

Public Accounts

For the Fiscal Year Ended
March 31, 2005

2004/2005



BRITISH
COLUMBIA

Ministry of Finance
Office of the Comptroller General

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June 29, 2005
Victoria, British Columbia

Lieutenant Governor of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour to present the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2005.

CAROLE TAYLOR
Minister of Finance

*Ministry of Finance
Victoria, British Columbia*

*Honourable Carole Taylor
Minister of Finance*

I have the honour to submit herewith the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2005.

Respectfully submitted,

ARN VAN IERSEL
Comptroller General

British Columbia's Public Accounts

Setting the Course

The Public Accounts are one of the major accountability documents of the provincial government. They demonstrate accountability to the citizens of British Columbia by providing actual audited financial statements and other information in a consistent, timely and understandable format. They further allow the reader to see how government performed relative to its fiscal plan for the year as laid out in the Budget and Fiscal Plan and in the Estimates' revenue and expense. Finally, the Public Accounts report on the financial state of the province in terms of its assets, liabilities and net debt.

The main focus of the Public Accounts is the Summary Financial Statements that represent the consolidated financial results, and financial position, for all those organizations that make up the government reporting entity. These statements provide an aggregate overview of how the province and its various organizations performed against the financial plan. For 2004/05, consistent with its legislative requirement to follow generally accepted accounting principles (GAAP), the province has included the financial balances and results of operations of school districts, universities, colleges, institutes and health authorities (the SUCH sector). Supplementary information is also provided through the Consolidated Revenue Fund Extracts (available on the Internet) that compares actual to planned spending on an appropriation basis, which represents another significant accountability of ministries back to the Legislative Assembly.

The province continues to improve the Public Accounts in terms of their usefulness to readers. For the first time in many years, the financial statements are free of any audit qualifications. This significant accomplishment was achieved through the work of many parties in the government reporting entity. New summary schedules have been developed in fiscal 2004/05 that provide more detail of sector contributions to the province's bottom line. The financial highlights section now provides explanations of revenue, expense, assets and liabilities that tie into the Budget 2004/05 and the 2004/05 Summary Financial Statements, which were prepared on an expanded entity basis.

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants sets the accounting standards that the province must follow. In this regard, it has a project to develop segmented financial reporting that will provide information on the major components of government. This initiative is intended to address concerns that the government entity has become too large and may have lost some of its meaningfulness in terms of describing the government's major responsibilities—for example, health and education. British Columbia has always provided supplementary sector information and, as the new requirements are defined, we will ensure we fully comply.

As a result of the province's full compliance with GAAP, British Columbia now leads the country in terms of the organizations it includes in its reporting entity. As stated in previous years however, for universities, we will continue to monitor the practices of other senior governments to determine if they truly should be considered part of government in the long term.

In addition to the SUCH sector, there have been other changes to the reporting entity for 2004/05. New organizations have been added, others deleted and some have changed status. Major changes include the BC Rail Partnership with the Canadian National Railway Company (see page 66, Significant Events, Note 33) and the start of operations for the British Columbia Safety Authority.

There is a complete listing of the reporting entity for government on pages 69–71.

Accounting policies are reviewed each year for continued relevance and consistency with GAAP. As GAAP changes, the province must change its policies accordingly. For fiscal 2004/05, there were three accounting policy changes: (1) expansion of the government reporting entity to include the SUCH sector; (2) accounting for debt that was previously reported as defeased debt and is now included as part of the debt of the province; and (3) deferring the recognition of oil and gas bonus bid revenue.

Accounting policy and format changes are made in consultation with the independent Accounting Policy Advisory Committee created under the *Budget Transparency and Accountability Act* in 2001. This committee has advised the government on the requirements to be fully compliant with GAAP by the legislated date of April 1, 2004. We have now fully met this requirement.

British Columbia continues to be a leader in budgeting and financial reporting based on the comparability of its Estimates and Public Accounts and the focus on "one bottom line"; that is, the Summary Financial Statements of the province now include ministries, Crown corporations, agencies and the entire SUCH sector. We will continue to change as accounting standards change and in response to the changing needs of the legislature and our financial statement readers. British Columbia's open and transparent financial reporting has played a significant part in the decision by three major credit rating agencies earlier this year to increase the credit rating of the province.

Once again, I would like to thank the Select Standing Committee on Public Accounts of the Legislative Assembly, government ministries, Crown corporations, agencies, the auditor general and his staff and in particular, this year, the SUCH sector for their cooperation and support in preparing the 2004/05 Public Accounts. I would also like to acknowledge the dedication of staff of the Office of the Comptroller General—specifically the Financial Reporting and Advisory Services Branch, who prepared the Public Accounts and supporting documents. The efforts of all participants were critical in maintaining an early release date comparable with the best practitioners in Canada and for getting to the first set of unqualified statements since 1995/96.

Comments or questions regarding the Public Accounts documents are encouraged and much appreciated. Please direct your comments or questions to me by mail at PO Box 9413 STN PROV GOVT, Victoria BC V8W 9V1; e-mail at: Arn.vanIersel@gov.bc.ca; or, by telephone at 250 387-6692, fax at 250 356-2001.

