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# *Provincial Debt Summary*





## Overview of Provincial Debt (Unaudited)

The provincial government, its Crown corporations, agencies and government organizations incur debt to finance operations and capital projects. Borrowing for operations is required when revenues fall short of expenditures and to meet other cash requirements such as loans and investments. Borrowing for capital projects finances the building of schools, hospitals, roads, public transit and other social and economic capital assets. As these investments provide essential services over several years, the government, like the private sector, borrows to fund these projects and amortizes the cost over the asset's useful life.

Provincial debt is reported using two basic classifications: (1) taxpayer-supported debt; and (2) self-supported debt.

*Taxpayer-supported Debt*—includes government direct debt, which is incurred for government operating and capital purposes, and the debt of Crown corporations, agencies, school districts, universities, colleges, institutes and health authorities that require an operating or debt service subsidy from the provincial government, or that are fully consolidated in the Summary Financial Statements. Examples include debt of the British Columbia Buildings Corporation, the BC Transportation Financing Authority and post-secondary institutions.

*Self-supported Debt*—includes the debt of commercial Crown corporations and agencies, as well as the Warehouse Borrowing Program. Commercial Crown corporations and agencies generate sufficient revenues to cover interest costs and repay principal and may pay dividends to the province. The British Columbia Hydro and Power Authority is an example of a commercial Crown corporation. The Warehouse Borrowing Program is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to the province or Crown corporations and agencies. In the interim, the funds are invested at market rates.

The following provincial debt summary provides additional detailed information and related key indicators and benchmarks to allow a more informed assessment of the debt totals. A reconciliation is also provided to explain the differences between the Summary of Provincial Debt and the Summary Financial Statements.

The total provincial debt as at March 31, 2005 was \$35,826 million, which consists of \$35,405 million (net of \$4,516 million sinking fund investments) in the Summary Financial Statements, together with \$263 million in additional debt of self-supported Crown corporations and agencies and \$158 million in additional guaranteed debt.

## Provincial Debt as at March 31, 2005 (Unaudited)

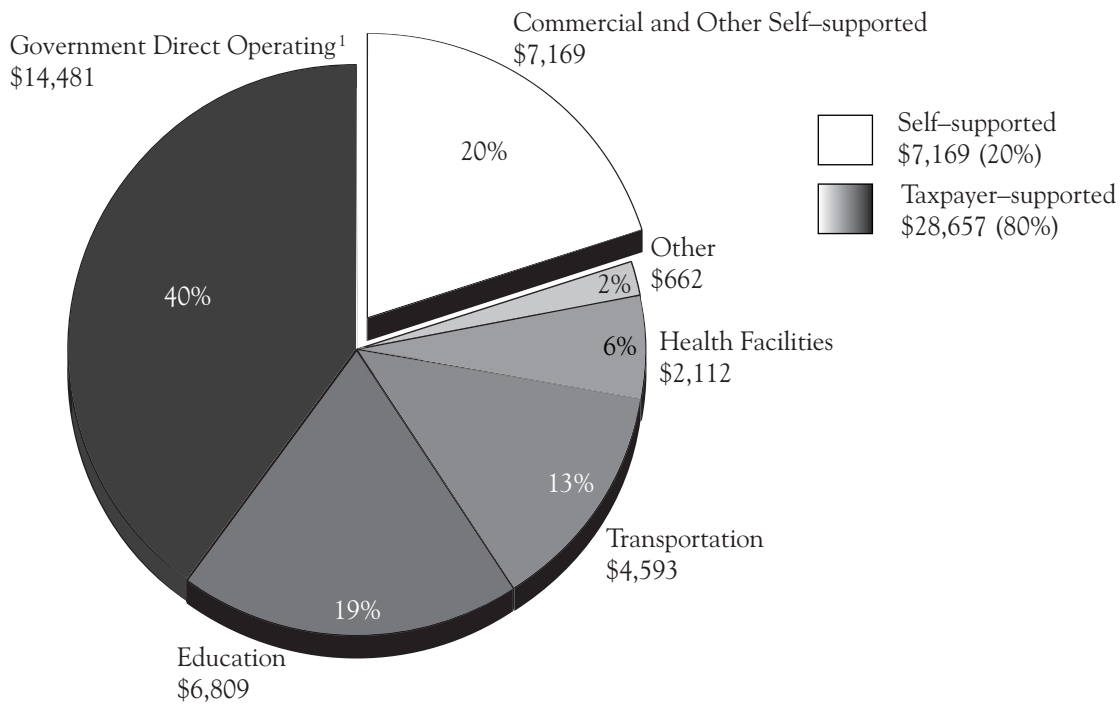
The accumulated provincial debt of \$35,826 million has been incurred for various purposes as shown in Chart 1 below. Over the years, borrowing activity has contributed to economic development in the province and has provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2005, taxpayer-supported debt totalled \$28,657 million—including debt incurred for government operating purposes (\$14,481 million), educational facilities (\$6,809 million), health facilities (\$2,112 million), transportation infrastructure (\$4,593 million) and other debt (\$662 million). Other debt is comprised mainly of British Columbia Buildings Corporation debt and debt relating to social housing.

