



Financial Information Act Report
For the Year Ended March 31, 2018

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Financial Information Act Report
Statement of Financial Information Approval
For the Year Ended March 31, 2018

The undersigned represents the Board of Directors of the Oil and Gas Commission and approves all the statements and schedules included in the Statement of Financial Information, produced under the *Financial Information Act*.



Dave Nikolejsin
Board Chair
September 27, 2018

**Financial Information Act Report
Management Report
For the Year Ended March 31, 2018**

The Financial Statements contained in this Statement of Financial Information under the *Financial Information Act* have been prepared by management in accordance with Canadian public sector accounting standards, and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises this responsibility through the Audit Committee of the Board. The Audit Committee meets with management and the external auditors four times a year.

The external auditors, the Office of the Auditor General, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. Their examination does not relate to the other schedules and statements required by the Act. Their examination includes a review and evaluation of the corporation's system of internal control and appropriate tests and procedures to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board and meet with it on a regular basis.

On behalf of the Oil and Gas Commission



Len Dawes, CPA, CA
Executive Vice President, Chief Financial Officer
September 27, 2018

A low-angle photograph of an oil rig's derrick structure, silhouetted against a dramatic sky at sunset or sunrise. The sun is a bright, glowing orb in the lower right, casting a lens flare and illuminating the clouds with a golden light. The rig's complex metal framework, including beams and cables, extends from the bottom left towards the top center of the frame.

BC Oil and Gas Commission

Financial Statements

March 31, 2018



Statement of Management Responsibility

The financial statements of the BC Oil and Gas Commission (the "Commission") for the year ended March 31, 2018 have been prepared by management in accordance with Canadian public sector accounting standards and the integrity and objectivity of these statements are management's responsibility. Management is also responsible for all of the notes to the financial statements and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through the Board. The Board reviews internal financial statements on a quarterly basis and external audited financial statements annually.

The external auditors, the Office of the Auditor General of British Columbia, conduct an independent examination, in accordance with Canadian auditing standards, and express their opinion on the financial statements. The external auditors have full and free access to the Audit Committee and management of the Commission and meet when required.

The accompanying Auditor's Report outlines their responsibilities, the scope of their examination and their opinion on the financial statements.

On behalf of the Commission

A handwritten signature in black ink, appearing to read "Paul Jeakins".

Paul Jeakins
Commissioner

A handwritten signature in black ink, appearing to read "Len Dawes".

Len Dawes, CPA, CA
Executive Vice President, Chief Financial Officer

May 17, 2018



INDEPENDENT AUDITOR'S REPORT

*To the Board of Directors of the Oil and Gas Commission, and
To the Minister of Energy, Mines and Petroleum Resources, Province of British Columbia*

I have audited the accompanying financial statements of the Oil and Gas Commission (“the entity”), which comprise the statement of financial position as at March 31, 2018, and the statement of operations and accumulated surplus, statement of changes in net financial assets and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

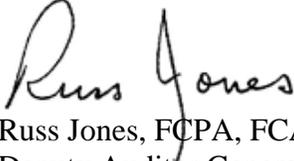
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

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

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Oil and Gas Commission as at March 31, 2018, and the results of its operations, changes in accumulated surplus, changes in its net financial assets and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Victoria, British Columbia
May 28, 2018


Russ Jones, FCPA, FCA
Deputy Auditor General



BC Oil and Gas Commission
Statement of Financial Position
(in \$000s)

	Note	March 31 2018	March 31 2017
Financial assets			
Cash		\$ 5,509	\$ 10,760
Investments	3,4	51,219	36,000
Accounts receivable	5	15,617	13,239
Due from government	6	6,981	3,898
		<u>79,326</u>	<u>63,897</u>
Liabilities			
Accounts payable & accrued liabilities	7	3,148	3,559
Employee future benefits	8	605	257
Due to First Nations	9	115	338
Due to government		319	219
Deferred revenue	10	1,907	1,503
Deferred lease inducements		87	150
Liability for orphan sites	11, 15	33,054	21,965
Security deposits	4	40,195	33,387
		<u>79,430</u>	<u>61,378</u>
Net financial (debt) assets		<u>(104)</u>	<u>2,519</u>
Non-financial assets			
Tangible capital assets	12	21,688	21,930
Prepaid expenses		714	704
		<u>22,402</u>	<u>22,634</u>
Accumulated surplus		<u>\$ 22,298</u>	<u>\$ 25,153</u>
Contractual obligations	13		
Contingent liabilities	14		
Measurement uncertainty	15		

The accompanying notes are an integral part of these statements.

Approved on behalf of the Board



Dave Nikolejsin, Board Chair



Paul Jeakins, Commissioner



Doug Wilkes, CPA, CA
Audit Committee Chair

BC Oil and Gas Commission
Statement of Operations and Accumulated Surplus
(in \$000s)

	Note	Budget 2018	March 31 2018	March 31 2017
		(Note 18)		
Revenues				
Production levies		\$ 32,848	\$ 35,861	\$ 34,258
Orphan site reclamation fund levies		1,400	1,521	1,454
Annual pipeline levies		5,066	3,634	3,928
Fees		10,871	17,545	11,024
Grants from province		-	3,215	2,975
Interest		690	983	636
Remediation recoveries		-	2,372	952
Other revenue		65	124	112
		50,940	65,255	55,339
Expenses				
Oil and gas activities regulation	17	49,000	51,081	46,727
Orphan site reclamation fund	17	1,400	17,029	19,239
		50,400	68,110	65,966
Annual surplus/(deficit)		540	(2,855)	(10,627)
Accumulated surplus, beginning of year		25,153	25,153	35,780
Accumulated surplus, end of year		\$ 25,693	\$ 22,298	\$ 25,153

The accompanying notes are an integral part of these statements.