ARN VAN IERSEL
Comptroller General

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Public Accounts Content

Financial Statement Discussion and Analysis (Financial Highlights (Unaudited))—this section provides a written commentary on the Summary Financial Statements plus additional information on the financial performance of the provincial government.

Summary Financial Statements—these audited statements have been prepared to disclose the financial impact of the government's activities. They aggregate the Consolidated Revenue Fund (CRF), the taxpayer-supported Crown corporations and agencies (government organizations), the self-supported Crown corporations and agencies (government enterprises) and the school districts, universities, colleges, institutes and health authorities (SUCH) sector.

Supplementary Information (Unaudited)—this section provides supplementary schedules containing detailed information on the results of those Crown corporations and agencies that are part of the government reporting entity and the impact of the SUCH sector on the province's financial statements.

Consolidated Revenue Fund Extracts (Unaudited)—the CRF reflects the core operations of the province as represented by the operations of government ministries and legislative offices. Its statements are included in an abridged form. The CRF Extracts include a summary of the CRF operating result, a schedule of net revenue by source, a schedule of expenses, a schedule of financing transactions, and a schedule of write-offs, extinguishments and remissions, as required by statute.

Provincial Debt Summary—this section presents schedules and statements that provide further details on provincial debt and reconcile the Summary Financial Statements debt to the province's total debt. Also included are the audited Summary of Provincial Debt, Key Indicators of Provincial Debt and Summary of Performance Measures.

This publication is available on the Internet at: www.fin.gov.bc.ca

Additional Information Available (Unaudited)

The following information is available only on the Internet at: www.fin.gov.bc.ca

Consolidated Revenue Fund Supplementary Schedules—this section contains schedules that provide details of financial activities of the CRF, including details of expenses by ministerial appropriations, an analysis of statutory appropriations, Special Accounts and Special Fund balances and operating statements, and financing transactions.

Consolidated Revenue Fund Detailed Schedules of Payments—this section contains detailed schedules of salaries, wages, travel expenses, grants and other payments.

Financial Statements of Government Organizations and Enterprises—this section contains links to the audited financial statements of those Crown corporations, agencies and SUCH sector entities that are included in the government reporting entity.

Summaries of Financial Statements of Corporations and Agencies to which the Financial Information Act applies—this section contains summaries of the financial statements of corporations, associations, boards, commissions, societies and public bodies required to report under the *Financial Information Act* (R.S.B.C. 1996, chap. 140, sec. 2).

Financial Statement Discussion and Analysis Report

The focus of the province's financial reporting is the Summary Financial Statements, which consolidate the operating and financial results of the province's Crown corporations, agencies, and school districts, universities, colleges, institutes and health authorities with the Consolidated Revenue Fund. These are general-purpose statements designed to meet, to the extent possible, the information needs of a variety of users.

The Public Accounts are prepared in accordance with the *Financial Administration Act* and the *Budget Transparency and Accountability Act* (BTAA).

The BTAA was amended in 2001 with the passing of Bill 5. Under section 20 of that Bill, the government has mandated that "all accounting policies and practices applicable to documents required to be made public under this Act for the government reporting entity must conform to generally accepted accounting principles." This move to fully comply with generally accepted accounting principles (GAAP) has been completed effective in the 2004/05 fiscal year.

For senior governments, GAAP is generally considered to be the recommendations and guidelines of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

An accounting policy advisory committee has been established as an independent body and is assisting the province in addressing this issue.

The Public Accounts are printed in one volume and include the Overview, the Summary Financial Statements, Supplementary Information, the Consolidated Revenue Fund Extracts and the Provincial Debt Summary. Additional information is available to the public on the Internet at: www.fin.gov.bc.ca.

Financial Highlights

Financial Highlights

The information contained within the Financial Highlights is taken from the Summary Financial Statements on pages 29–79. The budget figures are from pages 3–5 of the *Estimates—Fiscal Year Ending March 31, 2005*, with certain restatements as outlined in Note 30 on pages 62–64.

Reflecting robust economic performance in both domestic and export sectors, improved natural resources revenue, higher than anticipated federal transfers and sound financial management on the spending side, the province ended the year with a record surplus of \$2,575 million, \$2,475 million higher than budget. Compared to the previous year, the 2004/05 results were a \$3,850 million improvement.

Summary Accounts' Surplus (Deficit)

	In Millions			Variance	
	2004/05 Budget	2004/05 Actual	2003/04 ¹ Actual	2004/05 Actual to Budget	2004/05 vs 2003/04
Taxpayer-supported Programs and Agencies	\$	\$	\$	\$	\$
Revenue.....	28,420	30,821	27,176	2,401	3,645
Expense.....	<u>(30,292)</u>	<u>(30,658)</u>	<u>(30,212)</u>	<u>(366)</u>	<u>(446)</u>
Taxpayer-supported net earnings	(1,872)	163	(3,036)	2,035	3,199
Self-supported Crown corporation net earnings.....	<u>2,072</u>	<u>2,412</u>	<u>1,884</u>	<u>340</u>	<u>528</u>
Surplus (deficit) before unusual items	200	2,575	(1,152)	2,375	3,727
Restructuring exit expense.....			(123)		123
Forecast allowance.....	<u>(100)</u>			<u>100</u>	
Surplus (deficit) for the year.....	<u><u>100</u></u>	<u><u>2,575</u></u>	<u><u>(1,275)</u></u>	<u><u>2,475</u></u>	<u><u>3,850</u></u>

¹The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Improvements in taxation revenue, federal transfers and natural resources revenue helped offset tax measures implemented during the year.

