

# **Columbia Basin Trust**

## **2016/17 ANNUAL SERVICE PLAN REPORT**



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## Board Chair's Accountability Statement



The *Columbia Basin Trust 2016/17 Annual Service Plan Report* compares the corporation's actual results to the expected results identified in the *2016/17–2018/19 Service Plan*. I am accountable for those results as reported.

A handwritten signature in black ink that reads "Rick Jensen". The signature is written in a cursive, flowing style.

*Rick Jensen*  
*Board Chair*

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## Chair/CEO Report Letter



Columbia Basin Trust (the Trust) exists to support the efforts of Basin residents to create a legacy of social, economic and environmental well-being. Our financial support comes from our investments, and in 2016/17, our revenues totaled over \$59 million allowing us to deliver more than \$38 million in benefits to the Basin.

The [\*Columbia Basin Management Plan\*](#) sets out 13 strategic priorities for 2016 to 2020 and guides how we support Basin priorities. We made significant progress in several of our priority areas including:

- developing strategic frameworks for affordable housing, agriculture, broadband and economic development
- launching two new programs: Energy Retrofit Program and Built Heritage Grants
- forming the Columbia Basin Development Corp. subsidiary to further our economic development strategic priority.



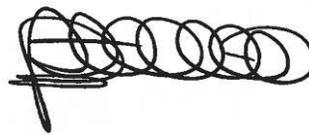
For 2016/17, our Power Projects are above target, our Private Placements are on target, and our Market Securities saw a strong upward trend and finished the year above target. We met our targets for the maturity of our planning and risk management practices, and we exceeded our corporate operations target. Every two years, we measure how Basin residents and Trust partners perceive the Trust. On this measure, we were again above our target with positive perceptions from both audiences.

The Trust operates under the Taxpayer Accountability Principles, which strengthen our accountability, promote cost control and ensure we operate in the best interests of Basin residents and the Province as shareholder.

- In compliance with the Taxpayer Accountability Principles, the Trust met with the minister responsible and deputy minister over the past year to discuss progress on the objectives identified in the Mandate Letter.
- We continue to work with the Province, local governments and First Nations in the region to implement an aligned Board appointment process that ensures the Trust Board has the requisite balance of skills to lead the organization.
- The Taxpayer Accountability Principles are also embedded in new employee and director orientations.



*Rick Jensen*  
Board Chair



*Johnny Strilaeff*  
President and Chief Executive Officer

## Purpose of the Organization

The [Columbia Basin Trust Act](#) and the [Financial Agreement](#) formally established Columbia Basin Trust in 1995. The legislation outlines the dual accountability the Trust has to both the residents of the Columbia Basin and to the Province, its shareholder. A Memorandum of Understanding further clarifies the dual accountability and relationship with the Province. Within the provincial government, the Minister of Energy and Mines is responsible for the Trust.

The Trust has two core functions:

1. Invest capital and manage the assets of the Trust (Investment Program).
2. Use the income earned from the Trust's investments to deliver benefits to the Basin (Delivery of Benefits).

The Trust sets its priorities and goals in consultation with the residents of the region, and the Trust makes decisions related to its Investment Program and Delivery of Benefits activities within the context of its legislation and Board-approved [Statement of Investment Policies and Procedures](#).

The Trust supports the efforts of the people who live in British Columbia's Columbia Basin, working with them to deliver social, economic and environmental benefits to the Columbia Basin Trust region. We do this by:

- **investing** in Basin power projects, businesses and real estate (to generate a financial return)
- **investing** in projects that have broader community impact and where financial return is secondary
- **engaging** with residents to understand priorities
- **facilitating**, convening and providing access to information to deepen our collective understanding of issues
- **partnering** with organizations that have complementary objectives and expertise in particular issues or sectors to work toward attaining common goals
- **developing initiatives and programs** that address specific needs linked to our strategic objectives, delivered by the Trust or partners
- **providing grants** to a wide range of community projects, as well as to the social, economic, environment, youth, and arts and culture sectors, administered by the Trust or by partners

The Trust has two operating subsidiaries: Columbia Basin Broadband Corporation (CBBC) and Columbia Basin Development Corporation (CBDC). CBBC works with Basin communities and rural areas to improve high-speed connectivity through a region-wide fibre optic cable network. The Trust formed CBDC in 2016 to lead and support efforts to advance economic growth, job creation, innovation and entrepreneurial opportunities in the Basin.

The Trust also has eight wholly owned holding companies that hold our interests in investments: see Appendix A.

## Strategic Direction and Context

The Trust operates under the [Taxpayer Accountability Principles](#) and an annual [Mandate Letter](#), which defines specific priority actions for the Trust and describes accountability principles on which the Trust and the Province have agreed.

The Trust's strategic priorities are captured in the [Columbia Basin Management Plan](#), which identifies 13 strategic priority areas that are the focus of our activities until 2020.

The Trust experienced the loss of long-time President and CEO Neil Muth when he passed away in November 2016. While it was a difficult time for staff, delivery partners and residents who knew Neil well, the Trust had a succession plan, and Johnny Strilaeff, Vice President and Chief Operating Officer, was appointed President and CEO. This consistency helped the Trust maintain its strategic direction with minimal impact on the operating environment.

The performance of our investments is linked in part to the larger regional and global economy. There continues to be stable performance of our resource-based industry, and an improvement in the recreational and hospitality sectors. Our investment portfolio performed well during 2016/17 despite ongoing volatility in the broader financial and commodity markets. It requires ongoing oversight to ensure risk is managed appropriately and the long-term forecasted returns are realized.

Based on input from Basin residents, the Trust is moving forward with new ways of delivering benefits and meeting the needs of the region. Historically, the Trust has primarily delivered benefits to Basin residents through grants recorded as expenses for financial reporting purposes. The new approach now includes the development and management of assets for community benefit. As these types of benefits are capitalized rather than expensed, the net impact of this shift in approach is a reduction in reported expenses, both within this past fiscal year as well as in future forecasts.

Both of the above approaches use Trust financial resources to address a regional priority; however, grants are expensed on the financial statements in the Statement of Operations whereas investments result in an increase in assets on the Statement of Financial Position. The accounting adjustments in no way reflect reduced Delivery of Benefits activities by the Trust in the Basin and may even represent an increased use of Trust financial resources.

## Report on Performance

The Trust's 2016/17 Mandate Letter set out two high-level objectives agreed to by the Province and the Trust.

1. Develop and implement new initiatives in response to the 2014/15 community engagement process, and ensure these new initiatives are aligned with the renewed *Columbia Basin Management Plan* and implemented in an effective and efficient manner.

Results: The renewed *Columbia Basin Management Plan* for 2016 to 2020 identifies 13 strategic priority areas and confirms four methods that we use to support efforts to address these community priorities. Each of the new initiatives and programs that we developed and implemented responds to one or more of the strategic priorities, including:

- developing strategic frameworks for affordable housing, agriculture, broadband and economic development
- launching two new programs: Energy Retrofit Program and Built Heritage Grants
- forming the Columbia Basin Development Corp. subsidiary to further our economic development strategic priority.

2. Continue to engage with local government, First Nations, and the Province to ensure the Trust has the requisite balance of skills on the Board of Directors.

Results: Following consultations with the minister responsible, the regional districts and the Ktunaxa Nation Council to ensure the appropriate balance of skills and experience on the Trust Board, seven directors were re-appointed to the Board: two provincial appointees, four regional appointees and one Ktunaxa Nation Council appointee.

Consistent with the principles of the Taxpayer Accountability Principles, we have adopted several performance and efficiency measures. Financial returns from Power Projects, Private Placements and Market Securities each have defined long-term performance expectations. Power Project returns of 11.3 per cent exceeded the objective of 10 per cent, Private Placement returns of 5.7 per cent were slightly below the objective of 6 per cent and Market Securities returns of 11.8 per cent exceeded the six per cent objective.

We have adopted three measures for corporate operations that are consistent with Taxpayer Accountability Principles. Maturity of planning practices, maturity of risk management practices and budget variances for corporate operations are all indicators of efficiency and effectiveness. The Trust met or exceeded each of these measures.

## Goals, Strategies, Measures and Targets

The *2016/17-2018/19 Service Plan* established three goals to help us track how we are achieving our mandate to manage our assets for the ongoing benefit of the region, our vision of social, economic and environmental well-being in the Basin, and efficiency in our internal operations.

Prudently managing our assets will generate the financial returns required to support Delivery of Benefits activities, fund corporate operating expenses and allow for additional future investment.

**Goal 1: Investment Program**

Generate a predictable, sustainable and appreciating income stream to fund Delivery of Benefits obligations and corporate operating expenses.

**Strategies**

- Communicate directly with financial partners throughout the Basin to originate high-quality investment opportunities.
- Develop strong working relationships with the management of companies in which the Trust has invested to fully appreciate risk, as well as uncover future opportunity.
- Identify and develop investment opportunities that target areas of quality risk not otherwise addressed by conventional lenders.
- Remain fully engaged with Columbia Power and Fortis Inc. during the transition from construction to operation at the Waneta Expansion Project. Continue to work closely with partners during the operating phases of all power projects.

**Performance Measure 1.1: Return on Power Projects**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Return on Power Projects	11.2%	10.7%	11.9 %	10%	11.3%	10%	10%

Data Source: Returns are calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

**Discussion**

- In 2016/17, the Trust changed to a new methodology based on a return on invested capital model. A long-term performance target under the new return on invested capital model has been established at 10 per cent (previously 8 per cent).
- In 2016/17, returns on Power Projects exceeded the 10 per cent target. The projects continue to operate well, with minimal unplanned outages. Ongoing investment in maintenance and reliability activities provides a level of comfort that this will remain the case well into the future. The completion of the Waneta Expansion Project in spring 2015, as well as a new power sales agreement at Arrow Lakes Generating Station that came into effect in January 2016, have enhanced expected returns from Power Projects (subject to the change in return methodology described above).

**Performance Measure 1.2: Return on Private Placements**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Return on Private Placements (calculated as a cash-based return on investment)	6.1%	4.7%	5.6%	6%	5.7%	6%	6%

Data Source: Returns are calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

**Discussion**

- In 2016/17 following a review of forecast returns, we have adjusted the target return to 6 per cent from 8 per cent to reflect the continued low interest rate environment. We continue to follow a cash-based return on investment methodology.
- In 2016/17, returns on Private Placements were expected to slightly exceed those of the prior year. Investments in Basin-based businesses continue to grow significantly, and the addition of new investments has slightly increased returns. However, even with the new additions, the relatively low interest rate environment results in returns from these investments falling short of the adjusted long-term per cent target. This will have limited impact on the budget, as these returns make up a relatively small percentage of the Trust's revenues.