At March 31, 2005, self-supported debt relating to commercial Crown corporations and agencies totalled \$7,169 million. Commercial debt includes the debt of British Columbia Hydro and Power Authority and debt relating to Columbia River power projects.

**Chart 1**

In Millions / Percent of Total



**Total: \$35,826 million**

<sup>1</sup> Operating debt includes a portion of highway infrastructure debt incurred prior to 1994/95, ferry infrastructure debt transferred in 1999/00 and amounts required to finance operating deficits.

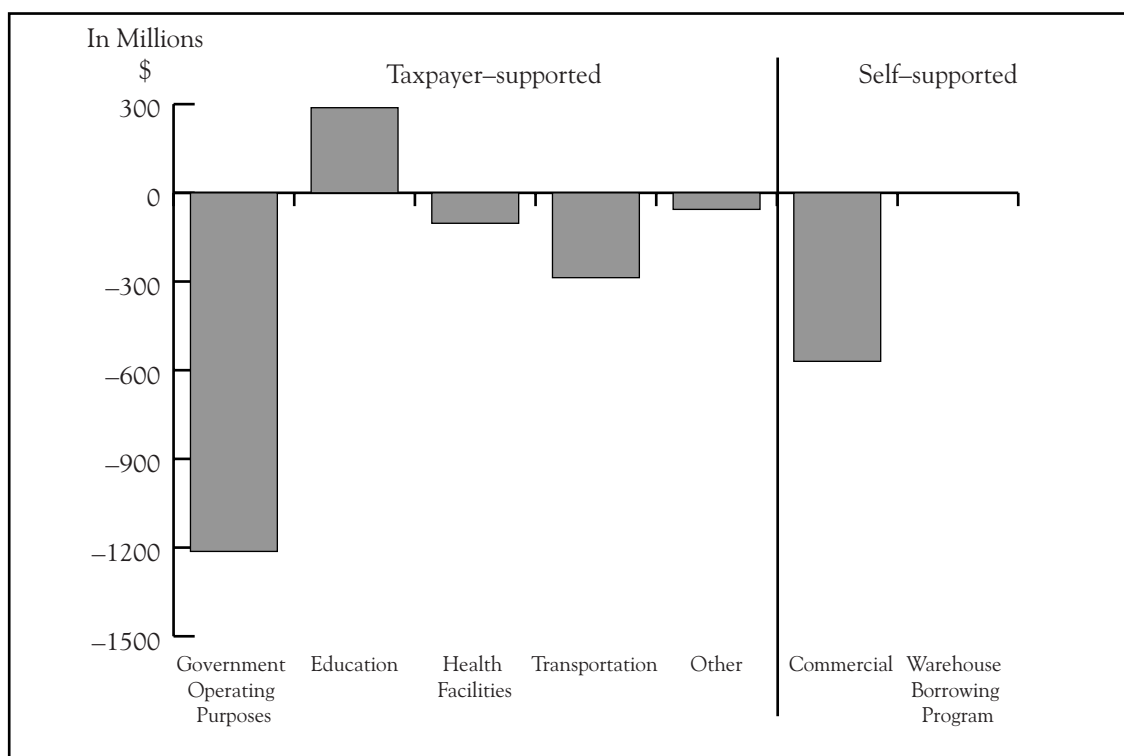
## Change in Provincial Debt<sup>1</sup> (Unaudited)

Provincial debt decreased by \$1,941 million in 2004/05; this included decreases in taxpayer-supported debt of \$1,371 million and self-supported debt of \$570 million (see Chart 2 below).