Expenses included the additional costs related to forest fires and floods. Spending related to the gain on completion of the BC Rail/CN Transaction (see Note 33) and additional federal health funding was offset by related revenue increases. The remaining expense was lower than budget, as priority initiatives were funded from lower debt service costs and program savings.

Financial Highlights**Changes from 2004/05 Budget**

	In Millions			Surplus (Deficit)
	Revenue	Expense	Forecast Allowance	
	\$	\$	\$	\$
Surplus (Deficit) per Budget	30,492	30,292	(100)	100
Increase in taxation revenue (before tax reductions).....	882			882
Impact of tax reductions.....	(150)			(150)
Increase in federal transfers.....	737			737
Additional federal health care funding and related spending.....	148	148		
Increase in natural resource revenue.....	541			541
Gain and distribution of gain on BC Rail/CN Transaction ¹	199	169		30
Other net increases in self-supported Crown corporations net earnings.....	141			141
Increase in other revenue.....	243			243
Increase in debt interest expense.....				
Program savings (including interest expense savings of \$189 million)....		(519)		519
Priority spending initiatives.....		452		(452)
Increase in forest fires and floods costs.....		116		(116)
Unused forecast allowance.....			100	100
Subtotal of changes in actual results compared to budget.....	<u>2,741</u>	<u>366</u>	<u>100</u>	<u>2,475</u>
Actual Results	<u>33,233</u>	<u>30,658</u>		<u>2,575</u>

¹See Note 33.**Changes in Actual Results from 2003/04 to 2004/05**

	In Millions		
	Revenue	Expense	Surplus (Deficit)
	\$	\$	\$
2003/04¹ Surplus (Deficit)	29,060	30,335	(1,275)
Increase in taxation revenue (see page 14).....	1,087		1,087
Increase in federal contributions (see page 14).....	1,612		1,612
Increase in fees and licences revenue (see page 14).....	90		90
Increase in natural resources revenue (see page 14).....	664		664
Net increase in other revenue (see page 14).....	192		192
Increase in self-supported Crown corporation net earnings (see page 14).....	528		528
Increase in health expense (see page 16).....		268	(268)
Increase in education expense (see page 16).....		258	(258)
Decrease in other expenses (see page 16).....		(203)	203
Subtotal of changes in actual results.....	<u>4,173</u>	<u>323</u>	<u>3,850</u>
2004/05 Surplus (Deficit)	<u>33,233</u>	<u>30,658</u>	2,575
2003/04¹ Accumulated Surplus (Deficit)			(5,725)
2004/05 Accumulated Surplus (Deficit)			<u>(3,150)</u>

¹The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Financial Highlights

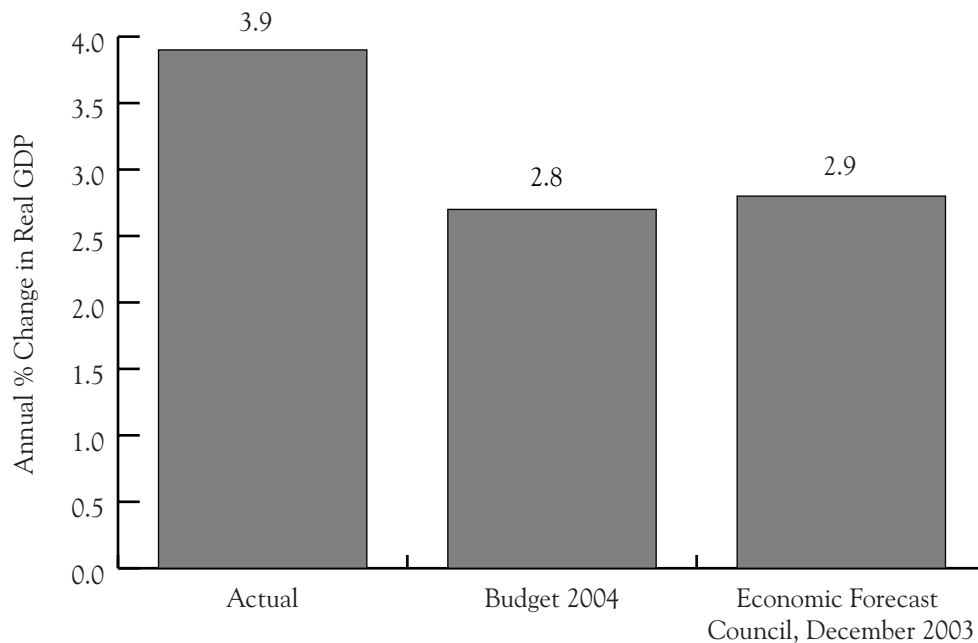
In fiscal 2004/05, the province included the impacts of school districts, universities, colleges, institutes and health authorities (SUCH) directly in its financial statements. This added \$395 million to the province's surplus and reduced the accumulated deficit by \$4,983 million (see Note 1).