**Performance Measure 1.3: Return on Market Securities**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Return on Market Securities	14.2%	12.1%	(1.7)%	6%	11.8%	6%	6%

Data Source: Returns are calculated by BC Investment Management Corporation in accordance with Global Investment Performance Standards.

**Discussion**

- In 2016/17, returns on Market Securities have exceeded the long-term 6 per cent target. It is critical to note the forecasting of financial market returns (particularly in the short term) is challenging, and it is possible the realized returns in the current fiscal year are materially higher or lower than the six per cent forecast. Notwithstanding this inherent challenge in predicting returns, we continue to believe the six per cent long-term objective is appropriate.

**Goal 2: Delivery of Benefits**

Deliver benefits that serve to strengthen the social, economic and environmental well-being of the Basin and its residents and communities.

**Strategies**

- Encourage long-term stewardship of the Basin’s natural assets and help build the ability to take action to meet environmental challenges.
- Actively foster and support local and regional economic resiliency and well-being.
- Help communities respond to social issues and make social considerations part of strengthening community well-being.
- Work with communities and youth to enhance youth opportunities and engagement.
- Support local communities and regions in identifying and meeting their priorities.

**Performance Measures 2.1 and 2.2: Assessment by Basin Residents and Trust Partners of the Trust’s Effectiveness**

Performance Measure <sup>1</sup>	2013/14 Results	2014/15 Results	2015/16 Results	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
1. Residents’ perception of positive impact <sup>2</sup>	N/A	80%	N/A	Over 70%	81%	N/A	Over 70%
2. Partners’ perception of positive impact <sup>3</sup>	N/A	97%	N/A	Over 90%	96%	N/A	Over 90%

Data Source: The Trust engaged a professional market research firm to conduct these surveys.

<sup>1</sup> The results for these measures represent the percentage of those surveyed who are familiar with the Trust and agree that the Trust is making a positive difference in their community. Assessment of the targets takes place internally every two years (which is why every other year does not have results).

<sup>2</sup> The maximum margin of error on the total sample of 808 residents is ±3.5%, at the 95% level of confidence (i.e. 19 times out of 20).

<sup>3</sup> Of 170 partners contacted to participate in the study, 100 completed the survey, representing a 59% response rate. The maximum margin of error on the total sample of 100 partners is ±6.3%, at the 95% level of confidence (i.e. 19 times out of 20). This level of accuracy accounts for the finite population factor that is applied to samples taken from populations of limited size.

**Discussion**

- In 2016/17, the name of the measure changed slightly to reflect the perceptions sought through the surveys and to provide clearer meaning to stakeholders. Previously, the measure was named: “Assessment by Basin residents of the Trust’s effectiveness”.
- In 2016/17, the perceptions of residents and partners exceeded our targets.

**Goal 3: Corporate Operations**

Support and enable the effective management of the Investment Program and Delivery of Benefits programs and initiatives.

**Strategies**

- Maintain risk management registers and support a culture where risk assessment is embedded in day-to-day activities.
- Review and implement improvements to the various business processes that support the Trust’s activities, including processes related to contract management, records management and information management systems.
- Foster an open environment of communication and encourage the sharing of information between departments and initiative areas.
- Ensure the Trust is viewed as an employer of choice, including by developing human resources strategies and supports, such as an individualized employee performance framework and appropriate benefits.
- Implement appropriate sustainability principles and practices in the Trust’s everyday activities, including the execution of a corporate carbon neutral plan.

**Performance Measure 3.1: Maturity of Planning Practices**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Maturity of Planning Practices	3	3.5	3.5	4	4	4	4

Data Source: The Trust’s Executive Management Committee assesses performance against four levels of criteria that were developed by third-party consultants.

**Discussion**

- Practices are assessed on a scale of 1 to 4, where 1 means there are no high-level plans established, 2 is advancing toward development, 3 is adoption of strategic directions and priorities, and 4 reflects a fully mature state with alignment of resources, follow-through on responsibilities, an established process for updating plans, and monitoring and reporting of progress.
- In 2016/17, we met our target of 4 with the development and advancement of remaining plans to support the implementation of the Trust’s 13 strategic priorities, as well as emphasis on developing performance measurement frameworks to track progress in all strategic areas.

**Performance Measure 3.2: Maturity of Risk Management Practices**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Maturity of Risk Management Practices	3	3.5	3.5	4	4	4	4

Data Source: The Trust's Executive Management Committee assesses performance against four levels of criteria that were developed by third-party consultants.

**Discussion**

- Practices are assessed on a scale of 1 to 4, where 1 means corporate risks have not been identified, 2 is advancing toward identifying these risks, 3 is understanding and mitigating risks, and 4 reflects a fully mature state with a robust risk management process in place that involves regular monitoring and updating.
- In 2016/17, we met our target of 4 as we are regularly identifying, monitoring and updating corporate risks at both the organization and department levels.

**Performance Measure 3.3: Budget Variance for Corporate Operations**

Performance Measure	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Target	2016/17 Actual	2017/18 Target	2018/19 Target
Budget Variance for Corporate Operations	(5.8)%	(5.2)%	(5.6)%	Under 5%	(8.1)%	Under 5%	Under 5%

Data Source: The data is calculated based on audited year-end financial statements, which are approved by both external auditors and the Board of the Trust.

**Discussion**

- Budget variance is calculated as the difference between the budget for Corporate Operations, approved by our Board of Directors in November each year, and actual results, as reported in our consolidated financial statements at the fiscal year-end.
- In 2016/17, we were under budget by 8.1 per cent, which was primarily due to a reduction in reported staff remuneration as some budgeted positions were not recruited in the fiscal year.

## Financial Report

### *Discussion of Results*

#### **Variance and Trend Analysis**

Overall, revenues in 2016/17 totaled \$59.4 million, which was \$1.4 million higher than budgeted. This increase was due primarily to increased power project revenues, as all projects performed well throughout the year, resulting in fewer outages than anticipated. Market Securities exceeded expectations as \$1.9 million in revenue was realized compared to the \$1.2 million that was budgeted.

In 2016/17, expenses recorded for Delivery of Benefits activities (less rescinds and refunds) totaled \$37.5 million, which is \$13.4 million less than originally budgeted. This variance from our original budget was expected and forecasted, as the Trust changed its approach to budgeting midway through the past year. This change in approach was premised on the input we received from Basin residents on how the Trust could continue to deliver benefits and meet the needs of the region by not only providing grants, but by also developing and managing assets for community benefit. For financial reporting purposes, these new benefits are capitalized rather than expensed. The net impact of this shift in approach is a reduction in reported expenses and increased surpluses, as noted above in the fiscal year. Over this past year, the Trust purchased a \$1.5 million commercial building to further economic development within the region and spent just under \$1 million in infrastructure to support our Broadband Initiatives. Both of these items reflected in our financial statements as an increase to our financial and non-financial assets.

Community Initiatives expenses increased by \$9.7 million primarily due to two new programs that were budgeted under Programs Under Development and then moved to the Community Initiatives category once the programs were fully developed and expensed. It includes a \$6.8 million commitment to a new three-year partnership with Heritage BC to implement a new Built Heritage Grants program that will support the preservation, rehabilitation, and/or restoration of built heritage assets. It also reflects a new \$2-million Energy Retrofit Program that the Trust launched in partnership with BC Housing and BC Non-Profit Housing Association to upgrade affordable housing in the region. In Social Initiatives, the variance reflects the renewal of our long-standing partnership with Columbia Basin Alliance for Literacy for an additional two years totaling \$1 million.

The Trust also continued to provide support to environment, social and recreation infrastructure through the commitment of \$6.2 million through our various grant intake programs.

Administration expenses for 2016/17 totaled \$6.5 million, which came in under budget by \$571,000, primarily due to a reduction in reported staff remuneration as some budgeted positions were not recruited in the fiscal year.

#### **Risks and Uncertainties**

The performance of our investments are linked in part to the larger regional and global economy. Our investment portfolio performed well during 2016/17 despite ongoing volatility in the broader financial and commodity markets. It requires ongoing oversight to ensure risk is managed appropriately and the long-term forecasted returns are realized.

## Financial Resource Summary Table

\$ thousands	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Budget*	2016/17 Actual	2016/17 Budget Variance	2015/16- 16/17 Variance
<b>Revenues</b>								
Power Projects	\$ 19,734	\$ 22,825	\$ 22,514	\$ 34,954	\$ 39,240	\$ 40,770	\$ 1,530	\$ 5,816
Waneta Expansion	-	-	-	5,693	10,725	10,230	(495)	4,537
Market Securities	611	1,380	2,558	2,099	1,200	1,938	738	(161)
Private Placement: Commercial Loans	925	1,121	1,528	1,722	1,800	1,838	38	116
Private Placement: Real Estate	818	886	1,069	1,262	1,395	1,364	(31)	102
Grant Revenues	-	-	-	412	1,831	1,185	(646)	773
Broadband	400	292	405	449	469	738	269	289
Short-term Investments	1,613	1,208	946	745	1,000	738	(262)	(7)
Loan Income	1,130	1,135	28	-	-	-	-	-
Other Revenues	419	506	488	1,360	350	570	220	(790)
<b>Total Revenue</b>	<b>25,650</b>	<b>29,353</b>	<b>29,536</b>	<b>48,696</b>	<b>58,010</b>	<b>59,371</b>	<b>1,361</b>	<b>10,675</b>
<b>Expenses</b>								
<b>Delivery of Benefits</b>								
Broadband Initiatives**	558	1,234	1,563	5,096	3,261	2,937	324	2,159
Community Initiatives	3,426	7,773	6,866	17,694	11,274	21,020	(9,746)	(3,326)
Economic Initiatives***	2,304	6,592	5,074	1,347	1,800	1,685	115	(338)
Other Initiatives	47	320	677	416	4,835	2,336	2,499	(1,920)
Social Initiatives	5,431	1,674	2,606	1,328	1,350	2,661	(1,311)	(1,333)
Water and Environment Initiatives	6,118	3,491	3,428	4,941	2,725	2,788	(63)	2,153
Youth Initiatives	1,203	614	1,166	720	4,335	4,035	300	(3,315)
Programs Under Development	-	-	-	-	21,320	-	21,320	-
<b>Total Delivery of Benefits</b>	<b>19,087</b>	<b>21,698</b>	<b>21,380</b>	<b>31,542</b>	<b>50,900</b>	<b>37,462</b>	<b>13,438</b>	<b>(5,920)</b>
<b>Administration</b>								
Amortization	391	438	427	389	370	509	(139)	(120)
Board and Committee	200	146	174	132	180	147	33	(15)
Communications	130	185	164	172	190	196	(6)	(24)
Corporate Travel and Meetings	218	189	239	192	240	221	19	(29)
Information Technology	105	81	119	193	200	225	(25)	(32)
Office and General	534	532	577	667	630	620	10	47
Professional Fees	370	404	429	260	405	184	221	76
Staff Remuneration and Development	3,968	3,924	3,978	4,242	4,845	4,387	458	(145)
<b>Total Administration</b>	<b>5,916</b>	<b>5,899</b>	<b>6,107</b>	<b>6,247</b>	<b>7,060</b>	<b>6,489</b>	<b>571</b>	<b>(242)</b>
<b>Total Expenses</b>	<b>25,003</b>	<b>27,597</b>	<b>27,487</b>	<b>37,789</b>	<b>57,960</b>	<b>43,951</b>	<b>14,009</b>	<b>(6,162)</b>
<b>Private Placements: Impairment Loss</b>	<b>1,400</b>	<b>-</b>	<b>625</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Annual Surplus/(Deficit)</b>	<b>(753)</b>	<b>1,756</b>	<b>1,424</b>	<b>10,907</b>	<b>50</b>	<b>15,420</b>	<b>(15,370)</b>	<b>4,513</b>
<b>Total Debt</b>	<b>1,056</b>	<b>1,029</b>	<b>1,000</b>	<b>925</b>	<b>939</b>	<b>3,695</b>	<b>(2,756)</b>	<b>2,770</b>
<b>Accumulated Surplus</b>	<b>410,919</b>	<b>414,646</b>	<b>419,130</b>	<b>426,780</b>	<b>424,084</b>	<b>446,373</b>	<b>22,289</b>	<b>19,593</b>