*Taxpayer-supported Debt*—The 2004/05 decrease of \$1,371 million was primarily due to a decrease of \$1,213 million in government operating debt as a result of positive operating results at the Consolidated Revenue Fund level, early repayment of the BC Ferry Services loan receivable, reduced working capital requirements, and higher cash balances at the start of the year. The decrease in debt was also attributed to a capital debt paydown of \$390 million from Consolidated Revenue Fund surplus and funds from the BC Rail Partnership, and to net reductions in debt of \$56 million in other taxpayer-supported Crown corporations and agencies, offset by an increase of \$288 million in capital debt in the education sector.

*Self-supported Debt*—The 2004/05 decrease of \$570 million consists of a \$477 million reduction in British Columbia Railway Company's debt and a \$135 million decrease in British Columbia Hydro and Power Authority and other debt, offset by an increase of \$42 million in debt for Columbia River power projects.

Chart 2



<sup>1</sup>Includes gross new borrowings plus change in sinking fund balances, less debt maturities.

**Reconciliation of Summary Financial Statements Surplus (Deficit)  
to Change in Taxpayer-supported Debt and Total Debt  
for the Fiscal Year Ended March 31, 2005  
(Unaudited)**

	In Millions	
	2005	2004
	\$	\$
(Surplus) deficit for the year.....	<u>(2,575)</u>	<u>1,275</u>
Taxpayer-supported debt decreased by:		
Non-cash expenses included in surplus (deficit).....	(1,577)	(1,484)
Accounts receivable, accounts payable and other working capital net changes.....	621	(1,668)
	<u>(956)</u>	<u>(3,152)</u>
Taxpayer-supported debt increased by:		
Self-supported Crown corporation and agency earnings in excess of contributions to the Consolidated Revenue Fund.....	149	343
Tangible capital asset net acquisitions.....	2,192	1,338
Net increases in loans, advances and investments.....	(181)	799
	<u>2,160</u>	<u>2,480</u>
Net increase (decrease) in taxpayer-supported debt.....	(1,371)	603
Taxpayer-supported debt—beginning of year.....	30,028	29,425
Taxpayer-supported debt—end of year.....	28,657	30,028
Self-supported debt <sup>2</sup> .....	7,169	7,739
<b>Total debt<sup>3</sup>.....</b>	<b><u>35,826</u></b>	<b><u>37,767</u></b>

**Reconciliation of Total Debt to the Summary Financial Statements Debt  
as at March 31, 2005  
(Unaudited)**

	In Millions	
	2005	2004
	\$	\$
Total debt.....	35,826	37,767
Debt included as part of equity in self-supported Crown corporations and agencies.....	(263)	(232)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province.....	(158)	(167)
Sinking fund investments.....	4,516	4,619
<b>Summary Financial Statements debt.....</b>	<b><u>39,921</u></b>	<b><u>41,987</u></b>
Comprised of:		
Taxpayer-supported debt.....	32,032	33,432
Self-supported debt.....	7,889	8,555
	<u>39,921</u>	<u>41,987</u>

<sup>1</sup>Restated. See Note 25.

<sup>2</sup>See Summary of Provincial Debt, page 111.

<sup>3</sup>Total debt includes debt of self-supported Crown corporations and agencies, and debt of individuals and organizations guaranteed by the province.