BC Oil and Gas Commission
Statement of Change in Net Financial Assets
(in \$000s)

	Budget 2018	March 31 2018	March 31 2017
	(Note 19)		
Annual surplus/(deficit)	\$ 540	\$ (2,855)	\$ (10,627)
Acquisition of tangible capital assets	(5,450)	(4,086)	(5,075)
Disposals of tangible capital assets	-	119	-
Amortization of tangible capital assets	4,783	4,207	4,033
	(667)	240	(1,042)
Use of prepaid expense	-	(10)	(27)
Decrease in net financial assets	(127)	(2,625)	(11,696)
Net financial assets, beginning of year	2,519	2,519	14,215
Net financial (debt) assets, end of year	\$ 2,392	\$ (104)	\$ 2,519

The accompanying notes are an integral part of these statements.

BC Oil and Gas Commission
Statement of Cash Flows
(in \$000s)

	March 31 2018	March 31 2017
Operating transactions		
Cash generated from:		
Production levies	\$ 35,993	\$ 34,982
Annual pipeline levies	3,917	2,387
Fees	16,811	10,894
Interest	983	611
Grant from province	175	2,975
Miscellaneous and recoveries	2,320	1,451
Security deposits	20,318	13,511
	<u>80,517</u>	<u>66,811</u>
Cash used for:		
Salaries and benefits	(26,205)	(25,098)
Payments to First Nations	(4,549)	(5,640)
Operating expenses	(16,508)	(11,391)
Orphan site reclamation	(5,691)	(1,413)
Security deposits refunded	(11,138)	(3,751)
Security deposits transferred to revenue	(2,372)	(952)
	<u>(66,463)</u>	<u>(48,245)</u>
Cash from operating activities	<u>14,054</u>	<u>18,566</u>
Capital transactions		
Cash used to acquire tangible capital assets	(4,086)	(5,094)
Investing transactions		
Investments in portfolio investments	(15,219)	(9,000)
(Decrease) increase in cash	<u>(5,251)</u>	<u>4,472</u>
Cash beginning of year	10,760	6,288
Cash end of year	<u>\$ 5,509</u>	<u>\$ 10,760</u>

The accompanying notes are an integral part of these statements.

1. The Oil and Gas Commission

The Commission was established under the *Oil and Gas Commission Act* on July 30, 1998 to regulate non-federal oil and gas activities, having regard to environmental, economic and social values, encourage participation of First Nations, and advance safe and efficient practices in the industry. The Commission is accountable for delivering initiatives and programs that serve to minimize the environmental impact of oil and gas activities in British Columbia. The Commission and its purposes were continued in the *Oil and Gas Activities Act* which came into force October 4, 2010.

The Commission is funded through:

- Fees charged in respect of permit applications, transfers and amendments;
- Levies on oil and gas production; and
- Annual pipeline levies.

The Commission is exempt from federal and provincial income taxes.

2. Significant accounting policies

Basis of accounting

These financial statements are prepared by management in accordance with Canadian public sector accounting standards.

Financial instruments

The Commission reports its financial instruments at cost or amortized cost.

Tangible capital assets

Capital assets are recorded at cost. The costs, less estimated residual value, of the tangible assets, are amortized on a straight-line basis over the estimated useful life of the assets at the following annual rates:

Capital assets	Rate
Tenant improvement	over the lease term
Furniture	10%
Computer hardware	33%
Operating equipment	10% - 20%
Vehicles	20%
Business systems development	10% - 33%
Computer software	20% - 33%

Computer software includes satellite imagery which is being amortized on a straight-line basis at an annual rate of 20%.

2. Significant accounting policies (continued)

Revenue recognition

Revenues are recognized in the period in which the transaction or events occurred that give rise to the revenues. All revenues are recorded on an accrual basis. 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.

Production and Orphan Site Reclamation Fund levies

All production levy revenue authorized and collected under the *Oil and Gas Activities Act* is first paid to the Minister of Finance. The Province is required to transfer this amount of revenue to the Commission in full. Levy revenue is calculated based on production of oil and gas, and is also recognized as revenue at point of production. Orphan site reclamation fund levies are internally restricted by legislation for the remediation of orphaned sites.

Annual pipeline levies

Annual pipeline levies are billed and recognized based on length and diameter of pipe owned at March 31 of the applicable fiscal year.

Application fees

General application fees are billed upon submission while amendment application fees are billable upon completion of the review process. Fees for major projects are billable in installments. All application fee revenue is recognized in the period it is earned.

Expenses

Expenses are reported on an accrual basis. The cost of all goods consumed and services received during the year is expensed. Grants are recorded as expenses when the payment is authorized and eligibility criteria have been met by the recipient. Reclamation costs are estimated and accrued when determinable.