Note 1: The above financial information was prepared based on current Generally Accepted Accounting Principles.

\* The 2016/17 Budget included in this table was approved by the Trust Board of Directors in January 2016. The forecast included in the 2016/17–2018/19 Service Plan in the Trust's financial outlook table was derived from the Treasury Board Submission of January 2016, which included the most recent forecasts at that time.

\*\* Broadband Initiatives includes direct CBBC costs, as well as other broadband initiatives funded directly by both CBBC and the Trust for the benefit of the Basin.

\*\*\* Economic Initiatives includes direct CBDC costs, as well as other economic initiatives funded directly by both CBDC and the Trust for the benefit of the Basin.

***Consolidated Financial Statements***

AS AT MARCH 31, 2017

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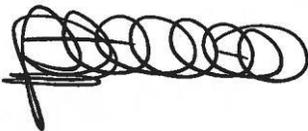
## Responsibility for Financial Reporting

Management is responsible for the preparation of the accompanying consolidated financial statements and all of the information contained in the Annual Report. The consolidated financial statements have been prepared in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia and include amounts that are based on estimates and judgements. Management believes that the consolidated financial statements fairly present the Trust's consolidated financial position and results of operations. The integrity of the information presented in the consolidated financial statements, including estimates and judgements relating to matters not concluded by fiscal year end, is the responsibility of management. The consolidated financial statements have been approved by the Trust's Board of Directors.

Management has established and maintained appropriate systems of internal control which are designed to provide reasonable assurance that the Trust's assets are safeguarded and that reliable financial records are maintained to form a proper basis for preparation of consolidated financial statements. These systems include formal written policies and appropriate delegation of authority and segregation of responsibilities within the organization.

The independent external auditors, KPMG, Chartered Professional Accountants, have been appointed by the Trust's Board of Directors, to express an opinion as to whether the consolidated financial statements present fairly, in all material respects, the Trust's financial position, results of operations, changes in net assets and cash flows in conformity with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia. The Auditor's report follows and outlines the scope of their examination and their opinion on the consolidated financial statements.

The Board of Directors, through the Finance and Audit Committee, is responsible for ensuring that management fulfills its responsibility for financial reporting and internal controls. The Finance and Audit Committee, comprised of directors who are not employees, meets regularly with the external auditors and management to satisfy itself that each group has properly discharged its responsibility to review the consolidated financial statements before recommending approval by the Board of Directors. The external auditors have full and open access to the Finance and Audit Committee, with and without the presence of management.



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## INDEPENDENT AUDITORS' REPORT

To the Directors of Columbia Basin Trust, and  
To the Minister of Energy and Mines:

We have audited the accompanying consolidated financial statements of Columbia Basin Trust, which comprise the consolidated statement of financial position as at March 31, 2017, the consolidated statements of operations and accumulated surplus, changes in net financial assets, cash flows and rereasurement gains and losses for the year then ended, and notes, comprising 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 financial reporting provisions 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.

### *Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our 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, we consider internal control relevant to the entity's preparation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### *Opinion*

In our opinion, the consolidated financial statements of Columbia Basin Trust as at March 31, 2017 and for the year then ended are prepared, in all material respects, in accordance with the financial reporting provisions of Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia.

### *Emphasis of Matter*

Without modifying our opinion, we draw attention to Note 2(a) to the consolidated financial statements which describe the basis of accounting and the significant differences between such basis of accounting and Canadian public sector accounting standards.

*KPMG LLP*

Chartered Professional Accountants

May 27, 2017

Burnaby, Canada

**COLUMBIA BASIN TRUST  
 CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

(in thousands)

<b>AS AT MARCH 31</b>	<b>2017</b>	<b>2016</b>
<b>FINANCIAL ASSETS</b>		
Cash	\$ 5,185	\$ 2,369
Accrued interest and other accounts receivable (Note 4)	1,645	2,142
Short-term investments (Note 5)	48,101	35,999
Market securities (Note 6)	57,796	51,685
Loan receivable (Note 7)	534	-
Private placements - commercial loans (Note 8)	37,365	39,570
Private placements - commercial investment (Note 9)	2,375	2,375
Private placements - real estate investments (Note 10)	5,980	6,101
Investment in Waneta Expansion Limited Partnership (Note 11)	109,284	109,284
Investment in power projects (Note 12)	212,777	203,707
	<u>481,042</u>	<u>453,232</u>
<b>LIABILITIES</b>		
Accounts payable and accrued liabilities	835	663
Long-term debt (Note 13)	3,695	925
Deferred contributions (Note 14)	1,911	1,401
Delivery of Benefits initiatives liabilities (Note 15)	40,512	31,456
	<u>46,953</u>	<u>34,445</u>
Net Financial Assets	434,089	418,787
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	242	156
Tangible capital assets:		
Tangible capital assets - Corporate (Note 16)	2,701	2,622
Tangible capital assets - Investments (Note 16)	3,908	1,802
Tangible capital assets - Delivery of Benefits (Note 16)	5,433	3,413
Total tangible capital assets	<u>12,042</u>	<u>7,837</u>
	<u>12,284</u>	<u>7,993</u>
<b>ACCUMULATED SURPLUS</b>	<b>\$ 446,373</b>	<b>\$ 426,780</b>
Accumulated Surplus is comprised of:		
Accumulated Surplus	\$ 439,064	\$ 423,644
Accumulated Remeasurement Gain	7,309	3,136
	<u>\$ 446,373</u>	<u>\$ 426,780</u>

**COMMITMENTS** (Note 20)

Approved on behalf of the Board of Directors:


Rick Jensen  
Chair

Amed Naqvi  
Chair, Finance and Audit Committee

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

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF OPERATIONS**

*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>Budget (Note 24)</b>	<b>2017</b>	<b>2016</b>
<b>REVENUES</b>			
Power projects (Note 12)	\$ 39,240	\$ 40,770	\$ 34,954
Waneta expansion (Note 11)	10,725	10,230	5,693
Market securities	1,200	1,938	2,099
Private placements - commercial loans	1,800	1,838	1,722
Private placements - real estate investments (Note 10)	1,395	1,364	1,262
Grant revenues (Note 17)	1,831	1,185	412
Broadband operations	469	738	470
Short-term investments	1,000	738	745
Other revenues (Note 18)	350	570	1,360
	58,010	59,371	48,717
<b>EXPENSES (Note 19)</b>			
Broadband initiatives	3,261	2,937	5,117
Community initiatives	13,553	23,114	19,088
Economic initiatives	2,645	2,462	1,972
Investment initiatives	931	856	712
Other initiatives	27,878	3,919	1,886
Social initiatives	1,839	3,111	1,861
Water and environment initiatives	3,247	3,267	5,942
Youth initiatives	4,606	4,285	1,232
	57,960	43,951	37,810
<b>ANNUAL SURPLUS</b>	<b>\$ 50</b>	<b>\$ 15,420</b>	<b>\$ 10,907</b>

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

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF REMEASUREMENT GAINS AND LOSSES**  
*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>2017</b>	<b>2016</b>
Accumulated remeasurement gains, beginning of year	\$ 3,136	\$ 6,137
Unrealized gains (losses) on market securities	4,886	(2,126)
Realized gains reclassified to the Statement of Operations	(713)	(875)
Net remeasurement gains (losses) for the year	4,173	(3,001)
<b>ACCUMULATED REMEASUREMENT GAINS, end of year (Note 6)</b>	<b>\$ 7,309</b>	<b>\$ 3,136</b>

**CONSOLIDATED STATEMENT OF CHANGE IN ACCUMULATED SURPLUS**  
*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>2017</b>	<b>2016</b>
Accumulated surplus, beginning of year	\$ 423,644	\$ 412,737
Annual surplus	15,420	10,907
<b>ACCUMULATED SURPLUS, end of year</b>	<b>\$ 439,064</b>	<b>\$ 423,644</b>

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

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS**  
*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>Budget</b> <b>(Note 23)</b>	<b>2017</b>	<b>2016</b>
<b>ANNUAL SURPLUS</b>	\$ 50	\$ 15,420	\$ 10,907
Acquisition of prepaid expenses	-	(242)	(156)
Use of prepaid expenses	-	156	182
Acquisition of tangible capital assets	-	(5,202)	(1,872)
Disposal of tangible capital assets	-	-	77
Amortization of tangible capital assets	370	997	746
	370	(4,291)	(1,023)
Effect of remeasurement gain	-	4,173	(3,001)
Change in Net Financial Assets	420	15,302	6,883
NET FINANCIAL ASSETS, beginning of year	418,787	418,787	411,904
<b>NET FINANCIAL ASSETS, end of year</b>	<b>\$ 419,207</b>	<b>\$ 434,089</b>	<b>\$ 418,787</b>