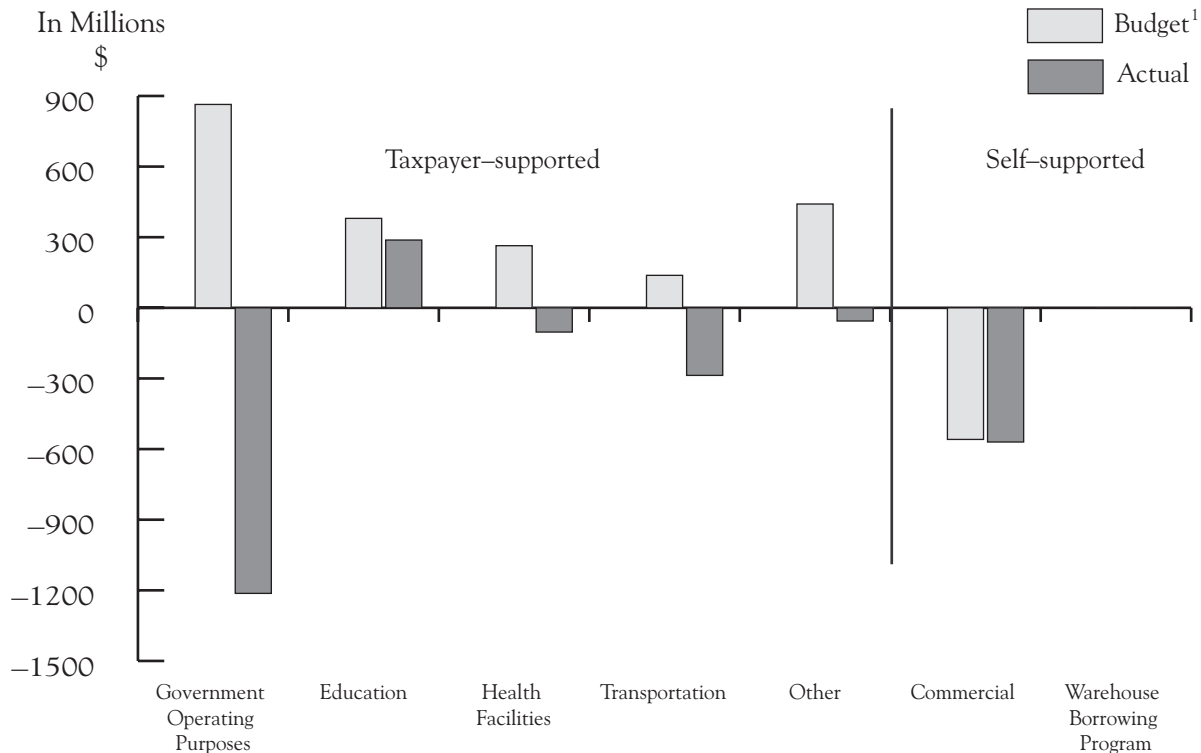
## Change in Provincial Debt, Comparison to Budget (Unaudited)

Provincial debt decreased by \$1,941 million, compared to a budgeted increase of \$1,628 million (per the Budget and Fiscal Plan presented in February 2004, adjusted to reflect the restated Public Accounts balance at March 31, 2004), for an improvement of \$3,569 million. Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category. The decrease in taxpayer-supported debt was \$3,458 million higher than budget and the decrease in self-supported debt was \$11 million higher than budget. In addition, the \$100 million forecast allowance included in the budget was not required.

Taxpayer-supported debt decreased by \$1,371 million, compared to a budgeted increase of \$2,087 million. The improvement of \$3,458 million is due to: reduced borrowing for government operating purposes (\$2,077 million) as a result of improved operating results, higher than forecast cash balances at the start of the year, updated cash flow information for Health Accord funding, and reduced financing transaction requirements; lower than forecast capital spending on education, health, and transportation infrastructure and changes in sinking fund balances (\$884 million); lower than expected debt of other taxpayer-supported Crown corporations and agencies (\$235 million); and, reclassification of Columbia River power projects from taxpayer-supported to the self-supported category (\$262 million).

Self-supported debt decreased by \$570 million, compared to a budgeted decrease of \$559 million, for an improvement of \$11 million. The improvement is a result of reduced debt for British Columbia Hydro and Power Authority (\$268 million) due to improved operating results and lower working capital requirements offset by the reclassification of Columbia River power projects from taxpayer-supported to the self-supported category.