Prepaid expenses

Prepaid expenses include flight passes, subscriptions, insurance, property taxes and other general prepaid expenses and are charged to expense when used or over the periods expected to benefit from the expenditures.

Employee future benefits – employee benefit plan

The Commission and its employees contribute to the Public Service Pension Plan in accordance with the *Public Service Pension Plans Act*. Defined contribution plan accounting is applied because sufficient information is not available to apply defined benefit accounting. Contributions are expensed as they become payable.

Employee future benefits – future retirement allowance liability

The Commission accrues for future retirement allowances as provided under the collective agreements and terms of employment. The accrual as at March 31, 2018 is actuarially determined based on service and best estimates of retirement ages, expected future salary and wage increases, long term inflation rates and discount rates. The estimates are also based on assumptions about future events.

2. Significant accounting policies (continued)

Liability for contaminated sites

Contaminated sites result from contamination by a chemical, organic or radioactive material or live organism that exceeds an environmental standard, being introduced into air, soil, water or sediment. A liability for remediation of contaminated sites is recognized when the Commission accepts responsibility for the remediation of an orphan site, contamination at the orphan site exceeds the environmental standard and a reasonable estimate of the amount can be made. An orphan site is designated by the Commissioner when a permit holder is insolvent or cannot be located or identified.

3. Investments

Investments consist of term deposits which are liquid short term investments with maturity dates of one year or less from the date of acquisition and are carried on the Statement of Financial Position at the lower of cost or market value.

Investment funds are pooled from the following sources:

	March 31 2018	March 31 2017
Security deposits - Liability Management Rating program (note 4)	\$ 39,219	\$ 33,000
Orphan site reclamation fund (note 11)	12,000	3,000
	\$ 51,219	\$ 36,000

4. Security deposits

On October 28, 2010, the Commission established a Liability Management Rating (LMR) program. The objective of the LMR program is to ensure that permit holders carry the financial risk of their oil and gas operations through to regulatory closure. The Commission, through the LMR program, undertook the responsibility to regularly assess security deposits and provide refunds. The Commission holds \$136,321 (2017: \$100,166) in security deposits, of which \$40,195 (2017: \$33,387) is held in cash and/or investments and \$96,037 (2017: \$66,779) in the form of irrevocable letters of credit which are not recorded in these financial statements. Security deposits are restricted for use in settling potential permit holder remediation obligations. In fiscal 2018, the Commission recovered \$2,373 (2017: \$952) from security deposits to satisfy remediation obligations of permit holders for orphan sites.

5. Accounts receivable

	March 31 2018	March 31 2017
Production levies receivable	\$ 10,074	\$ 8,709
Annual pipeline levies receivable	3,634	3,917
Fees	1,473	335
Other receivables	436	278
	\$ 15,617	\$ 13,239

Production levies are collected and processed by the provincial government. At any point in time, a portion of levies receivable by the Commission is payable by industry, and a portion is payable by the Province (note 6).

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2018
(in \$000s)

6. Due from Government

	March 31 2018	March 31 2017
Levies collected	3,737	3,712
Recoveries and other	3,244	186
	\$ 6,981	\$ 3,898

7. Accounts payable and accrued liabilities

	March 31 2018	March 31 2017
Accounts payable and accrued liabilities	1,022	1,213
Salaries and benefits payable	2,126	2,346
	\$ 3,148	\$ 3,559

Employee leave entitlements

As of March 31, 2018, the value of employee entitlements to vacation, other leave and compensatory time off, plus related benefits, in accordance with collective agreements and terms of employment was \$811 (2017: \$879). This amount is included in salaries and benefits payable.

8. Employee future benefits

Employee benefit plan

The Commission and its employees contribute to the Public Service Pension Plan, a jointly trustee pension plan. The Public Service Pension Plan Board of Trustees, representing plan members and employers, is responsible for overseeing the management of the plan, including investment of the assets and administration benefits. Basic pension benefits are based on a formula. The plan has approximately 59,500 active plan members, 46,300 retired plan members, and 16,900 inactive members.

Every three years an actuarial valuation is performed to assess the financial position of the plan and the adequacy of the funding. The latest actuarial valuation as at March 31, 2017, indicated a funding surplus of \$1.896 billion for basic pension benefits. Employers participating in the plan record their pension expense as the amount of employer contributions made during the fiscal year (defined contribution pension plan accounting). This is because the plan records accrued liabilities and accrued assets for the plan in aggregate, and therefore there is no consistent and reliable basis for allocating the obligation, assets and cost to individual employers participating in the plan.

The total amount paid into this pension plan by The Commission for the year ended March 31, 2018 for employer contributions was \$2,298 (2017: \$2,042).