Gross debt reported on the financial statements at the end of 2004/05 was \$39,921 million, \$2,066 million lower than in 2003/04. For budget, planning and reporting purposes, and when reporting to rating agencies, the province subtracts from the financial statement debt sinking fund assets used to repay debt at maturity and adds all debt guarantees and the debt directly incurred by the self-supported Crown corporations to determine the total provincial debt. At the end of 2004/05, the total provincial debt was \$35,826 million, a reduction of \$1,941 million from the previous year.

Economic Highlights

British Columbia's economy grew by 3.9% in 2004, the strongest growth among the provinces, according to preliminary results from Statistics Canada. The estimated 3.9% growth was significantly higher than the budget forecast of 2.8% and the pre-budget forecast of 2.9% of the Economic Forecast Council. Domestic activity continued to be the main driver of economic growth last year. Real business investment grew by 11.7% in 2004. Growth in housing starts of 25.8% in 2004 led to residential construction investment growth of 14.8%. Additionally, machinery and equipment investment, supported by a stronger Canadian dollar, saw growth of 20.0% in 2004. Consumer spending, which accounts for about two-thirds of all economic activity in the province, grew by 4.1% in 2004, supported by low interest rates and strong employment growth of 2.3%. Despite the continued rise of the Canadian dollar against the US dollar in 2004, total exports of goods and services grew by 4.9%. Imports of goods and services grew by 6.4% in 2004.

British Columbia Real Gross Domestic Product Growth 2004



Financial Highlights**Strong and Stable Credit**

British Columbia now maintains a stronger credit rating, as confirmed by the recent upgrades by all three credit rating agencies. In 2004/05, Moody's Investors Service Inc. upgraded the province to Aa1 (2004: Aa2), Standard and Poor's upgraded the province to AA (2004: AA-) and Dominion Bond Rating Service's upgraded the province to AA (2004: AA (low)).

Credit Ratings May 2005

Province	Rating Agency ¹		
	Moody's Investors Service Inc.	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aa1	AA	AA
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa3	AA-	A(high)
Manitoba	Aa2	AA-	A(high)
Ontario	Aa2	AA	AA(negative)
Quebec	A1 (positive)	A+	A(positive)
New Brunswick	Aa3	AA-	A(high)
Nova Scotia	A2	A	A(low)
Prince Edward Island	A2	A	A(low)
Newfoundland	A3	A-	BBB (high)
Canada	Aaa	AAA	AAA

¹The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality, are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", and "-" modifiers show relative standing within the major categories. For example, AA+ exceeds AA.

Financial Performance**Revenue**

For the 2004/05 fiscal year, revenue totalled \$33,233 million, \$2,741 million higher than budget and \$4,173 million higher than in 2003/04.

Revenue by Source

	In Millions			Variance	
	2004/05 Budget	2004/05 Actual	2003/04 ¹ Actual	2004/05 Actual to Budget	2004/05 vs 2003/04
	\$	\$	\$	\$	\$
Taxation.....	14,185	14,917	13,830	732	1,087
Contributions from federal government.....	4,346	5,231	3,619	885	1,612
Fees and licences.....	3,578	3,621	3,531	43	90
Natural resources.....	3,432	3,973	3,309	541	664
Net earnings of self-supported Crown corporations....	2,072	2,412	1,884	340	528
Miscellaneous.....	1,990	2,246	1,937	256	309
Investment earnings.....	889	833	950	(56)	(117)
Total revenue.....	30,492	33,233	29,060	2,741	4,173

¹The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Revenue was \$2,741 million higher than budget mainly due to the effects of robust economic and income growth, strong commodity prices, new federal/provincial agreements for health and Equalization transfers.

Financial Highlights

Taxation revenue, which comprises 45% of all revenue, was \$732 million higher than budget and \$1,087 million higher than in 2003/04, primarily due to increased corporate income tax instalments from the federal government and higher 2003 personal and corporate income tax assessments. Revenue from other tax sources was up as increased migration, income and economic growth resulted in higher than anticipated personal and business expenditures. Excluding the October 2004 provincial sales tax reduction to 7.0% from 7.5% and further measures announced in February 2005, which together total \$150 million, taxation revenue would have been \$882 million higher than budget.

Including the additional \$148 million health care funding announced after budget, contributions from the federal government were \$885 million higher than budget and \$1,612 million higher than in 2003/04 mainly due to improved federal Equalization program and health and social transfer revenue. Increased Equalization revenue was due to the revised methodology used to calculate entitlements established at the First Ministers' meeting on October 26, 2004. Improved health and social transfers reflect the additional \$148 million Health Accord funding and British Columbia's share of the Public Health and Immunization Trust announced in the federal budget, and the annual increase from 2003/04 includes British Columbia's share of an increased national base.