**Chart 3**



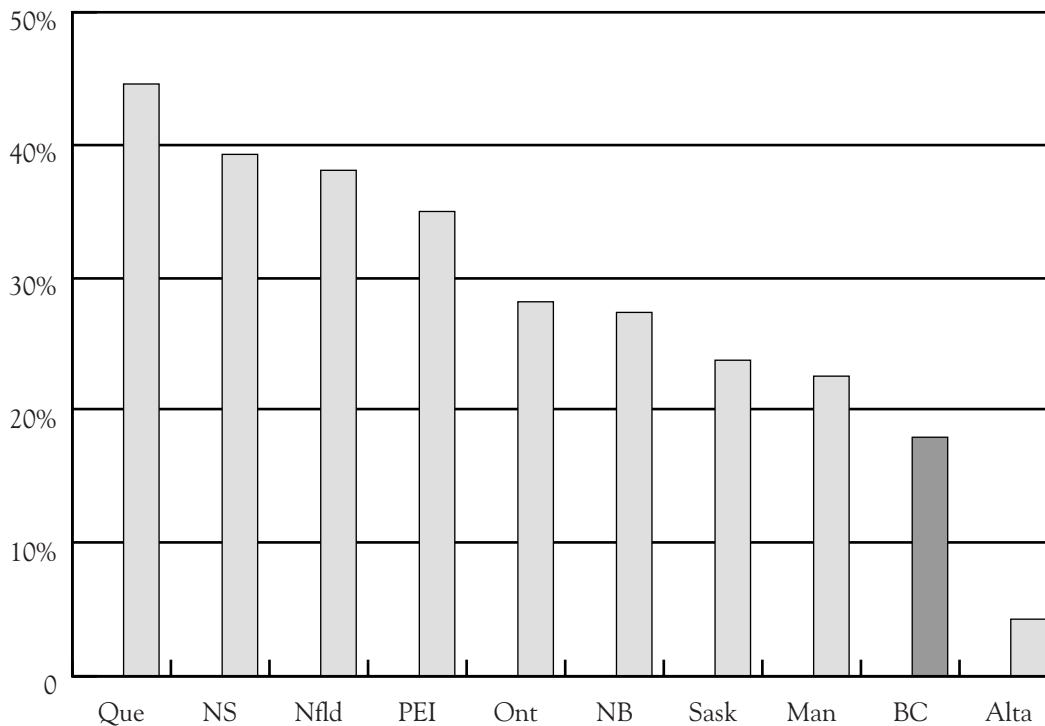
<sup>1</sup>Adjusted to reflect the restated Public Accounts balances at March 31, 2004.

## Interprovincial Comparison of Taxpayer-supported Debt as a Percentage of Gross Domestic Product (Unaudited)

Chart 4 below shows the ratio of each province's taxpayer-supported debt as a percentage of their gross domestic product (GDP). The ratio of a province's taxpayer-supported debt relative to its GDP highlights the ability of a province to service its debt load. This ratio is often used by investors and credit rating agencies when assessing a province's investment quality. According to the Moody's Investors Service, British Columbia's taxpayer-supported debt ratio is one of the lowest in Canada and this translates into a strong credit rating and relatively low debt servicing costs.

### Chart 4

Percent of GDP at March 31, 2005



Source: Moody's Investors Service Inc., based on May 2005 estimates.