8. Employee future benefits (continued)

Future retirement allowance liability

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

	March 31 2018	March 31 2017
Accrued retirement obligation		
Balance at beginning of year	\$ 257	\$ 239
Current benefit cost	48	46
Interest	20	19
Amortization of actuarial loss	21	21
Plan amendment	259	-
Benefits paid	-	(68)
Balance at end of year	\$ 605	\$ 257
Actuarial retirement obligation		
Accrued benefit obligation	\$ 605	\$ 257
Unamortized actuarial loss	294	284
Balance at end of year	\$ 899	\$ 541

The significant actuarial assumptions adopted in measuring the Commission's accrued retirement obligations are as follows:

	2018	2017
Discount rate	3.30%	3.50%
Wages and salary escalation	2.00%	2.00%

Over time, changes in assumptions and actual experience compared to expected results will cause actuarial gains and losses in future valuations. The unamortized actuarial loss on future payments is amortized over the estimated average remaining years of service of the employee group which has been determined to be approximately 14 years at March 31, 2018 (2017: 15 years).

9. Due to First Nations

Due to First Nations includes management's best estimate of expected liability to a number of First Nations. The Commission works closely with First Nations and negotiates consultation agreements and Memoranda of Understanding to establish formal consultation processes for oil and gas activities. These agreements provide resources for First Nations' capacity to participate in the consultation processes as well as set out responsibilities of the parties involved. The Commission is currently participating in negotiations with several First Nations.

10. Deferred revenue

Deferred revenue consists of unearned application fees and major application revenue. The change in the deferred revenue balance is as follows:

	Balance at beginning of year	Receipts during year	Transferred to revenue	Balance at end of year
Fees	\$ 1,503	17,949	(17,545)	\$ 1,907

11. Liability for Orphan Sites

The Commission administers the Orphan Site Reclamation Fund (OSRF). The OSRF was created on April 1, 2006 as a means for industry to pay for restoration of orphaned oil and gas sites and for related costs. Revenue for the OSRF is derived from production levies and security deposits.

The OSRF has assets of \$13,326 to pay for costs associated with orphan sites. During the year, the number of designated orphan sites increased from 220 to 307 as a result of the insolvency of five companies. Of the designated sites, 16 have been fully restored, with the remainder to undergo remediation as resources permit. The Commission continues to monitor other potential orphan sites.

The Commission determined the liability for orphan sites based on the Commission's obligation to ensure public and environmental safety. The liability reflects the costs required to bring the sites up to a standard where the environment and the public are protected. The liability for known orphan sites is estimated using expected abandonment and remediation costs for these specific sites, under expected conditions based on known characteristics of each site. Additional potential liability for orphan sites could result from contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. These factors are estimated based on site characteristics and are disclosed in the measurement uncertainly note.

The estimation of the liability does not include discretionary reclamation costs. Full reclamation costs for designated orphan sites is estimated to be in the range of \$73,000 to \$104,000.

Estimated costs have not been net present valued as the related costs are not expected to occur over an extended long term period.

Subsequent to year-end, funding for the OSRF was amended by Bill 15. Details of this amendment are outlined in Note 20.

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2018
(in \$000s)

12. Tangible capital assets

March 31, 2018

	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	\$ 6,189	\$ 3,168	\$ 2,035	\$ 1,146	\$ 1,667	\$ 2,649	\$ 14,615	\$ 690	\$ 32,159
Additions	130	44	491	302	43	959	1,990	125	4,084
Disposals	(44)	-	-	(1)	(169)	-	-	-	(214)
Closing balance	\$ 6,275	\$ 3,212	\$ 2,526	\$ 1,447	\$ 1,541	\$ 3,608	\$ 16,605	\$ 815	\$ 36,029
Accumulated amortization									
Opening balance	\$ 3,900	\$ 1,345	\$ 1,194	\$ 334	\$ 415	\$ 1,300	\$ 1,251	\$ 490	\$ 10,229
Amortization	505	317	619	197	141	762	1,590	76	4,207
Disposals	(12)	-	-	-	(83)	-	-	-	(95)
Closing balance	\$ 4,393	\$ 1,662	\$ 1,813	\$ 531	\$ 473	\$ 2,062	\$ 2,841	\$ 566	\$ 14,341
Net book value	\$ 1,882	\$ 1,550	\$ 713	\$ 916	\$ 1,068	\$ 1,546	\$ 13,764	\$ 249	\$ 21,688

March 31, 2017

	Tenant Improvements	Furniture	Computer Hardware	Operating Equipment	Vehicles	Other Business Systems	Application Management System	Computer Software	Total
Cost									
Opening balance	\$ 7,001	\$ 3,591	\$ 3,293	\$ 1,489	\$ 1,500	\$ 3,028	\$ 11,308	\$ 885	\$ 32,095
Additions	7	15	442	-	167	1,137	3,307	-	5,075
Disposals	(819)	(438)	(1,700)	(343)	-	(1,516)	-	(195)	(5,011)
Closing balance	\$ 6,189	\$ 3,168	\$ 2,035	\$ 1,146	\$ 1,667	\$ 2,649	\$ 14,615	\$ 690	\$ 32,159
Accumulated amortization									
Opening balance	\$ 4,132	\$ 1,466	\$ 2,191	\$ 554	\$ 277	\$ 1,836	\$ 213	\$ 537	\$ 11,206
Amortization	587	317	703	123	138	980	1,038	147	4,033
Disposals	(819)	(438)	(1,700)	(343)	-	(1,516)	-	(194)	(5,010)
Closing balance	\$ 3,900	\$ 1,345	\$ 1,194	\$ 334	\$ 415	\$ 1,300	\$ 1,251	\$ 490	\$ 10,229
Net book value	\$ 2,289	\$ 1,823	\$ 841	\$ 812	\$ 1,252	\$ 1,349	\$ 13,364	\$ 200	\$ 21,930

Included in the net book value of other systems development are assets not being amortized of \$309 (2017: \$101) as they have not yet been completed and put into use.