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

**COLUMBIA BASIN TRUST**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

*(in thousands)*

<b>FOR THE YEAR ENDING MARCH 31</b>	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM (APPLIED TO) OPERATING ACTIVITIES</b>		
Cash received from private placements - commercial loans	\$ 1,738	\$ 1,635
Cash received from broadband operations	2,416	2,288
Cash received from short-term investments	731	1,619
Cash received from market securities	1,938	2,099
Cash received from tenants	506	416
Cash paid for operating expenses	(7,322)	(7,568)
Cash paid for Delivery of Benefits obligations	(26,460)	(25,465)
	<u>(26,453)</u>	<u>(24,976)</u>
<b>CASH FLOWS FROM (APPLIED TO) INVESTING ACTIVITIES</b>		
Investment in Waneta Expansion Limited Partnership	-	(1,370)
Purchase of short-term investments and market securities	(139,073)	(187,890)
Redemption of short-term investments and market securities	125,032	186,172
Issuance of commercial loans	(11,857)	(15,611)
Repayment of commercial loans	14,078	9,015
Issuance of other loans	(578)	-
Repayment of other loans	16	-
Dividends received from real estate investments	1,484	1,525
Dividends received from Waneta Expansion	10,230	5,693
Dividends received from power projects investments	31,700	28,148
	<u>31,032</u>	<u>25,682</u>
<b>CASH FLOWS APPLIED TO CAPITAL TRANSACTIONS</b>		
Purchase of tangible capital assets, net of disposals	(5,202)	(1,795)
<b>CASH FLOWS FROM (APPLIED TO) FINANCING ACTIVITIES</b>		
Advances to Brilliant Power	700	(700)
Repayment of debt	(63)	(110)
Advances from Community Foundations	2,802	-
	<u>3,439</u>	<u>(810)</u>
<b>INCREASE (DECREASE) IN CASH</b>	<b>2,816</b>	<b>(1,899)</b>
<b>CASH, beginning of year</b>	<b>2,369</b>	<b>4,268</b>
<b>CASH, end of year</b>	<b>\$ 5,185</b>	<b>\$ 2,369</b>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

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### 1. NATURE OF COLUMBIA BASIN TRUST

Columbia Basin Trust (the Trust) is a corporation established by the *Columbia Basin Trust Act*. The purpose of the Trust is to manage its assets for the ongoing economic, social and environmental well-being of the Columbia Basin (Basin) region. The sole share of the Trust is held by the Minister of Finance on behalf of the Province of BC.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Trust are prepared by management in accordance with the basis of accounting described below. Significant accounting policies of the Trust are as follows:

#### (a) Basis of accounting

The consolidated financial statements have been prepared in accordance with Section 23.1 of the Budget Transparency and Accountability Act of the Province of British Columbia (Section 23.1) supplemented by Regulations 257/2010 and 198/2011 (Regulations) issued by the Province of British Columbia Treasury Board.

The Budget Transparency and Accountability Act requires that the consolidated financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations to adopt Canadian public sector accounting standards without any PS4200 elections.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that 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 over the fiscal periods during which the tangible capital asset is used to provide services.
- ii) Contributions restricted for specific purposes other than those for 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 contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of Canadian public sector accounting standards which requires that:

- i) government transfers that do not contain a stipulation that creates a liability be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with public sector accounting standard PS3410; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

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- ii) externally restricted contributions be recognized as revenue in the period in which the stipulations are met.

As a result, revenue recognized in the consolidated statement of operations and certain related deferred capital contributions would be recorded differently under Canadian Public Sector Accounting Standards.

### (b) Basis of presentation

These consolidated financial statements reflect the assets, liabilities, revenues and expenses of the reporting entity, which is comprised of all organizations controlled or jointly controlled by the Trust. Government business partnerships (GBP) are accounted for using the modified equity method. Other government organizations (OGO) and government partnerships (GP) are accounted for using the proportionate consolidation method. All intercompany balances and transactions have been eliminated for OGO's and GP's.

Under the modified equity method, only the Trust's percentage investment in the GBP, and the net income and other changes in equity are recorded. No adjustment is made for accounting policies that are different from those of the Trust.

The trust consolidates its wholly owned and controlled subsidiaries Columbia Basin Broadband Corporation (CBBC) and Columbia Basin Development Corporation.

The Trust's government business partnerships with interest in power projects consist of the following entities:

- Arrow Lakes Power Corporation (ALPC) – 50% interest
- Brilliant Power Corporation (BPC) – 50% interest
- Brilliant Expansion Power Corporation (BEPC) – 50% interest
- Waneta Expansion Power Corporation (WEPC) – 42% interest

The Trust's government business partnerships with interest in real estate consist of the following entities:

- Castle Wood Village – 50% interest
- Columbia Village – 50% interest
- Crest View Village – 50% interest
- Garden View Village – 50% interest
- Joseph Creek Village – 50% interest
- Lake View Village – 50% interest
- Mountain Side Village – 50% interest
- Rocky Mountain Village – 50% interest

### (c) Tangible capital assets and amortization

Tangible capital assets are recorded at cost, which includes amounts directly related to the acquisition, construction, design, development, improvement or betterment of the assets. Costs include overhead directly attributable to construction and development, as well as interest costs that are directly attributable to the construction of the asset. The cost, less residual value of the tangible capital assets, excluding land, is amortized on a straight-line basis over the expected useful lives as follows:

	<b>Years</b>
Buildings	25 - 35
Leasehold improvements	5 - 8
Office furniture and equipment	5
Hardware and software	3 - 7
Broadband hardware	3 – 15
Fibre optics	25

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

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Tangible capital assets are written down to their residual value when conditions indicate they no longer contribute to the Trust's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The write-downs are accounted for as expenses in the statement of operations. Transfers of capital assets from related parties are recorded at carrying value.

### (d) Revenue recognition

Revenues are recognized in the period in which the transaction or event occurs that gives rise to the revenues. All revenues are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset are recorded and referred to as deferred capital contributions and recognized in revenue at the same rate that 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 over the fiscal period during which the tangible capital asset is used to provide services.
- ii) Contributions restricted for specific purposes other than those for 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 contributions have been met.

For British Columbia tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

Contributions from other sources are deferred when restrictions are placed on their use by the contributor, and are recognized as revenue when used for the specific purpose. Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

### (e) Expenses

Expenses are reported on an accrual basis when the goods have been received or the services have been provided. The cost of all goods consumed and services received during the year is expensed.

Expenses are classified by function on the statement of operations. The Trust allocates administration costs by identifying an appropriate basis of allocating and applying that basis consistently each year.

Government transfers are recognized in the consolidated financial statements in the period in which the amounts of the transfers are authorized and any eligibility criteria have been met by the recipient.

### (f) Taxes

The Trust and its wholly owned subsidiaries are exempt from income taxes under paragraph 149(1)(d) of the *Income Tax Act*. The Trust is also exempt from Federal Large Corporations Tax under subsection 181.1(3) of the *Income Tax Act*.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

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### (g) Foreign currency translation

Foreign currency transactions are translated at the exchange rates prevailing at the dates of transactions. Monetary assets and liabilities included in the fair value measurement category denominated in foreign currencies, are translated into Canadian dollars at the exchange rate prevailing at the financial statement date. Unrealized foreign exchange gains and losses are recognized in the statement of remeasurement gains and losses. In the period of settlement, realized foreign exchange gains and losses are recognized in the statement of operations, and the cumulative amount of remeasurement gains and losses is reversed in the statement of remeasurement gains and losses.

### (h) Financial instruments

Derivatives and equity instruments quoted in an active market are measured at fair value. The Trust measures other specific financial instruments at cost and amortized cost to correspond with how they are evaluated and managed.

Financial instruments measured at fair value are classified as level one, two or three for the purposes of describing the basis of the inputs used to measure the fair values, as described below:

- 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; and
- 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.

For financial instruments measured using amortized cost, amortized cost is defined as the amount at which a financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus cumulative amortization using the effective interest method and minus any impairment losses. The effective interest rate method is used to determine interest revenue or expense.

For portfolio investments measured at cost, the cost method records the initial investment at cost and earnings from such investments are recognized only to the extent received or receivable. When an investment is written down to recognize an impairment loss, the new carrying value is deemed to be the new cost basis for subsequent accounting purposes.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

Financial assets are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations and any related fair value changes previously recorded in the statement of remeasurement gains and losses are reversed to the extent of the impairment. Impairment losses are not reversed for a subsequent increase in value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

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Transaction costs are a component of cost for financial instruments measured using cost or amortized cost. Transaction costs are expensed for financial instruments measured at fair value.

The Trust has designated its financial instruments as follows:

**i) Cash**

Cash includes cash in the bank and is measured at fair value. The Trust presents its Statement of Cash Flows using the direct method.

**ii) Short-term investments**

Short-term investments are accounted for as portfolio investments. Investments quoted in an active market are reported at fair value and other investments are recorded at cost or amortized cost. These investments are highly liquid and held for the purpose of meeting short-term cash commitments. Investments reported at fair value recognize any changes in fair value in the statement of remeasurement gains and losses.

**iii) Market securities**

Equity and debt investments quoted in an active market are reported at fair value. The Trust invests in long-term investments through pooled fund products managed by the British Columbia Investment Management Corporation, a corporation established under the *Public Sector Pension Plans Act*. The Trust has a diversified securities portfolio that includes short-term deposits, bonds and equities. Market securities are accounted for as portfolio investments and are reported at fair value with changes in fair value recognized in the statement of remeasurement gains and losses.

**iv) Investment in Waneta Expansion Limited Partnership**

The Trust accounts for its investment in Waneta Expansion Limited Partnership (WELP) as a portfolio investment and it is measured on a cost basis.

**v) Private placements and loan receivable**

Investments in commercial loans or loans receivable are recorded at amortized cost less any amount for impairments. Impairment losses are recorded to reflect loans receivable at the lower of amortized cost and the net recoverable value, when collectability and risk of loss exists. Impairments are recognized in the statement of operations. Interest is accrued on loans receivable to the extent it is deemed collectable. Commercial investments that have an equity interest are accounted for as portfolio investments and are measured at cost, less any amounts written off to reflect a permanent decline in value.