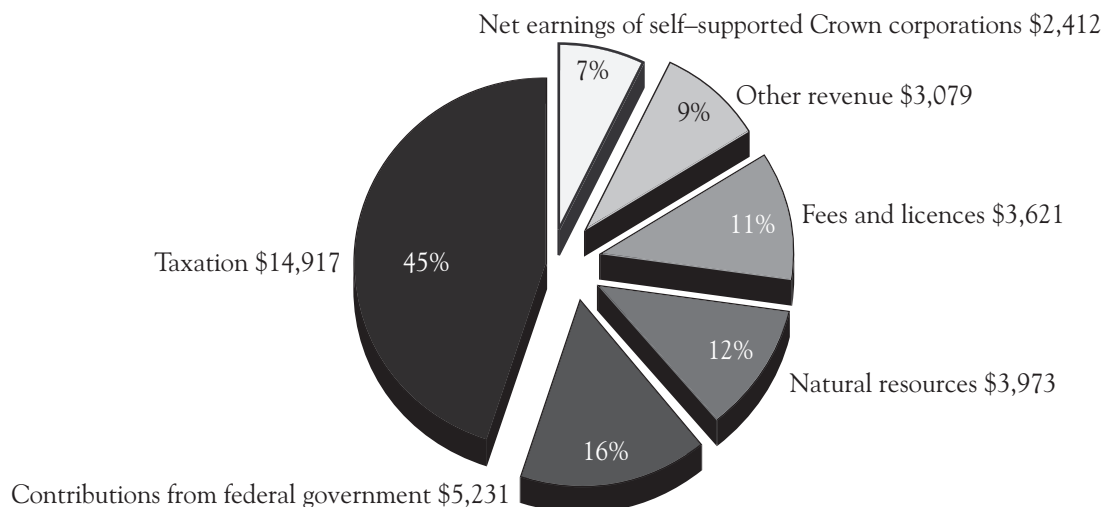
Natural resources revenue was \$541 million higher than budget and \$664 million higher than in 2003/04, reflecting strong global demand for energy and mineral products, and a robust US housing market, resulting in higher commodity prices and increased Crown forest harvest volumes.

Net earnings of self-supported Crown corporations were \$340 million higher than budget and \$528 million higher than in 2003/04. The change from budget reflects a \$347 million increase over budget of ICBC financial results, the \$199 million gain on completion of the BC Rail/CN Transaction (see Note 33) offset by a \$148 million reduction in British Columbia Hydro and Power Authority's net earnings and \$58 million in other net decreases in self-supported Crowns. The increase from the prior year reflects the gain on completion of the BC Rail/CN Transaction and the British Columbia Hydro and Power Authority's \$137 million receipt of an arbitration award from Alcan Inc. to Powerex for indemnities Alcan issued as part of a power sales arrangement with Enron Power Marketing, Inc.

Revenue from fees and licenses, investment earnings, and miscellaneous sources was \$243 million higher than budget and \$282 million higher than in 2003/04. The change from budget reflects \$110 million in school-generated funds now being reported on the school districts' financial statements and higher recoveries of program costs. The increase from 2003/04 reflects increases in deferred operating income from prior years being recognized into income in 2004/05 made up of: \$95 million from universities, \$54 million from school districts and \$28 million from health authorities. There was also an increase in licencing revenues of \$18 million relating to more high weight vehicles registered and a \$16 million increase in fines and penalty revenue due to fewer people taking the early discount payment option.

Primary sources of provincial revenue are outlined in the chart below.

Revenue by Source



Financial Highlights**Expense**

In 2004/05, provincial expense totalled \$30,658 million, \$366 million higher than budget and \$323 million higher than in 2003/04.

Expense by Function

	In Millions			Variance	
	2004/05 Budget	2004/05 Actual	2003/04 ¹ Actual	2004/05 Actual to Budget	2004/05 vs 2003/04
	\$	\$	\$	\$	\$
Health ^{2,3}	11,787	11,633	11,365	(154)	268
Education ³	8,788	9,022	8,764	234	258
Social services.....	2,678	2,665	2,819	(13)	(154)
Interest ³	1,661	1,472	1,572	(189)	(100)
Natural resources and economic development.....	1,321	1,670	1,486	349	184
Transportation ³	1,265	1,448	1,278	183	170
Protection of persons and property.....	1,166	1,215	1,365	49	(150)
Other.....	1,148	1,028	1,074	(120)	(46)
General government.....	478	505	489	27	16
Total operating expense.....	30,292	30,658	30,212	366	446
Restructuring exit expense.....			123		(123)
Total expense.....	30,292	30,658	30,335	366	323

¹The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

²The 2004/05 budget for health excluded \$148 million in additional health funding from the federal government that was not known at the time of the budget, but was included in the *Supply Act* passed on May 29, 2004.

³Interest expense does not include interest relating to prepaid capital advances. These interest costs are recorded in the related health, education and transportation functions. See Note 28 on page 61 for more details.

Health spending was \$154 million lower than budget but \$268 million higher than in 2003/04. The change from budget, in part, reflects a \$60 million adjustment of prior years' expense accruals which were credited to revenue and therefore, not available for the ministry to spend and \$40 million in program underspending, resulting from lower than expected demand in the Medical Services Plan and PharmaCare.