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2018
(in \$000s)

13. Contractual obligations

The Commission has entered into a number of multiple-year contracts for the delivery of services, the construction of assets, and operating leases. These contractual obligations will become liabilities in the future when the terms of the contract are met. Disclosure relates to the unperformed portion of the contracts.

	2019	2020	2021	2022	2023	Thereafter
\$	5,966	\$ 4,066	\$ 3,521	\$ 3,540	\$ 3,540	\$ 19,567

The Commission is committed under First Nations agreements to make certain payments in the coming years that are based on well applications received.

14. Contingent liabilities

The Commission may become contingently liable with respect to pending litigation and claims in the normal course of operations. In the opinion of management, any liability that may arise from pending litigation would not have a material effect on the Commission's financial position or results of operations.

See Note 11 regarding potential reclamation costs related to the Orphan Site Reclamation Fund.

15. Measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant areas requiring the use of management estimates relate to levy production volumes, revenue deferrals, rates for amortization, estimated orphan remediation and estimated employee future benefits. Actual results could differ from these estimates.

	<u>Reported</u>	<u>Low</u>	<u>High</u>
Liability for orphan sites	33,054	28,631	45,591

Liability for known orphan sites is estimated using expected abandonment and restoration costs for these specific sites, under expected conditions based on known characteristics of each site. The estimation of the liability does not include contingencies for delays due to weather, problematic plugging activities, or unforeseen sources of contamination. Additional potential liability for the designated sites resulting from these contingencies is also estimated based on site characteristics. Changes in this estimate would also affect orphan reclamation expenses and annual and accumulated surpluses. The cost estimates are more certain for orphan sites where site investigation has been completed. For these sites, the current liability is \$3,100 with a low estimate of \$2,700 and high estimate of \$4,300.

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2018
(in \$000s)

16. Related party transactions

The Commission is related through common ownership to all Province of British Columbia ministries, agencies and crown corporations, school districts, health authorities, hospital societies, universities and colleges that are included in the provincial government reporting entity.

The financial statements include the following transactions with related parties of the Province of British Columbia:

	March 31 2018	March 31 2017
Revenues:		
Recoveries	\$ 3,215	\$ 2,988
Miscellaneous	149	143
	\$ 3,364	\$ 3,131
Expenses:		
Salaries and benefits	\$ 878	\$ 805
Building occupancy	238	173
Professional services and training	855	486
Grants	3	24
Telecommunications and information systems	209	232
Travel and vehicle costs	-	22
Office supplies and equipment	68	34
	\$ 2,252	\$ 1,776

In addition, the Commission is related to the BC Oil and Gas Research and Innovation Society (BC OGRIS) by virtue of a member of the Commission's senior management serving on the board of directors of BC OGRIS. During the year, grants of \$5,215 (2017: \$1,510) were provided to BC OGRIS.

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

BC Oil and Gas Commission
Notes to the Financial Statements March 31, 2018
(in \$000s)

17. Expense by Object

	Oil and Gas Activities Regulation	Orphan Site Reclamation Fund	March 31 2018	March 31 2017
Salaries and benefits	26,086	248	26,334	25,271
First Nations	4,326	-	4,326	5,688
Building occupancy	4,522	-	4,522	4,476
Professional services and training	1,919	-	1,919	1,171
Amortization	4,207	-	4,207	4,033
Travel and vehicle costs	1,714	-	1,714	1,244
Telecommunications and information systems	2,126	-	2,126	2,157
Grants	5,579	-	5,579	1,593
Orphan site reclamation	-	16,780	16,780	19,882
Office supplies and equipment	514	-	514	393
Miscellaneous	88	1	89	58
	\$ 51,081	\$ 17,029	\$ 68,110	\$ 65,966

18. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from the budget approved by the Board of Directors on August 17, 2017.

19. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

20. Subsequent event

On May 17, 2018, Bill 15 (Energy, Mines and Petroleum Resources Statutes Amendment Act, 2018, S.B.C 2018 c.15, ("the Act")), received royal assent. The Act amends the Oil and Gas Activities Act to provide the ability to secure funds for orphan site restoration, when and as they are required, by replacing the orphan site restoration tax with a levy to be paid by BC regulated companies based on their share of the potential restoration costs in the province. The levy will be set out in regulation made by the Board of the Oil and Gas Commission at which time, the provisions of the Act removing the tax and adding the levy will be brought into force by regulation made by the Lieutenant Governor in Council.

21. Financial risk management

It is management's opinion that the Commission is not exposed to significant credit, liquidity or interest rate risks arising from its financial instruments.

Credit Risk - Credit risk is the risk of financial loss to the Oil and Gas Commission if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The Oil and Gas Commission's exposure to credit risk related to the value of accounts receivable in its normal course of business is managed by minimizing the amount of transactions which require recovery. The Commission continually monitors and manages the collection of receivables.