**vi) Debt and other financial assets and financial liabilities**

Debt, accrued interest and other assets, and accounts payable and accrued liabilities are measured at amortized cost and are recorded at amortized cost using the effective interest method.

**(i) Employee future benefits**

The Trust and its employees make contributions to the Public Sector Pension Plan, which is a multi-employer defined benefit pension plan. Multi-employer defined benefit pension plans are accounted for as defined contribution plans. As a result, the Trust's contributions are expensed as paid. Non-vesting sick leave benefits

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

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accrue to the Trust's employees with no obligation to pay sick leave benefits until the employee is injured or ill. The liability related to these benefits was actuarially determined based on length of service, best estimate of retirement ages and expected future salary and wage increases. The liability is accrued based on projected benefits pro-rated as employees render services necessary to earn the future benefits. The Trust estimated and determined its obligation for short-term disability benefits to be immaterial to recognize.

### (j) Measurement uncertainty

The preparation of these 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. Significant estimates include assumptions used for recording specific impairments and general loan loss provisions on commercial loans and loans receivable and for identifying any impairment for the Trust's investment in Waneta Expansion Limited Partnership or its commercial investment.

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. Measurement uncertainty exists in these consolidated financial statements. Actual results could differ from these estimates.

### (k) Contaminated sites

A liability for contaminated sites is recognized when a site is not in productive use and the following criteria are met:

- i) an environmental standard exists;
- ii) contamination exceeds the environmental standard;
- iii) the Trust is directly responsible or accepts responsibility;
- iv) it is expected that future economic benefits will be given up; and
- v) a reasonable estimate of the amount can be made.

The liability is recognized as management's estimate of the cost of post-remediation including operation, maintenance and monitoring that are an integral part of the remediation strategy for a contaminated site.

## 3. COMPARATIVE FIGURES

Certain prior year figures have been reclassified to conform with the current year's presentation.

## 4. ACCRUED INTEREST AND OTHER ACCOUNTS RECEIVABLE

Accrued interest and other accounts receivable consist of accrued interest on short-term investments, receivables and recoveries for management and information technology services.

## 5. SHORT-TERM INVESTMENTS

Short-term investments consist of a portfolio of short-term deposits held at financial institutions and with the British Columbia Investment Management Corporation and are allocated as follows:

	Fair value hierarchy level	2017	2016
Term securities: measured at amortized cost	-	\$ 48,101	\$ 35,999

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### 6. MARKET SECURITIES

The Trust has a diversified securities portfolio that includes short-term deposits, bond and equity funds, which is managed by the British Columbia Investment Management Corporation.

The Trust's investment in market securities measured at fair value is as follows:

	Fair value hierarchy level	2017	2016
Market value	1	\$ 57,796	\$ 51,685
Cost		50,487	48,549
Accumulated remeasurement gains		\$ 7,309	\$ 3,136

During fiscal year 2017, the Trust recognized realized gains on market securities of \$713,000 (2016 - \$875,000).

### 7. LOAN RECEIVABLE

The Trust provides funding through the Impact Investment Program to businesses challenged with obtaining financing from other sources. These loans are generally secured by assets and personal guarantees which bear interest from 4.0% to 6.7% and currently have terms extending no further than 20 years.

### 8. PRIVATE PLACEMENTS – COMMERCIAL LOANS

The Trust provides commercial loans that are generally secured by real estate and currently have terms extending no further than 25 years.

Commercial loans are as follows:

	2017	2016
Commercial loans bearing interest from 3.60% to 7.5%	\$ 37,628	\$ 39,849
Less: general impairment loss	(263)	(279)
	\$ 37,365	\$ 39,570

### 9. PRIVATE PLACEMENTS – COMMERCIAL INVESTMENT

This commercial equity investment in a private company is accounted for as a portfolio investment and measured at cost.

### 10. PRIVATE PLACEMENTS – REAL ESTATE INVESTMENTS

The Trust's real estate investments are comprised of 50% ownership interests in real estate investments throughout the Basin consisting of eight seniors housing facilities (see listing of joint ventures in Note 2). These investments are accounted for as investments in GBP's using the modified equity basis of accounting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

Condensed supplementary financial information for private placements – real estate investments is as follows:

**(a) Financial position (at 50%):**

	Current Assets	Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Net Assets
<b>March 31, 2017</b>							
Castle Wood Village	\$ 279	\$ 3,796	\$ 4,075	\$ 155	\$ 3,357	\$ 3,512	\$ 563
Columbia Village	90	5,103	5,193	200	4,561	4,761	432
Crest View Village	270	4,187	4,457	230	3,717	3,947	510
Garden View Village	73	3,126	3,199	127	2,480	2,607	592
Joseph Creek Village	129	8,985	9,114	372	7,154	7,526	1,588
Lake View Village	176	5,366	5,542	198	4,164	4,362	1,180
Mountain Side Village	72	2,803	2,875	106	2,220	2,326	549
Rocky Mountain Village	130	2,858	2,988	140	2,282	2,422	566
	\$ 1,219	\$ 36,224	\$ 37,443	\$ 1,528	\$ 29,935	\$ 31,463	\$ 5,980
<b>March 31, 2016</b>							
Castle Wood Village	\$ 233	\$ 3,963	\$ 4,196	\$ 150	\$ 3,501	\$ 3,651	\$ 545
Columbia Village	82	5,320	5,402	199	4,740	4,939	463
Crest View Village	18	4,392	4,410	189	3,725	3,914	496
Garden View Village	59	3,268	3,327	122	2,598	2,720	607
Joseph Creek Village	121	9,408	9,529	360	7,500	7,860	1,669
Lake View Village	160	5,574	5,734	193	4,368	4,561	1,173
Mountain Side Village	73	2,925	2,998	102	2,318	2,420	578
Rocky Mountain Village	124	2,999	3,123	135	2,418	2,553	570
	\$ 870	\$ 37,849	\$ 38,719	\$ 1,450	\$ 31,168	\$ 32,618	\$ 6,101

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### (b) Results of operations (at 50%):

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
<b>March 31, 2017</b>						
Castle Wood Village	\$ 525	\$ 133	\$ 3	\$ 199	\$ 335	190
Columbia Village	528	186	3	228	417	111
Crest View Village	559	141	3	211	355	204
Garden View Village	362	117	2	146	265	97
Joseph Creek Village	1,094	305	16	432	753	341
Lake View Village	546	135	-	208	343	203
Mountain Side Village	310	90	7	126	223	87
Rocky Mountain Village	374	98	4	141	243	131
	\$ 4,298	\$ 1,205	\$ 38	\$ 1,691	\$ 2,934	1,364
<b>March 31, 2016</b>						
Castle Wood Village	\$ 525	\$ 138	\$ 1	\$ 194	\$ 333	192
Columbia Village	528	197	-	228	425	103
Crest View Village	559	187	5	210	402	157
Garden View Village	362	123	1	145	269	93
Joseph Creek Village	1,094	318	2	425	745	349
Lake View Village	545	192	1	208	401	144
Mountain Side Village	310	90	1	125	216	94
Rocky Mountain Village	374	103	-	141	244	130
	\$ 4,297	\$ 1,348	\$ 11	\$ 1,676	\$ 3,035	1,262

### (c) Investment in private placements – real estate (at 50%):

	Castle Wood Village	Columbia Village	Crest View Village	Garden View Village	Joseph Creek Village	Lake View Village	Mountain Side Village	Rocky Mountain Village	Total
<b>March 31, 2017</b>									
Opening balance	\$ 545	\$ 463	\$ 496	\$ 607	\$ 1,669	\$ 1,173	\$ 578	\$ 570	\$ 6,101
Dividends paid	(172)	(142)	(190)	(112)	(422)	(196)	(116)	(135)	(1,485)
Surplus	190	111	204	97	341	203	87	131	1,364
	\$ 563	\$ 432	\$ 510	\$ 592	\$ 1,588	\$ 1,180	\$ 549	\$ 566	\$ 5,980
<b>March 31, 2016</b>									
Opening balance	\$ 594	\$ 503	\$ 522	\$ 627	\$ 1,741	\$ 1,205	\$ 599	\$ 573	\$ 6,364
Dividends paid	(241)	(143)	(183)	(113)	(421)	(176)	(115)	(133)	(1,525)
Surplus	192	103	157	93	349	144	94	130	1,262
	\$ 545	\$ 463	\$ 496	\$ 607	\$ 1,669	\$ 1,173	\$ 578	\$ 570	\$ 6,101

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### (d) Non-current assets:

The Trust's investment in real estate, comprised of seniors housing facilities, is as follows (at 50%):

	Land	Building and Equipment	2017	2016
Operating facilities	\$ 2,728	\$ 49,209	\$ 51,937	\$ 51,878
Less: accumulated amortization	-	(15,713)	(15,713)	(14,029)
	\$ 2,728	\$ 33,496	\$ 36,224	\$ 37,849

### (e) Current and non-current liabilities:

#### i) Long-term debt

Long-term debt consisting of mortgage loans are included in current and non-current liabilities of the real estate entities. The purpose of the mortgage loans was to provide financing for the acquisition of land and the construction of seniors housing facilities. These loans have interest rates varying between 3.26% and 4.44% and will mature on different dates between July 2018 and April 2023. The loans are repayable in equal monthly payments of principal and interest, were originally amortized over 25 years and are secured by first charges, both fixed and floating, over the assets of the seniors housing facilities to which they relate.

#### ii) Indemnities by joint venturers

The joint venturers of the eight real estate investments gave separate indemnities for 50% of the mortgage proceeds totaling \$31.1 million (fiscal 2016 - \$32.2 million).

### (f) Contingencies:

In June 2010, the BC Housing Management Commission (BC Housing) provided Lake View Village, a seniors housing facility located in Nelson, BC, with a government grant to allow for subsidized suites. Under this agreement, Lake View Village received a forgivable loan in the amount of \$855,000 (the Trust's share is 50%), which was applied directly to the existing mortgage on the property. Under the terms and conditions of the agreement, if the loan is defaulted within the first 10 years, \$855,000 is repayable to BC Housing. Thereafter, the forgivable loan amount is reduced by 1/15th per year. As at March 31, 2017, the balance of the forgivable loan was \$855,000 (the Trust's share is 50%).