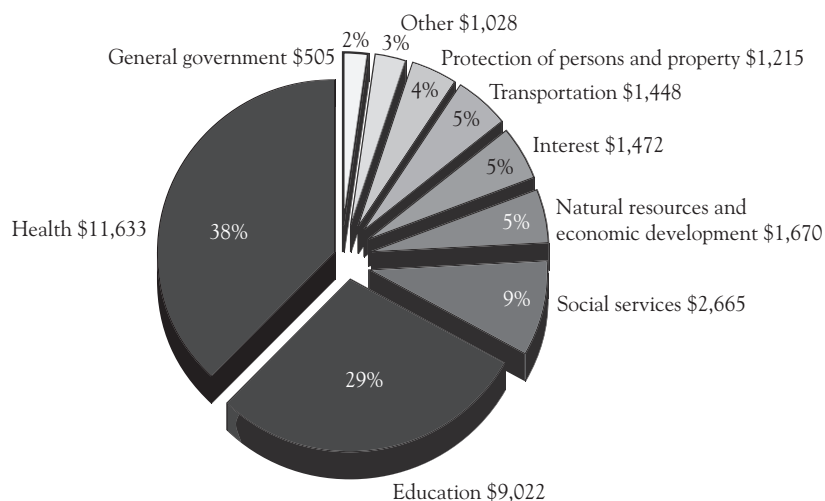
Education spending was \$234 million higher than budget and \$258 million higher than in 2003/04. The increase from budget reflects the inclusion of \$108 million in expense relating to school-generated funds. The main reason for the actual to actual increase is the Ministry of Advanced Education's Strategic Investment Plan, the additional funding provided to school districts and the inclusion of actual costs for local institution and school-based programs.

Natural resources and economic development spending was \$349 million higher than budget and \$184 million higher than in 2003/04. The increase from budget was primarily due to unanticipated forest fire suppression costs and priority initiatives including forestry revitalization and reforestation as outlined in Note 30.

In accordance with Canadian generally accepted accounting principles for senior governments, provincial expenses are reported on a functional basis in the Public Accounts. Under functional reporting, expenses are grouped and classified according to their principal purpose using a modified version of the Statistics Canada account classification system. Primary expense functions are outlined in the chart below:

Financial Highlights

Expense by Function



Ministry, Program and Agency Reporting

While functional reporting allows for greater comparability across jurisdictions, it is not considered the primary tool for managing results, as the level of aggregation does not provide specific information about the operational objectives and major activities of the reporting entity. Reporting by entity provides management and the public additional information regarding the allocation of resources and related costs of the different operational activities of government. For example, Health Services (below) only includes ministry amounts, which total \$10,606 million, while the health function in the above table shows an expense of \$11,633 million. The difference is due to the health function including the health services ministry, health authorities, hospital societies, health-related spending of taxpayer-supported Crown corporations and agencies, and other ministries' programs that are related to health function spending.

Expense by Major Accountability

	In Millions			Variance	
	2004/05 Budget	2004/05 Actual	2003/04 ¹ Actual	2004/05 Actual to Budget	2004/05 vs 2003/04
	\$	\$	\$	\$	\$
Health Services.....	10,558	10,606	10,466	48	140
Education.....	4,943	4,887	4,787	(56)	100
Advanced Education.....	1,899	1,908	1,897	9	11
Management of Public Funds and Debt.....	800	677	708	(123)	(31)
Other ministries and programs.....	6,809	7,965	7,210	1,156	755
Government restructuring (all ministries).....			167		(167)
Consolidated Revenue Fund expense.....	25,009	26,043	25,235	1,034	808
Less: grants/internal transfers.....	(13,562)	(14,954)	(14,168)	(1,392)	(786)
Recoveries.....	1,632	1,705	1,738	73	(33)
Other taxpayer-supported entities including the SUCH sector (net of accounting adjustments)	17,213	17,864	17,530	651	334
Total expense.....	30,292	30,658	30,335	366	323

¹The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Financial Highlights

During the 2004/05 fiscal year, the Legislative Assembly approved eleven Supplementary Estimates totalling \$1,152 million. Further information on the Supplementary Estimates information is reported in Note 30.

Major variances in Expense by Major Accountability are:

- Consolidated revenue fund spending was \$1,034 million higher than budget, primarily due to the additional spending authorized through supplementary estimates outlined in Note 30. These include the transfer of additional federal healthcare funding to health authorities, a capital assistance grant to the BC Transportation Financing Authority, and additional funding for forest revitalization, community infrastructure projects and other initiatives.
- Consolidated revenue fund spending in 2004/05 was \$808 million higher than in 2003/04 results primarily due to the spending authority through supplementary estimates, partially offset by lower disaster-related costs resulting from forest fires and floods.
- Grants and internal transfers were \$1,392 million higher than budget mainly due to increased transfers to health authorities, additional capital funding provided to the BC Transportation Financing Authority and the inclusion of the Industry Training Authority as part of the government reporting entity.
- Grants and internal transfers in 2004/05 were \$786 million higher than in 2003/04 results due to the capital funding transfers.
- The \$651 million increase in spending over budget by other taxpayer-supported entities mainly reflects the inclusion of spending related to school-generated funds, the additional healthcare dollars provided to health authorities, the inclusion of the Industry Training Authority as part of the government reporting entity, and an additional contribution by the BC Transportation Financing Authority for the Richmond–Airport–Vancouver (RAV) rapid transit project.
- Spending by other taxpayer-supported entities in 2004/05 was \$334 million higher than in 2003/04 due to the impact of increased funding for school districts and higher costs in post-secondary institutions.