The Commission's cash and investments are held at Canadian chartered banks and credit unions. The Commission is not exposed to significant credit risk.

Liquidity Risk - Liquidity risk is the risk that the Oil and Gas Commission will have difficulty in meeting its financial obligations when they come due. The Oil and Gas Commission manages liquidity risk by continually monitoring cash flows.

Interest rate risk - Interest rate risk is the risk that the Commission's investments will change in fair value due to future fluctuations in market interest rates. The Commission's investments are measured at cost. Income they generate varies as market interest rates vary. All other financial instruments are non-interest bearing. The Commission mitigates this risk by monitoring interest rates.

Financial Information Act Report
Schedule A - Reconciliation to the Financial Statements
For the Year Ended March 31, 2018

Employee Remuneration and Expenses	23,622,193
Appointments Remuneration and Expenses	6,750
Grants	5,578,500
Purchases from Suppliers	23,364,211
Allocation of Contributions to First Nations	<u>4,326,429</u>
	56,898,083
Amortization	4,207,325
Capital Spending	(4,084,457)
Orphan Sites liability accrual	14,493,386
Orphan Sites remediation	<u>(3,404,337)</u>
Total Expenses - Consolidated Financial Statements	<u><u>\$68,110,000</u></u>

Financial Information Act Report
Schedule B – Salaries Exceeding \$75,000 and Related Expenses
For the Year Ended March 31, 2018

Employee	Salary (\$)	Expenses (\$)
Anderson, Justin S	95,989	2,057
Austin, Frank	147,588	21,254
Bahramian, Feresh	91,464	4,653
Barker, Julie L	85,869	15,600
Barker, June J	120,188	500
Bergen, Amber L	85,760	382
Bhuyan, Gouri S	128,182	21,572
Bond, Claire L	75,177	2,193
Borissov, Theodora	96,157	9,727
Bourke, Dax C	91,546	3,113
Bourke, Jacquie M	75,680	-
Bozarth, Donna	97,639	6,269
Brandzin, Vera M	86,103	1,887
Butler, Rachel S	98,545	1,427
Calder, Shelley A	86,003	-
Carignan, Ryan C	86,641	-
Carpenter, Katherine M	94,748	-
Chawrun, Marc W	95,036	1,650
Christie, Alicia A	89,345	1,727
Chu, Yingli	118,074	5,545
Clemen, Pam	85,373	4,992
Corstanje, Jacques	106,562	21,817
Coward, Laura P	104,870	3,086
Curnow, Nikki M	96,010	11,274
Currie, Graham H	146,882	9,886
Curry, Sean	124,515	19,079
Dalton, Peter	114,918	15,768
Davies, Janet M	77,898	-
Davis, Harry C	94,069	335
Dawes, Len J	179,758	5,691
Denys, Lori	75,530	2,349
Dickinson, Sara J	128,188	15,977
Donnell, Rebecca	114,189	3,176
Dosil, Ab	133,407	2,382
Dunn, Robert	87,014	2,816
Elias-Bertrim, Heidi M	87,828	5,128
Farah, Mohammad S	88,002	-
Foster, Dorothy E	96,791	15,944
France, Scott	91,427	4,203
Fraser, Amanda J	93,276	-
Friedrich, Hardy A	84,193	2,649

Financial Information Act Report
Schedule B – Salaries Exceeding \$75,000 and Related Expenses
For the Year Ended March 31, 2018

Fukumoto, David	90,038	694
Gaucher, Michelle L	103,695	8,949
Gladysz, James B	100,945	4,630
Goertzen, Carling A	79,690	-
Gregory, Sara J	152,024	26,433
Grieve, Chris R	78,318	564
Hanson, Dan	107,601	507
Hartnell, Bruce W	85,664	993
Hayes, Mark	142,023	4,050
Howard, Jacqueline A	81,045	3,500
Howes, Ken	104,226	36,480
Hughson, Derek C	104,871	2,862
Janzen, Mike J	120,251	4,815
Jeakins, Paul	207,578	67,032
Johnson, Jeff A	142,334	4,531
Jonsson, Corey	97,788	6,669
Kamp, Adam	90,307	2,503
Karjala, Melanie	82,901	10,925
Kennedy, Mayka	178,137	17,368
Keough, Dana	83,938	-
Khadka, Mahesh	90,331	521
Khan, Akbar Ali	124,047	3,556
Kriescher-Trudgeon, Petra	119,092	3,154
Lang, Randy J	91,180	-
Li, Sara S	77,084	139
Loe, Annette L	85,126	-
Lui, Connie C	76,439	1,000
Malcolm, Tim	88,000	-
Mana, Kate E	80,164	3,407
Marquardt, Reg B	115,567	-
Mathews, Derek R	88,961	4,269
Mathews, Suzanne K	115,241	15,355
Mathur, Anita	103,638	2,520
McKenzie, Craig B	80,473	-
McLean, Ken W	85,654	1,312
Miller, Carla	81,010	3,585
Mitchell, Rob J	77,690	1,669
Morgan, Andrew B	123,266	4,138
Morsi, Taher	124,020	1,313
Murphy, Brian	134,679	44,099
Napoleon, Norman G	101,734	15,664
Nazareth, James B	142,095	14,054