## 11. INVESTMENT IN WANETA EXPANSION LIMITED PARTNERSHIP

The Trust has an investment, recorded at cost, in the Waneta Expansion Limited Partnership (WELP). WELP is a partnership between the Trust, through a wholly owned subsidiary of the Trust, CBT Waneta Expansion Power Corp. (16.5% interest), CPC Waneta Holdings Ltd. (32.5% interest), and Fortis Inc. (51% interest). WELP was formed to own and develop the Waneta Expansion Project which is a \$900-million hydroelectric development located downstream from the Waneta Dam in Trail, BC. Construction of this 335-megawatt facility commenced October 1, 2010, and was substantially completed on April 2, 2015. The Trust's total investment in the Waneta Expansion Project is \$109.3 million (fiscal 2016 - \$109.3 million).

The Trust received dividends in the amount of \$10.2 million in fiscal 2017 (fiscal 2016 - \$5.7 million) from its investment in the Waneta Expansion Limited Partnership.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### 12. INVESTMENT IN POWER PROJECTS

The Trust's investment in power projects comprises ownership interests in four entities that are jointly controlled with Columbia Power Corporation, a party related through common control by the Province. These investments are accounted for as GBP's.

#### (a) Arrow Lakes Power Corporation

The Trust's wholly owned subsidiary, CBT Arrow Lakes Power Development Corp., has a 50% ownership interest in Arrow Lakes Power Corporation (ALPC). The purpose of ALPC is to operate the 185-megawatt Arrow Lakes Generating Station adjacent to Hugh Keenleyside Dam at Castlegar, BC, and a 48-kilometre transmission line from the power plant to BC Hydro's Selkirk substation and sell power generated from this facility.

#### (b) Brilliant Power Corporation

The Trust's wholly owned subsidiary, CBT Power Corp., has a 50% ownership interest in Brilliant Power Corporation (BPC). The purpose of BPC is to act as lessor of the Brilliant Dam and Generating Station (Brilliant Power Facility) and Brilliant Terminal Station assets. The Brilliant Power Facility and Brilliant Terminal Station are currently leased to FortisBC Inc., a regulated utility operating in British Columbia, according to the terms of finance leases. The Brilliant Power Facility is located on the Kootenay River, three kilometers upstream of the confluence with the Columbia River.

#### (c) Brilliant Expansion Power Corporation

The Trust's wholly owned subsidiary, CBT Brilliant Expansion Power Corp., has a 50% interest in Brilliant Expansion Power Corporation (BEPC). The purpose of BEPC is to operate Brilliant Expansion, a 120-megawatt power generation facility adjacent to the Brilliant Dam at Castlegar, BC, and sell power generated from this facility.

#### (d) Waneta Expansion Power Corporation

The Trust's wholly owned subsidiary, CBT Energy Inc., has a 42% interest in Waneta Expansion Power Corporation (WEPC). WEPC previously held legal title of assets related to the Waneta Expansion Project. In October 2010, all deferred development costs and expansion rights related to the Waneta Expansion Project were sold to the Waneta Expansion Limited Partnership in exchange for a \$72-million non-interest bearing Promissory Note.

Condensed supplementary financial information for investment in these four power projects is as follows:

#### (e) Financial position:

	Current	Property,	Lease	Other	Total	Current	Non-	Total	
	Assets	Plant & Equipment	Receivable	Non-Current Assets	Assets	Liabilities	Current Liabilities	Liabilities	Net Assets
<b>March 31, 2017</b>									
ALPC - 50%	\$ 17,308	\$ 110,451	\$ -	\$ -	\$ 127,759	\$ 8,759	\$ 168,755	\$ 177,514	\$ (49,755)
BPC - 50%	7,815	-	158,815	5,386	172,016	6,632	47,621	54,253	117,763
BEPC - 50%	5,923	105,304	-	776	112,003	595	-	595	111,408
WEPC - 42%	-	-	-	33,361	33,361	-	-	-	33,361
	<u>\$ 31,046</u>	<u>\$ 215,755</u>	<u>\$ 158,815</u>	<u>\$ 39,523</u>	<u>\$ 445,139</u>	<u>\$ 15,986</u>	<u>\$ 216,376</u>	<u>\$ 232,362</u>	<u>\$ 212,777</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

	Current Assets	Property, Plant & Equipment	Lease Receivable	Other Non- Current Assets	Total Assets	Current Liabilities	Non- Current Liabilities	Total Liabilities	Total Net Assets
<b>March 31, 2016</b>									
ALPC - 50%	\$ 14,331	\$ 112,710	\$ -	\$ -	\$ 127,041	\$ 6,962	\$ 172,168	\$ 179,130	\$ (52,089)
BPC - 50%	7,091	-	157,339	5,378	169,808	7,080	51,421	58,501	111,307
BEPC - 50%	4,768	107,725	-	770	113,263	468	-	468	112,795
WEPC - 42%	-	-	-	31,694	31,694	-	-	-	31,694
	\$ 26,190	\$ 220,435	\$ 157,339	\$ 37,842	\$ 441,806	\$ 14,510	\$ 223,589	\$ 238,099	\$ 203,707

### (f) Investment in power projects:

	ALPC 50%	BPC 50%	BEPC 50%	WEPC 42%	Total
<b>March 31, 2017</b>					
Opening balance	\$ (52,089)	\$ 111,307	\$ 112,795	\$ 31,694	\$ 203,707
Dividends paid	(13,250)	(5,250)	(13,200)	-	(31,700)
Surplus	15,584	11,706	11,813	1,667	40,770
	\$ (49,755)	\$ 117,763	\$ 111,408	\$ 33,361	\$ 212,777
<b>March 31, 2016</b>					
Opening balance	\$ (47,412)	\$ 106,996	\$ 114,955	\$ 22,362	\$ 196,901
Dividends paid	(8,237)	(6,790)	(13,121)	-	(28,148)
Surplus	3,560	11,101	10,961	9,332	34,954
	\$ (52,089)	\$ 111,307	\$ 112,795	\$ 31,694	\$ 203,707

### (g) ALPC negative equity:

In fiscal 2012, ALPC issued \$350 million in Series B bonds, due in April 2041. The proceeds of the Series B bond issue were used to pay for the \$45.6 million owing on ALPC's Series A bonds, and the net proceeds of \$285.6 million were distributed by dividend to the shareholders. The dividend to the shareholders created a deficit in ALPC of \$56.1 million. ALPC ended fiscal 2012 with a deficit of \$60.3 million after incurring net losses of \$4.2 million that year. Total cumulative dividends of \$76.6 million and cumulative net surpluses of \$37.4 million since fiscal 2012 have increased the deficit in ALPC to \$99.5 million at the end of fiscal 2017.

As ALPC's negative equity position has been caused by the payment of dividends rather than by operating losses, the Trust continues to record its investment in ALPC as a long term financial asset that is recorded on a modified equity basis on the consolidated statement of financial position. The Trust's future share of ALPC's net income will reduce the negative equity balance and the Trust's future share of any additional dividends will increase the negative equity balance. Contracts entered into for the delivery of electricity over the next 28 years are expected to generate sufficient revenue and cash flow to fund on-going operations for the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### (h) Results of operations:

	Revenue	Finance Charges	Operations	Amortization	Total Expense	Surplus
<b>March 31, 2017</b>						
ALPC - 50%	\$ 33,455	\$ 9,667	\$ 5,523	\$ 2,681	\$ 17,871	15,584
BPC - 50%	22,165	4,230	6,195	34	10,459	11,706
BEPC - 50%	18,506	8	4,174	2,511	6,693	11,813
WEPC - 42%	1,667	-	-	-	-	1,667
	\$ 75,793	\$ 13,905	\$ 15,892	\$ 5,226	\$ 35,023	40,770
<b>March 31, 2016</b>						
ALPC - 50%	\$ 21,572	\$ 9,717	\$ 5,619	\$ 2,676	\$ 18,012	3,560
BPC - 50%	22,026	4,509	6,383	33	10,925	11,101
BEPC - 50%	18,050	10	4,575	2,504	7,089	10,961
WEPC - 42%	9,332	-	-	-	-	9,332
	\$ 70,980	\$ 14,236	\$ 16,577	\$ 5,213	\$ 36,026	34,954

### (i) Other non-current assets - WEPC

Other non-current assets for WEPC consist of the following assets:

#### Promissory Note

WEPC has a non-interest bearing \$72 million Promissory Note Receivable from WELP and is due on the fifth anniversary of the commercial operation date of the Waneta Expansion Project. The commercial operation date occurred in 2015, thereby making the Promissory Note's repayment date in 2020, 10 years from the date of issuance. The Promissory Note was discounted using an effective interest rate of 5.5% to reflect a present value at March 31, 2011, of \$43 million (the Trust's portion was \$18 million). Interest accretes until the Promissory Note is recognized at its face value in 2020. As at March 31, 2017, the Trust's portion of the Promissory Note was \$25.2 million (fiscal 2016 - \$23.6 million).

#### Other Receivables

WEPC has an agreement with WELP that specifies if the aggregate amount of the design-build costs of the Waneta Expansion Project are less than \$635.1 million, WELP will pay to WEPC the lesser of a) the amount by which the design-build cost are less than \$635.1 million or b) \$20 million. At March 31, 2016, management estimated that the expected value of the design-build costs will be \$603.5 million and therefore recorded a \$20 million receivable as other income (discounted at 2% to present value of \$19.2 million) with interest accreting until the receivable is recognized on April 1, 2018. As of March 31, 2017 there have been no changes to these valuations. The Trust's portion of this other income and receivable at the end of the fiscal was \$8.2 million (fiscal 2016 - \$8.1 million).

### (j) Non-current liabilities:

#### i) Long-term debt

ALPC has long-term debt that consists of Series "B" bonds with a coupon rate of 5.52% due April 5, 2041. The Series "B" bonds are secured on a limited recourse basis by charges against Arrow Lakes Generating Facility and Transmission assets, related material contracts, licenses, permits, approvals, authorizations and insurance coverage.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

BPC has long-term debt that consists of the following:

- Series "A" bonds bearing interest at 8.93%; and
- Series "B" bonds bearing interest at 6.86%; and
- Series "C" bonds bearing interest at 5.67%.

The bonds are redeemable in whole or in part at any time before May 31, 2026, at a price equal to the greater of the principal amount then outstanding, or a price calculated to provide a yield to maturity based on the current yield of a matching-duration Government of Canada bond plus 0.30%, 0.31% and 0.23% respectively. The bonds are secured on a limited recourse basis by charges against Brilliant Dam assets and revenues.

