41,375
Accounts receivable	3	68	11,881
Due from government/other government organizations	4	7,682	2,217
Restricted assets	5	1,500	1,500
		<u>33,050</u>	<u>56,973</u>
Liabilities			
Accounts payable & accrued liabilities	6	6,787	12,595
Due to government/other government organizations	7	1,163	12,101
		<u>7,950</u>	<u>24,696</u>
Net financial assets (debt)		<u>25,100</u>	<u>32,277</u>
Non-financial assets			
Tangible capital assets	8	2,896,216	2,962,204
Prepaid expenses	9	117,681	133,540
		<u>3,013,897</u>	<u>3,095,744</u>
Accumulated surplus (deficit)		<u>\$3,038,997</u>	<u>\$3,128,021</u>
Accumulated surplus (deficit) is comprised of:			
Accumulated operating surplus/(deficit)		3,038,997	3,128,023
Accumulated rereasurement gains/(losses)		-	(2)
		<u>\$3,038,997</u>	<u>\$3,128,021</u>
Contingent assets	16		
Contingent liabilities	17		

Approved on behalf of the Board of Directors on May 10th, 2019



Don Fairbairn, Chair



Grant Main, Director

Transportation Investment Corporation

Statement of Operations

For the year ended March 31, 2019

(In \$000's)

	Note	Budget	31-Mar-19	31-Mar-18
		(Note 14)		
Revenues				
Provincial grants	10	\$ 16,000	\$ 12,045	\$ 9,043
Operating	11	-	-	67,983
Other	11	159	4,485	753
		<u>16,159</u>	<u>16,530</u>	<u>77,779</u>
Expenses				
Tolling operations	13	-	-	14,801
Highway and bridge operations		79,000	71,285	118,414
General administration		-	13,430	11,907
		<u>79,000</u>	<u>84,715</u>	<u>145,122</u>
Annual operating surplus (deficit) before other items		<u>(62,841)</u>	<u>(68,185)</u>	<u>(67,343)</u>
Other items				
Gain on debt extinguishment		-	-	3,700,690
Loss on hedging instruments		-	-	(149,172)
Write-offs of tangible capital assets	8	-	(7,003)	(30,960)
Write-offs of prepaid land rights	9	-	(13,838)	-
Annual surplus (deficit) after other items		<u>\$ (62,841)</u>	<u>\$ (89,026)</u>	<u>\$ 3,453,215</u>
Accumulated surplus/(deficit) at beginning of period		<u>3,128,023</u>	<u>3,128,023</u>	<u>(325,192)</u>
Accumulated surplus/(deficit) at end of period		<u>\$ 3,065,182</u>	<u>\$ 3,038,997</u>	<u>\$ 3,128,023</u>

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2019

12. EMPLOYEE BENEFIT PLAN (CONTINUED)

Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The latest actuarial valuation was conducted in March 2017 and indicated a Basic Account actuarial funding valuation surplus of \$1,166 million. The next valuation will be performed as of March 31, 2020, with the report published in fiscal 2021. The actuary does not attribute portions of any unfunded liability to individual employers.

In Fiscal 2019, the employees of the TI Corp contributed \$252,005 (2018 – \$280,240) and the Corporation paid \$297,276 (2018 – \$329,996) in employer contributions to the Plan.

13. EXPENSES BY OBJECT

The following summarizes expenses by object:

(\$000's)	Actual	Actual
	March 31, 2019	March 31, 2018
Amortization of capital assets	\$ 59,317	\$ 56,687
Highway maintenance	12,045	12,304
Administrative costs	4,591	6,919
Salaries, wages and benefits	4,088	4,744
Use of land rights	1,677	1,718
Professional services	1,500	3,194
Facility rental and maintenance	765	1,218
Information systems	714	2,939
Bank and credit card fees	18	1,315
Borrowing costs	-	49,873
Tolling operator payments	-	4,211
	<u>\$ 84,715</u>	<u>\$ 145,122</u>

14. BUDGETED FIGURES

The Fiscal 2019 budgets are reflected in the Statements of Operations and the Statement of Change in Net Assets (Debt). Budget data presented in these financial statements is based upon the fiscal 2019 budget provided to government.

15. RISK MANAGEMENT

TI Corp is exposed to certain risks through its financial instruments.

Transportation Investment Corporation

Notes to the Financial Statements
For the year ended March 31, 2019

15. RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit risk is the risk to TI Corp that a counterparty to a financial instrument will cause a financial loss by failing to discharge an obligation. Historically, an aging profile of customer accounts was established and monitored regularly with an ongoing review of collection strategies.

The current balances are as follows:

Tolling Related Receivables Aging Table (\$'000s)	March 31, 2019	March 31, 2018
Non-Past Due		
Unbilled	\$ -	\$ -
Current	-	-
Past Due		
1-30 Days	-	-
31-60 Days	-	-
61-90 Days	-	-
Over 90 Days	12,205	18,098
	<u>\$ 12,205</u>	<u>\$ 18,098</u>

Due to the cessation of tolling, tolling receivables do not present a significant credit risk as TI Corp has fully provided for these receivables (Note 3).

Additionally, given that cash is held at major banking institutions with strong credit worthiness, credit risk is further reduced.

Liquidity Risk

Liquidity risk is the risk that TI Corp will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. TI Corp manages liquidity risk by having cash flows regularly reviewed and updated.

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 includes currency risk, interest rate risk and other price risk.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. TI Corp is not exposed to this risk as it does not maintain any bank accounts in foreign denominations and it does not maintain any foreign currency debt.

Transportation Investment Corporation

Notes to the Financial Statements

For the year ended March 31, 2019

15. RISK MANAGEMENT (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows will fluctuate because of changes in market interest rates. TI Corp's exposure to interest rate risk is minimal as it carries no debt.

Other Price Risk

Other price risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from currency or interest rate risk. Due to the nature of TI Corp's financial instruments, TI Corp is not exposed to other price risks.

16. CONTINGENT ASSETS

Township of Langley

The Corporation developed a Park & Ride Station known as the 202 Street Park & Ride Project. To develop the Project, TI Corp entered into an agreement with the Township of Langley ("Township"), which specifies that for a 15-year term, the Township is responsible for collecting Specified Charges from any developer who develops Benefiting Parcels. Further, the Township is required to remit the specified charges collected from Benefiting Parcels to the Corporation at the beginning of the next calendar year and each calendar year thereafter. Because there are set conditions required to collect the Specified Charges, the total amount to be received is considered conditional and unknown and, therefore, meets the definition of a contingent asset. As of March 31, 2019, the Corporation has received \$1.2 million (2018 - \$nil).

17. CONTINGENT LIABILITIES

Litigation

In the ordinary course of business, TI Corp can become a defendant or party to pending or threatened legal actions and proceedings. It is difficult to determine the ultimate outcome of such matters; however, based on all current available information, management believes that liabilities, if any, arising from any pending litigation will not have a material adverse effect on the financial position or results of operations of the Corporation.