Financial Information Act Report
Schedule B – Salaries Exceeding \$75,000 and Related Expenses
For the Year Ended March 31, 2018

Nelson, Gary	109,657	9,692
Normand, Julia M	79,558	3,277
Norrish, John	91,524	1,789
Nurkowski, John R	142,333	8,852
O'Flaherty, Sandy C	82,014	4,766
O'Hanley, James G	171,165	9,456
O'Neill, Sean E	93,306	773
Ollenberger, Lance	161,686	18,787
Osmond, Andrew W	90,565	760
Parsonage, Kevin	161,275	12,155
Paull, Tim	82,773	-
Paulson, Ken F	178,458	24,416
Paynton, Sean	88,930	2,933
Person, Darryl	81,566	18,398
Phillips, Lori	102,005	414
Pilon, Ray L	94,934	2,754
Pittam, Ken	87,208	-
Plews, Maureen M	82,079	-
Pokorny, Peter	150,176	22,247
Porter, Charles S	155,920	7,975
Porter, Joshua C	120,186	13,462
Rai, Abhinav	95,648	1,293
Ramsey, Kristen M	88,762	1,305
Rauscher, Ben N	82,572	1,033
Rauscher, Tarilee D	90,093	821
Reschke, Maria	87,578	3,890
Richards, Christine A	102,177	13,511
Rygg, Philip H	114,735	12,601
Sagert, Patricia	99,325	9,203
Sauve, Valerie	125,732	5,002
Scammell, Angela M	125,156	12,459
Scarr, Matt D	90,831	6,969
Scheck, Devin C	165,382	30,854
Scofield, Corey	85,045	2,705
Sedun, Thom T	102,593	1,935
Slocomb, Richard	152,318	21,074
Smerechinskiy, Kathryn	99,600	2,150
Smith, Peter	96,073	3,055
Smith, Rob J	108,827	30
Smook, Patrick B	98,810	6,105
Spence, Andrew	126,484	2,718
Stark, Ryan L	96,949	4,600

Financial Information Act Report
Schedule B – Salaries Exceeding \$75,000 and Related Expenses
For the Year Ended March 31, 2018

Stefik, Ron G	146,807	5,473
Summers, Brian S	116,310	1,423
Sutherland, Jody	75,912	1,154
Swan, Trevor P	178,458	39,175
Tariyal, Swati S	78,756	2,659
Teppin, Susan C	75,364	4,001
Valliere, Noella	93,202	167
van Besouw, Jordan	86,694	6,023
Vanderwel, Megan M	76,734	5,219
Venables, Stu	120,205	4,887
Waheed, Bushra	103,973	10,820
Wakelin, Tony J	120,143	4,843
Waldon, Hack A	90,135	10,569
Warner, Sarah	77,998	914
Waterman, James C	89,230	-
Weatherill, Shannon	101,318	3,103
Welch, Laurie A	116,322	9,726
Wesenberg, Katie L	80,256	2,188
Wilson, Jason	89,221	6,913
Wintemute, Kelly A	109,249	7,972
Workman, Bob A	89,949	-
Zens, Krista V	93,240	-
Zhang, Linan	99,876	3,489
Zimmer, Dean E	121,295	23,841
Total over \$75,000	15,667,954	
Total under \$75,000	<u>6,636,703</u>	
	22,304,657	
C.P.P employer portion	662,527	
E.I. employer portion	262,500	
Accruals, leave liability, secondments and severance	<u>392,509</u>	
	<u>\$23,622,193</u>	

The statement of remuneration and expenses paid to employees during the year ended March 31, 2018 lists gross remuneration, which includes regular salaries and wages, taxable benefits, payment for overtime, vacation, shift premiums, parking benefits and other allowances and payout of earned entitlements.

Financial Information Act Report
Schedule C - Appointments Remuneration and Expenses
For the Year Ended March 31, 2018

Name	Position	Retainers				Current Meeting Rates	Number of Meeting Days Attended (indicate if half day meeting)	Total Meeting Fees	Per Diem Fees	Total Remuneration
		Board Services	Audit Committee Chair	HR Committee Chair	Other Committee Chair				(Chair Level 1 and Chair and Director Level 2)	
Dave Nikolejsin	Chair	\$ -	\$ -	\$ -	\$ -	\$ -	2	\$ -	\$ -	\$ -
Paul Jeakins	Vice-Chair	\$ -	\$ -	\$ -	\$ -	\$ -	12.5	\$ -	\$ -	\$ -
Graeme McLaren	Director	\$ 3,000	\$ -	\$ -	\$ -	\$ 300	12.5	\$ 3,750	\$ -	\$ 6,750

Financial Information Act Report
Schedule D – Grants exceeding \$25,000
For the Year Ended March 31, 2018

Name	Description	Amount (\$)
BC Oil and Gas Research and Innovation Society (OGRIS)	To fund initiatives in several research areas, and to support activities respecting engagement and consultation with stakeholders and communities who may be impacted by oil and gas activities in British Columbia.	5,215,000
Geoscience BC	To fund a groundwater monitoring research project for the development of a groundwater monitoring network in the Peace region	<u>300,000</u>
	Consolidated total of grants exceeding \$25,000	5,515,000
	Consolidated total of grants of \$25,000 or less	<u>63,500</u>
	Consolidated total of all grants	<u>\$ 5,578,500</u>