Power project bonds are as follows (at 50%):

	2017	2016
ALPC bonds	\$ 173,334	\$ 175,000
BPC bonds	52,158	55,786
	225,492	230,786
Less: financing costs	(1,737)	(1,903)
Less: current portion of long-term debt	(7,379)	(5,294)
	\$ 216,376	\$ 223,589

### (k) Contingencies

The Trust's operating and development power project activities are affected by federal, provincial and local government laws and regulations. Under its agreements with its Bondholders, BPC and ALPC have agreed to comply or cause compliance in all material respects with such laws and regulations, as well as to maintain all material franchises. Under current regulations, the venturers are required to meet performance standards to minimize or mitigate the negative impacts of their proposed projects. The impact, if any, of future legislative or regulatory requirements on specific projects and their related deferred costs cannot currently be estimated.

### 13. LONG-TERM DEBT

The Trust has a term loan secured by a collateral mortgage over real estate. The Trust also accepts investment funds from various Community Foundations for investment purposes which are classified as loans.

The net debt shown on the consolidated statement of financial position is measured at amortized cost and is comprised of the following:

	2017	2016
Demand loan, interest rate 3.27% per annum, maturing November 2017	\$ 893	\$ 925
Demand loan, interest rate 5.00% per annum, no specific repayment terms	2,802	-
	\$ 3,695	\$ 925

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

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### 14. DEFERRED CONTRIBUTIONS

Deferred revenue represents funding that has been received and relates to broadband projects scheduled to be completed in a subsequent year. Deferred revenue is recognized in revenue in the year of project completion.

Deferred capital contributions represent the unamortized amount of grants received from various entities for the purchase of broadband tangible capital assets. Deferred capital contributions are recognized in revenue at the same rate that amortization of the tangible capital asset is recorded.

Deferred contributions at March 31 are as follows:

		<b>2017</b>		<b>2016</b>
Deferred revenue	\$	1,191	\$	1,159
Deferred capital contributions		720		242
	\$	1,911	\$	1,401

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### 15. DELIVERY OF BENEFITS INITIATIVES

Delivery of Benefits initiatives refers to activities that the Trust undertakes in the region as it seeks to support the efforts of the people of the Basin to create a legacy of social, economic and environmental well-being in the Basin.

		<b>2017</b>		<b>2016</b>
Liabilities, beginning of year	\$	31,456	\$	27,028
Funds authorized during the year		36,940		31,080
Funds recovered/rescinded		(1,424)		(1,187)
Funds paid during the year		(26,460)		(25,465)
Liabilities, end of year	\$	40,512	\$	31,456

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Delivery of Benefits initiatives liabilities are payable to various organizations in the fiscal years ending March 31 as follows:

2018	\$	26,341
2019		9,986
2020		4,019
2021		166
	\$	40,512

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## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### 16. TANGIBLE CAPITAL ASSETS

The Trust's tangible capital assets are as follows:

	Cost	Accumulated Amortization	2017	2016
<b>Corporate</b>				
Land	\$ 205	\$ -	\$ 205	205
Building	3,487	1,788	1,699	1,814
Leasehold improvements	710	537	173	24
Office furniture and equipment	537	468	69	58
Hardware and software	1,838	1,283	555	521
	<u>\$ 6,777</u>	<u>\$ 4,076</u>	<u>\$ 2,701</u>	<u>2,622</u>
<b>Delivery of Benefits</b>				
<i>Economic initiatives</i>				
Land	\$ 188	\$ -	\$ 188	-
Building	1,348	45	1,303	-
Deferred development costs	10	-	10	-
	<u>1,546</u>	<u>45</u>	<u>1,501</u>	<u>-</u>
<i>Broadband initiatives</i>				
Hardware	2,951	1,052	1,899	1,658
Fibre optics	2,363	330	2,033	1,755
	<u>5,314</u>	<u>1,382</u>	<u>3,932</u>	<u>3,413</u>
	<u>\$ 6,860</u>	<u>\$ 1,427</u>	<u>\$ 5,433</u>	<u>3,413</u>
<b>Investments</b>				
Land	\$ 926	\$ -	\$ 926	611
Building	3,221	239	2,982	1,191
	<u>\$ 4,147</u>	<u>\$ 239</u>	<u>\$ 3,908</u>	<u>1,802</u>
<b>Total tangible capital assets</b>	<u>\$ 17,784</u>	<u>\$ 5,742</u>	<u>\$ 12,042</u>	<u>7,837</u>

Refer to Schedule A for supplementary financial information.

### 17. GRANT REVENUES

CBBC, a wholly owned subsidiary of the Trust, and various Internet Service Providers have entered into a Contribution Agreement with the Government of Canada for the *Connecting Canadians Program*. The *Connecting Canadians Program* aims to extend and/or enhance broadband networks for rural and remote Canadian communities and provide access to high quality broadband services for households to participate in the digital economy.

### 18. OTHER REVENUES

Other revenues for the Trust consist of the following:

#### Loan income

The Trust receives loan income from the Impact Investment Program which provides capital to businesses challenged with obtaining financing from other sources.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### Recoveries

The Trust recovers costs from Columbia Power Corporation, a related party, for information technology support and management services relating to jointly owned power project entities. The Trust also recovers rent from Columbia Power Corporation for a portion of the Columbia Basin building.

### Rental revenue

The Trust receives rental revenue from commercial properties located in Cranbrook and Trail, BC.

### Other revenue

In fiscal 2016 the Trust received a one-time payment of \$868,000 from Columbia Power Corporation to equalize the benefits of eliminating Teck Resources Ltd. residual interest in the Waneta Expansion Project.

	2017	2016
Loan income	\$ 19	\$ -
Recoveries	378	368
Rental revenue	173	124
Other revenue	-	868
	\$ 570	\$ 1,360

## 19. EXPENSES

In addition to the direct benefits provided to Basin communities, the Trust has also allocated administration services and costs to each major initiative area using an appropriate cost allocation methodology. In the case of CBBC, all administration costs are tracked separately and expensed directly to this initiative area.

The following table lists the community benefits expensed, funding benefits that were recovered or rescinded, and the allocation of the Trust's administration services and costs to each major initiative area for fiscal 2017.

Trust	Community Benefits	Benefits Recovered/ Rescinded	Administration Allocation	Total Expenses
Broadband initiatives	\$ 9	\$ -	\$ -	\$ 9
Community initiatives	22,143	(1,123)	2,094	23,114
Economic initiatives	1,692	(7)	777	2,462
Investment initiatives	-	-	856	856
Other initiatives	2,345	(9)	1,583	3,919
Social initiatives	2,663	(2)	450	3,111
Water and Environment initiatives	3,005	(217)	479	3,267
Youth initiatives	4,101	(66)	250	4,285
	35,958	(1,424)	6,489	41,023
<b>CBBC</b>				
Broadband initiatives	982	-	-	982
Broadband administration	1,946	-	-	1,946
	2,928	-	-	2,928
	\$ 38,886	\$ (1,424)	\$ 6,489	\$ 43,951

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

The following comprises the Trust's and CBBC's expenses by object:

	Trust	CBBC	Total
<b>March 31, 2017</b>			
Amortization	\$ 509	\$ 444	\$ 953
Board and committee expenses	147	10	157
Communications	196	1	197
Corporate travel and meetings	221	26	247
Delivery of Benefits initiatives	34,534	982	35,516
Information technology	225	119	344
Network costs	-	646	646
Office and general	620	5	625
Professional fees	184	202	386
Staff remuneration and development	4,387	493	4,880
	\$ 41,023	\$ 2,928	\$ 43,951
<b>March 31, 2016</b>			
Amortization	\$ 389	\$ 357	\$ 746
Board and committee expenses	132	3	135
Communications	172	4	176
Corporate travel and meetings	192	29	221
Delivery of Benefits initiatives	26,488	3,405	29,893
Information technology	193	130	323
Network costs	-	448	448
Office and general	667	9	676
Professional fees	260	200	460
Staff remuneration and development	4,242	490	4,732
	\$ 32,735	\$ 5,075	\$ 37,810

## 20. COMMITMENTS

### The Trust Office

The Trust has entered into operating lease agreements for two office spaces with terms expiring August 31, 2017 and March 31, 2020. Annual lease commitments are as follows:

2018	\$ 58
2019	36
2020	36
	\$ 130

## 21. RELATED PARTY TRANSACTIONS

The Trust is indirectly related through common ownership to all Province of BC ministries, agencies, Crown corporations and public sector organizations that are included in the provincial government reporting entity. All related party transactions are considered to be conducted at arm's length and are consequently recorded at their exchange amounts.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

The Trust's portion of related party transactions is as follows:

### (a) Due from and sales to related parties:

	2017		2016	
	Due from related party	Sales to related party	Due from related party	Sales to related party
Columbia Power Corporation	\$ 91	\$ 562	\$ 93	\$ 666
Province of BC	2,033	86	1,701	110
BC Hydro	2,127	47,403	2,286	35,286
BEPC	92	733	434	713
	\$ 4,343	\$ 48,784	\$ 4,514	\$ 36,775

### (b) Due to and purchases from related parties:

	2017		2016	
	Due to related party	Purchases from related party	Due to related party	Purchases from related party
Columbia Power Corporation	\$ -	\$ 1,515	\$ 602	\$ 1,986
Province of BC	48	5,813	48	6,573
BC Hydro	-	1,569	55	804
BPC	96	733	84	713
Powerex	-	45	-	45
	\$ 144	\$ 9,675	\$ 789	\$ 10,121

## 22. PUBLIC SERVICE PENSION PLAN

The Trust and its employees contribute to the Public Service Pension Plan (PSPP) in accordance with the *Public Sector Pension Plans Act*. The British Columbia Pension Corporation administers the plan, including payment of pension benefits to employees to whom the Act applies. The PSPP is a multi-employer defined benefit pension plan. Under joint trusteeship, the risks and rewards associated with the PSPP's unfunded liability or surplus is shared between the employers and the plan members and will be reflected in future contributions.

The most recent actuarial valuation as at March 31, 2014 indicated that the PSPP is fully funded and is sufficient to pay the current and future lifetime pensions of all members. Contributions to the PSPP by the Trust in fiscal 2017 were \$304,000 (fiscal 2016 - \$292,000). No provision, other than the Trust's required employer pension contributions, has been made in the accounts of the Trust for this liability. The next valuation date for the PSPP is scheduled for December 31, 2017 with results expected in 2018.