Further details on ministry, program, agency and SUCH sector spending can be found in the 2005 British Columbia Financial and Economic Review available in July 2005 at: www.fin.gov.bc.ca/pubs.htm

Financial Assets

Financial assets as at March 31, 2005, totalled \$24,880 million, \$1,525 million higher than budget and \$499 million higher than as at March 31, 2004. The increase compared to budget is primarily due to a \$1,110 million increase in cash and temporary investments due in part to receipt of additional federal funding that had been deferred, to the effects of \$347 million increase over budget of ICBC financial results and restoring the Columbia River power projects to commercial status (\$303 million). Accounts receivable are \$434 lower than budget due to lower than anticipated actual receivables. The increase from the previous year mainly reflects a \$878 million increase in cash and temporary investments, partially offset by the British Columbia Railway Company's repayment of its \$467 million loan from the province.

Financial Assets

	In Millions			Variance	
	2004/05 ¹ Budget	2004/05 Actual	2003/04 ² Actual	2004/05 Actual to Budget	2004/05 vs 2003/04
	\$	\$	\$	\$	\$
Accounts receivable.....	3,067	2,633	2,838	(434)	(205)
Equity in self-supported Crown corporations and agencies.....	2,433	3,219	3,221	786	(2)
Loans for purchases of assets recoverable from agencies.....	7,179	6,901	7,512	(278)	(611)
Other financial assets.....	10,676	12,127	10,810	1,451	1,317
Total financial assets.....	23,355	24,880	24,381	1,525	499

¹Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

²The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Financial Highlights

As at March 31, 2005, the province's equity investment in self-supported Crown corporations was \$3,219 million. In 2004/05, these organizations provided government with \$2,412 million in net income.

Other financial assets include cash and cash equivalents, temporary investments, inventory, loans receivable, and amounts due from other governments. The increase of other financial assets relates to: a \$645 million increase in general investment due to federal health and Equalization payments included in temporary investments; \$187 million funding deposited into temporary investments for future infrastructure costs for BC Transportation Financing Authority; a \$40 million increase in temporary investments relating to school-generated funds; and, \$256 million in amounts due from the federal government.

Liabilities

Total liabilities were \$523 million lower than budget and \$1,140 million lower than in 2003/04.

Liabilities

	In Millions			Variance	
	2004/05 ¹ Budget	2004/05 Actual	2003/04 ² Actual	2004/05 Actual to Budget	2003/04 vs 2003/04
	\$	\$	\$	\$	\$
Taxpayer-supported debt.....	35,073	32,032	33,432	(3,041)	(1,400)
Self-supported debt.....	8,160	7,889	8,555	(271)	(666)
Forecast allowance.....	100			(100)	
Total financial statement debt.....	43,333	39,921	41,987	(3,412)	(2,066)
Accounts payable and other liabilities.....	6,234	6,583	6,826	349	(243)
Deferred revenue.....	2,716	5,256	4,087	2,540	1,169
Total liabilities.....	52,283	51,760	52,900	(523)	(1,140)

¹Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

²The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Financial Statement Debt

Total financial statement debt was \$3,412 million lower than budget and \$2,066 million lower than in 2003/04. The changes are due to debt retirement from the increased surplus, cash from deferred federal health funding and cash from the repayment of the British Columbia Ferry Services Inc. debenture.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities were \$349 million higher than budget but \$243 million lower than in 2003/04. The increase compared to budget results is consistent with the increase in overall expense. The reduction from the prior year in part reflects a reduction in the amounts due to other governments.

Deferred Revenue

Deferred revenue was \$2,540 million higher than budget and \$1,169 million higher than in 2003/04. The increase from budget also reflects the change in accounting treatment for recognition of bid revenues, which increased deferred revenue by \$1,262 million. The remaining increase between the 2004/05 results compared to both budget and 2003/04 results related to \$691 million in additional federal healthcare funding for reduction in wait times and other priorities; \$196 million in deferred funding for future capital projects in the SUCH sector; and to deferred federal operating grants of \$131 million for the 2004 Canada Health and Social Transfer Supplement, \$35 million for the Public Health and Immunization program and \$66 million in funding for purchasing medical equipment.

Financial Highlights**Total Provincial Debt**

As noted in the table below, total provincial debt was \$4,095 million lower than the amount reported in the province's financial statements due to the impact of sinking funds and the inclusion of debt guarantees and non-guaranteed debt. Total provincial debt at March 31, 2005 was \$35,826 million, which is \$3,569 million lower than budget and \$1,941 million lower than in 2003/04.