Financial Information Act Report
Schedule E - Purchases from Suppliers who received aggregate payments
exceeding \$25,000
For the Year Ended March 31, 2018

Supplier	Balance (\$)
1317684 Alberta Ltd.	605,701
1481554 Alberta Ltd.	292,361
1622764 Alberta Ltd.	208,413
Air Canada	360,003
American Ecotech	30,436
ARI Financial	219,667
ARPAC Storage Solutions	179,870
Avanti Software Inc.	26,849
Bailey Helicopters Ltd.	32,025
BC Hydro	106,313
BC Pensions	2,086,392
Bearbrook Properties Ltd.	123,048
Bentall Kennedy (Canada) LP	295,152
BGR Properties Inc.	2,222,623
CGI Information Systems	242,203
Computronix (Canada) Ltd	356,069
Concept Controls Inc.	44,443
Corelogic Facility Services	135,316
Deloitte LLP	35,684
Delta Hotel	48,444
Driving Force	49,988
Foundry Spatial Ltd.	58,800
Garfield Chiropractic Corporation	126,357
GeoLOGIC Systems Ltd	40,550
Golder Associates Ltd.	39,966
Grand & Toy Ltd	35,376
Greenpath Energy Ltd.	31,000
Highmark Environmental Service Ltd.	42,328
iGrafx, LLC	80,425
IHS Energy (Canada) Ltd.	59,485
Intact Insurance Company	43,941
James Laurence Group Inc.	42,279
Jawl Properties Ltd.	92,708
Kinetic Systems Inc	1,004,378
Long View Systems Corporation	37,048
Matchbox Consulting Group Inc.	26,085
McMillan LLP	27,531
Microsoft Corporation	166,802
Minister of Finance - Auditor General	60,000
Minister of Finance - Emergency Management	25,000
Minister of Finance - Legal Services	614,146
Minister of Finance - Public Service Agency	472,816
Minister of Finance - Risk Management	103,911

Financial Information Act Report
Schedule E - Purchases from Suppliers who received aggregate payments
exceeding \$25,000
For the Year Ended March 31, 2018

Minister of Finance - Storage	43,538
Ministry of Citizens' Services	120,422
Ministry of Forest, Lands & Natural Resources	118,731
MNP LLP	55,000
National Public Relations	77,291
Oil and Gas Appeal Tribunal	29,242
Okanagan Mountain Helicopters	75,000
Pacific Geotech	920,731
Qwest Helicopters Inc	122,892
Resolve Energy Solutions	327,566
RFS Canada	125,900
RICOH Canada Inc.	42,877
Sandra Runge	41,300
Sierra Systems Group Inc.	842,701
SNC Lavalin Inc.	86,979
SynergyAspen Environmental	54,556
Tek Systems Canada Inc.	119,000
Telus Communications Company	775,219
Think Communication	562,847
Tom Lee Management Consultants	44,181
VForce Commercial Cleaning	42,471
Westjet	93,429
Windward Resources Ltd.	4,812,779
WLConstruction Inc.	132,410
Workplace Technology Services	115,256
Worley Parsons Canada Services Ltd.	25,466
Zoho Corporation	<u>32,071</u>
Total of aggregate payments exceding \$25,000	20,771,787
Total of aggregate payments of \$25,000 or less	<u>2,592,424</u>
	 <u>\$23,364,211</u>

Financial Information Act Report
Schedule F - Statement of Severance Agreements
For the Year Ended March 31, 2018

There were no severance agreements under which payment commenced between the Oil and Gas Commission and its non-unionized employees during the fiscal 2017/2018 year.

Financial Information Act Report
Schedule G - Guarantee and Indemnity Agreements
For the Year Ended March 31, 2018

Subject	Indemnity
Consent Resolution of the Directors, ensuring that all Oil and Gas Commission officers and employees have full backing of the Oil and Gas Commission for legal costs associated with the normal performance of their duties.	Oil and Gas Commission officers and employees
Lease Agreement 6534 Airport Road, Fort St, John, BC	BGR Properties Inc.
Lease Agreement 3-1445 102nd Avenue Dawson Creek, BC	Garfield Chiropractic Corporation
Lease Agreement 304-1500 Hardy Street, Kelowna, BC	BK Prime Kelowna Property Holdings
Lease Agreement 101-4701 55th Street ,Fort Nelson, BC	Bearbrook Properties
Lease Agreement 200 & 203-388 Harbour Road, Victoria, BC	Kang-Yin Lei
Lease Agreement 300-398 Harbour Road. Victoria, BC	1317684 Alberta Ltd.
Lease Agreement 1399- 6th Ave., Prince George, BC	The Canadian Red Cross Society
Lease Agreement 100-388 Harbour Road, Victoria, BC	1481554 Alberta Ltd.
Lease Agreement 300-388 Harbour Road, Victoria, BC	1622764 Alberta Ltd.
Sublease Agreement 2950 Jutland Road, Victoria, BC	British Columbia Investment Management Corporation
Service Agreement between Oil and Gas Commission and BC One Call Limited for providing Call Centre Services	BC One Call Limited