## 23. RISK MANAGEMENT

### (a) Credit risk

Credit risk refers to the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Trust extends credit within its commercial loans and investments. To mitigate the Trust's exposure to credit risk, an assessment of the credit worthiness of a borrower is carried out prior to the placement of a commercial loan or investment. The Trust's exposure to credit risk is as indicated by the carrying value of its commercial loans and investments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

The maximum exposure to credit risk at March 31 was:

		<b>2017</b>		<b>2016</b>
Accrued interest and other assets	\$	1,645	\$	2,142
Loan receivable	\$	534	\$	-
Commercial loans	\$	37,365	\$	39,570
Commercial investment	\$	2,375	\$	2,375

### (b) Liquidity risk

Liquidity risk refers to the risk that the Trust will encounter difficulty in meeting obligations associated with financial liabilities. The Trust monitors and maintains its liquidity to ensure sufficient capacity to repay its financial liabilities when they become due. The Trust considers that it has sufficient liquidity to meet its financial obligations.

The maximum exposure to liquidity risk at March 31 was:

		<b>2017</b>		<b>2016</b>
Accounts payable and accrued liabilities	\$	835	\$	663
Long-term debt	\$	3,695	\$	925
Deferred contributions	\$	1,911	\$	1,401
Delivery of Benefits liabilities	\$	40,512	\$	31,456

### (c) Market risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk.

#### i) 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 exchange rates. The Trust realizes all significant revenues and expenses in Canadian dollars and is therefore not significantly exposed to currency fluctuations.

#### ii) Interest rate risk

Interest rate risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Trust is not exposed to significant interest rate risk for current liabilities due to the short-term nature of its current liabilities. The Trust's short-term investments and commercial loans are subject to variable interest rates. Sensitivity analyses: A change of 100 basis points in the interest rates in short-term investments would increase or decrease revenues by \$481,000. A change of 100 basis points in the market rates of commercial loans would increase or decrease revenues by \$376,000.

#### iii) Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial statement or its issuer, or factors affecting all similar financial instruments traded in the market.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

*(Tabular amounts in thousands)*

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As the Trust's market securities portfolio is affected by global market conditions, the maximum exposure to price risk at the reporting date was:

	<u>2017</u>		<u>2016</u>
Market securities	\$ 57,796	\$	51,685

### 24. BUDGETED FIGURES

Budgeted figures have been provided for comparison purposes and have been derived from the Trust's annual budget approved by the Board of Directors in January 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at March 31, 2017 and March 31, 2016

(Tabular amounts in thousands)

### Schedule A: Tangible capital assets supplementary financial information

Corporate	Land	Building	Leasehold improve- ments	Office furniture and equipment	Hardware and software	Total
<b>March 31, 2017</b>						
<b>Cost</b>						
Opening balance	\$ 205	\$ 3,487	\$ 513	\$ 500	\$ 1,593	6,298
Additions	-	-	197	37	245	479
	205	3,487	710	537	1,838	6,777
<b>Accumulated amortization</b>						
Opening balance	-	(1,673)	(489)	(442)	(1,072)	(3,676)
Additions	-	(115)	(48)	(26)	(211)	(400)
	-	(1,788)	(537)	(468)	(1,283)	(4,076)
	\$ 205	\$ 1,699	\$ 173	\$ 69	\$ 555	2,701

Investments	Land	Building	Total
<b>March 31, 2017</b>			
<b>Cost</b>			
Opening balance	\$ 611	\$ 1,322	1,933
Additions	315	1,899	2,214
	926	3,221	4,147
<b>Accumulated amortization</b>			
Opening balance	-	(131)	(131)
Additions	-	(108)	(108)
	-	(239)	(239)
	\$ 926	\$ 2,982	3,908

Delivery of Benefits	Land	Building	Deferred development costs	Broadband hardware	Fibre optics	Total
<b>March 31, 2017</b>						
<b>Cost</b>						
Opening balance	\$ -	\$ -	\$ -	\$ 2,360	\$ 1,991	4,351
Additions	188	1,348	10	591	372	2,509
	188	1,348	10	2,951	2,363	6,860
<b>Accumulated amortization</b>						
Opening balance	-	-	-	(702)	(236)	(938)
Additions	-	(45)	-	(350)	(94)	(489)
	-	(45)	-	(1,052)	(330)	(1,427)
	\$ 188	\$ 1,303	\$ 10	\$ 1,899	\$ 2,033	5,433

Columbia Basin Trust

Corporate		Land	Building	Leasehold improve- ments	Office furniture and equipment	Hardware and software	Total
<b>March 31, 2016</b>							
<b>Cost</b>							
Opening balance	\$	205	\$ 3,470	\$ 513	\$ 474	\$ 1,498	\$ 6,160
Additions		-	17	-	26	196	239
Disposals		-	-	-	-	(101)	(101)
		205	3,487	513	500	1,593	6,298
<b>Accumulated amortization</b>							
Opening balance		-	(1,558)	(466)	(420)	(989)	(3,433)
Additions		-	(115)	(23)	(22)	(182)	(342)
Disposals		-	-	-	-	99	99
		-	(1,673)	(489)	(442)	(1,072)	(3,676)
	\$	205	\$ 1,814	\$ 24	\$ 58	\$ 521	\$ 2,622

Investments		Land	Building	Total
<b>March 31, 2016</b>				
<b>Cost</b>				
Opening balance	\$	485	\$ 986	\$ 1,471
Additions		193	336	529
Disposals		(67)	-	(67)
		611	1,322	1,933
<b>Accumulated amortization</b>				
Opening balance		-	(84)	(84)
Additions		-	(47)	(47)
		-	(131)	(131)
	\$	611	\$ 1,191	\$ 1,802

Delivery of Benefits		Land	Building	Deferred development costs	Broadband hardware	Fibre optics	Total
<b>March 31, 2016</b>							
<b>Cost</b>							
Opening balance	\$	-	\$ -	\$ -	\$ 1,608	\$ 1,646	\$ 3,254
Additions		-	-	-	760	345	1,105
Disposals		-	-	-	(8)	-	(8)
		-	-	-	2,360	1,991	4,351
<b>Accumulated amortization</b>							
Opening balance		-	-	-	(425)	(156)	(581)
Additions		-	-	-	(277)	(80)	(357)
		-	-	-	(702)	(236)	(938)
	\$	-	\$ -	\$ -	\$ 1,658	\$ 1,755	\$ 3,413

## Appendix A - Subsidiaries and Operating Segments

### *Active Subsidiaries*

#### **Columbia Basin Broadband Corporation**

Columbia Basin Broadband Corporation (CBBC) is a wholly owned subsidiary of the Trust formed in 2011. CBBC is working with Basin communities and rural areas to improve high-speed connectivity through a region-wide fibre optic cable network that will contribute to economic and social development in the Basin.

**Financial Resource Summary Table**

(\$thousands)	2014/15 Actual*	2015/16 Actual	2016/17 Budget	2016/17 Actual
Revenues	\$430	\$1,496	\$2,300	\$1,948
Expenses	\$1,335	\$5,053	\$3,000	\$2,928
Annual Surplus (Deficit)	\$(905)	\$(3,557)	\$(700)	\$(980)

\*A transcribing error was noted in 2014/15 actuals and has been corrected to coincide with numbers from audited financial statements.

#### **Columbia Basin Development Corp.**

Columbia Basin Development Corporation (CBDC) is a wholly owned subsidiary of the Trust formed in 2016 to lead and support efforts to advance economic growth, job creation, innovation and entrepreneurial opportunity for a prosperous and sustainable Basin economy.

**Financial Resource Summary Table**

(\$thousands)	2016/17 Budget	2016/17 Actual
Revenues	\$-	\$-
Expenses	\$215	\$266
Annual Surplus (Deficit)	\$(215)	\$(266)

### ***Holding Companies***

For commercial and legal reasons, the Trust has eight subsidiaries that hold our interests in investments. Management of these subsidiaries is performed by Trust staff with no additional remuneration.

- CBT Commercial Finance Corp. holds Trust interests in business loans and investments.
- CBT Real Estate Investment Corp. holds Trust interests in real estate.
- CBT Property Corp. is a subsidiary of the Trust and holds interests in corporate real estate.
- CBT Energy Inc. (CBTE) is the main Trust subsidiary related to power projects.
- CBT Arrow Lakes Power Development Corp. is a subsidiary of CBTE and holds interests in the Arrow Lakes Generating Station joint venture with Columbia Power.
- CBT Brilliant Expansion Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Expansion joint venture with Columbia Power.
- CBT Power Corp. is a subsidiary of CBTE and holds interests in the Brilliant Dam joint venture with Columbia Power.
- CBT Waneta Expansion Power Corp. is a subsidiary of the Trust that holds interests in the limited partnership and in the general partnership formed to complete the Waneta Expansion Project.

## **Appendix B - Additional Information**

### *Organizational Overview*

Learn more at [ourtrust.org/about](http://ourtrust.org/about).

### *Corporate Governance*

Learn more about our:

- Governance: [ourtrust.org/governance](http://ourtrust.org/governance)
- Board of Directors: [ourtrust.org/board](http://ourtrust.org/board)
- President and CEO: [ourtrust.org/ceo](http://ourtrust.org/ceo)

## Appendix C - Crown Corporations Mandate and Actions Summary

In the 2016/17 Mandate Letter from the minister responsible, the Trust received direction on strategic priorities for the 2016/17 fiscal year. These priorities and our resulting actions are summarized below:

Mandate Letter Direction	Columbia Basin Trust Action
<p>1. Develop and implement new initiatives in response to the 2014/15 community engagement process, and ensure these new initiatives are aligned with the renewed <i>Columbia Basin Management Plan</i> and implemented in an effective and efficient manner.</p>	<ul style="list-style-type: none"> <li>• The renewed <i>Columbia Basin Management Plan</i> for 2016 to 2020 identifies 13 strategic priority areas and confirms four methods that we use to support efforts to address these community priorities.</li> <li>• Each of the new initiatives and programs that we developed and implemented responds to one or more of the strategic priorities, including:               <ul style="list-style-type: none"> <li>○ developing strategic frameworks for affordable housing, agriculture, broadband and economic development</li> <li>○ launching two new programs: Energy Retrofit Program and Built Heritage Grants</li> <li>○ forming the Columbia Basin Development Corp. subsidiary to further our economic development strategic priority.</li> </ul> </li> </ul>
<p>2. Continue to engage with local government, First Nations, and the Province to ensure the Trust has the requisite balance of skills on the Board of Directors.</p>	<ul style="list-style-type: none"> <li>• Following consultations with the minister responsible, the regional districts and the Ktunaxa Nation Council to ensure the appropriate balance of skills and experience on the Trust Board, seven directors were re-appointed to the Board: two provincial appointees, four regional appointees and one Ktunaxa Nation Council appointee.</li> </ul>