Total Provincial Debt

	In Millions			Variance	
	2004/05	2004/05	2003/04 ¹	2004/05	2004/05
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u> <u>to Budget</u>	<u>vs</u> <u>2003/04</u>
	\$	\$	\$	\$	\$
Gross financial statement debt.....	43,333	39,921	41,987	(3,412)	(2,066)
Less: sinking funds assets.....	(4,331)	(4,516)	(4,619)	(185)	103
Third party guarantees and non-guaranteed debt.....	<u>393</u>	<u>421</u>	<u>399</u>	<u>28</u>	<u>22</u>
Total provincial debt.....	<u>39,395</u>	<u>35,826</u>	<u>37,767</u>	<u>(3,569)</u>	<u>(1,941)</u>

¹The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

A more comprehensive overview of provincial debt, including key debt indicators is located on pages 101–114.

Non-financial Assets

At March 31, 2005, non-financial assets totalled \$23,730 million, which was \$84 million lower than budget and \$936 million higher than in 2003/04. The increase in non-financial assets from the previous year reflects infrastructure spending for the post-secondary system, health facilities (including equipment purchases) and transportation.

Non-financial Assets

	In Millions			Variance	
	2004/05 ¹	2004/05	2003/04 ²	2004/05	2004/05
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Actual</u> <u>to Budget</u>	<u>vs</u> <u>2003/04</u>
	\$	\$	\$	\$	\$
Tangible capital assets.....	23,437	23,117	22,255	(320)	862
Other assets.....	<u>377</u>	<u>613</u>	<u>539</u>	<u>236</u>	<u>74</u>
Total non-financial assets.....	<u>23,814</u>	<u>23,730</u>	<u>22,794</u>	<u>(84)</u>	<u>936</u>

¹Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

²The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Financial Highlights

Non-financial assets typically represent resources that government can use in the future to provide services. The majority of the province's non-financial assets reflects capital asset expenditures and takes the form of tangible capital assets.

Net Liabilities and Accumulated Deficit

In accordance with Canadian generally accepted accounting principles, the government's statement of financial position is presented on a net debt or net liabilities basis. Net liabilities represent the difference between a government's financial assets and its liabilities and is often used as a measure of the future revenue required to pay for past transactions and events.

The accumulated deficit represents the sum of the current and all prior years' operating results. At March 31, 2005, accumulated deficit totalled \$3,150 million, which was \$1,964 million lower than budget and a \$2,575 million improvement over the previous year. The improvement over budget includes the difference between forecast results for 2003/04 at the time the budget was prepared and the actual results for the year.

Net Liabilities and Accumulated Deficit

	In Millions			Variance	
	2004/05 ¹ Budget	2004/05 Actual	2003/04 ² Actual	2004/05 Actual to Budget	2004/05 vs 2003/04
	\$	\$	\$	\$	\$
Financial assets.....	23,355	24,880	24,381	1,525	499
Less: liabilities.....	(52,283)	(51,760)	(52,900)	523	1,140
Net liabilities.....	(28,928)	(26,880)	(28,519)	2,048	1,639
Less: non-financial assets.....	23,814	23,730	22,794	(84)	936
Accumulated deficit.....	(5,114)	(3,150)	(5,725)	1,964	2,575

¹Certain budget numbers have been restated to be consistent with the reporting of actuals on the gross basis.

²The 2003/04 figures have been restated to include the school districts, universities, colleges, institutes and health authorities (SUCH) sector and other adjustments.

Summary Accounts' Staff Utilization for the Fiscal Year Ended March 31, 2005¹

				Variance	
	2004/05 Budget	2004/05 Actual	2003/04 Actual	2004/05 Actual to Budget	2004/05 vs 2003/04
Consolidated Revenue Fund ²	27,160	26,859	28,684	(301)	(1,825)
Taxpayer-supported Crown corporations and agencies ³	3,940	3,822	5,076	(118)	(1,254)
Total staff utilization.....	31,100	30,681	33,760	(419)	(3,079)

The table above provides a summary of full-time equivalent (FTE) employment.

¹Staff utilization is the full-time equivalent of the number of persons employed in the fiscal year whose salaries are paid by taxpayer-supported entities within the Summary Financial Statements.

²See the Consolidated Revenue Fund schedules at www.fin.gov.bc.ca/pubs.htm for details.

³See Financial Statements of Government Organizations and Enterprises at www.fin.gov.bc.ca/pubs.htm for details.

Financial Highlights

The FTE reductions for the Consolidated Revenue Fund against 2004/05 budget reflects lower than anticipated staffing levels in a number of ministries. The decrease from 2003/04 reflects reduced requirements for forest fire fighting and the completion of the final stages of the government's restructuring initiative at the end of the 2003/04 fiscal year.

The difference between budgeted utilization for taxpayer-supported Crown corporations and actual utilization was 118 FTEs. This primary difference included 46 fewer FTEs than budgeted for the Oil and Gas Commission and 35 fewer FTEs than budgeted for the Canadian Blood Services. The decrease between 2004/05 and 2003/04 reflects three major changes: the transfer of Forensic Psychiatric Services Commission to Providence Health Care (448 FTE decrease); British Columbia Building Corporation restructuring their property management department (454 FTE decrease); and, the transfer of the Pacific National Exhibition outside the reporting entity (398 FTE decrease).