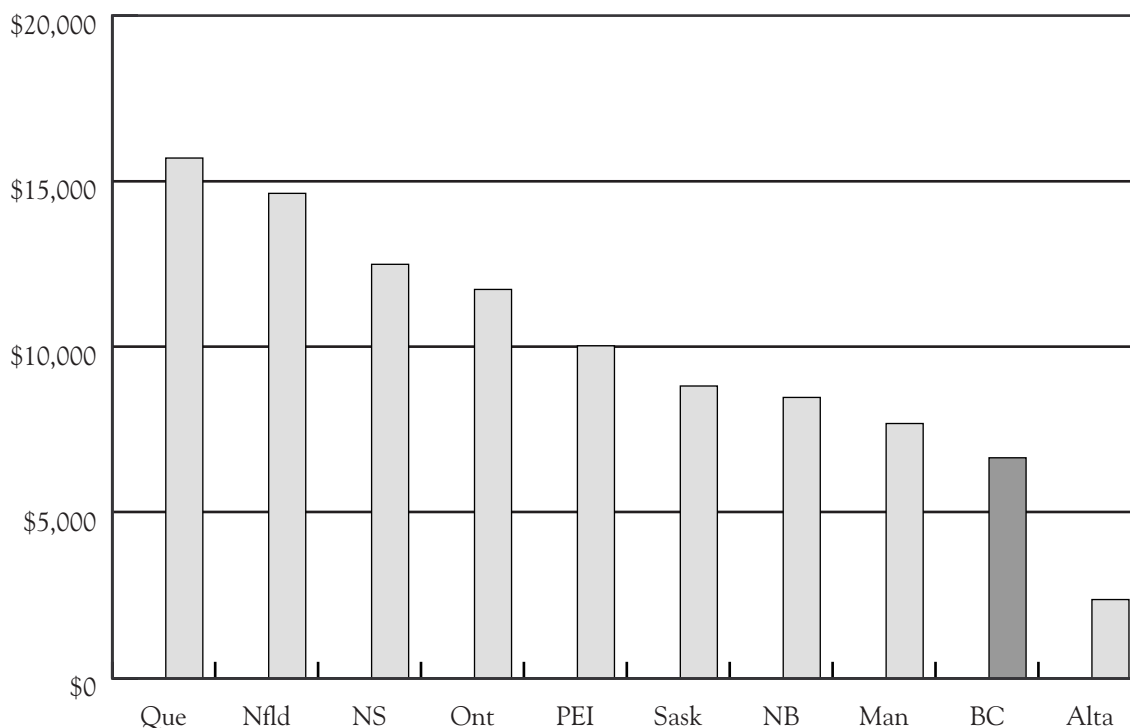


## Interprovincial Comparison of Taxpayer-supported Debt per Capita (Unaudited)

Chart 5 shows the interprovincial taxpayer-supported debt per capita, which is the amount of taxpayer-supported debt owing for each resident in a province. According to Moody's Investors Service Inc. (Moody's), British Columbia has the second lowest taxpayer-supported debt per capita of all provinces.

**Chart 5**

\$ per capita at March 31, 2005



Source: Moody's Investors Service Inc., based on May 2005 estimates.

Moody's definition of taxpayer-supported debt is modestly different from the definition used by the Ministry of Finance. The financial community has not agreed upon a definition for taxpayer-supported debt. The definition which Moody's uses is the closest to that employed by the ministry but, even then, there are small differences; for example, in contrast to Moody's, the ministry classifies self-supported university debt as taxpayer-supported debt because the institutions are taxpayer-supported entities. The value of presenting Moody's debt indicators is that it provides an interprovincial comparison from a third party source, which is helpful for readers to understand the province's relative performance and ranking.

More comprehensive information of the debt of the province and its Crown corporations and agencies is provided on the Debt Management Branch website. This detailed information can assist readers in assessing the province's debt position. The website is available on the Internet at: [www.fin.gov.bc.ca/PT/dmb/index.shtml](http://www.fin.gov.bc.ca/PT/dmb/index.shtml).





# Report of the Auditor General of British Columbia

## ON THE SUMMARY OF PROVINCIAL DEBT, KEY INDICATORS OF PROVINCIAL DEBT, AND SUMMARY OF PERFORMANCE MEASURES

*To the Legislative Assembly  
of the Province of British Columbia*

### **Preamble**

Each year since 1995 the Auditor General has provided a special report to the Legislative Assembly on the accuracy of debt-related statements prepared by the Government. For the 2004/05 fiscal year these statements are the Summary of Provincial Debt, Key Indicators of Provincial Debt, and Summary of Performance Measures. Through these statements the Government reports on its debt management by presenting five years of information on provincial debt and debt indicators, and compares its actual results of Performance Measures to its benchmark measures for the fiscal year ended March 31, 2005.

The three statements named above are prepared using a government reporting entity that is the same as that used in the Government's Summary Financial Statements. However, there are some differences in accounting principles used compared to the Summary Financial Statements. For example, in these statements the debt is calculated net of sinking fund assets, total provincial revenue includes the gross revenue of modified equity enterprises, and total provincial interest costs include the gross interest expense of modified equity enterprises.

The preparation of the three statements is the responsibility of the Government. My responsibility is to express an opinion on the accuracy of such information, based on the accounting conventions followed by the Government.

REPORT OF THE AUDITOR GENERAL  
OF BRITISH COLUMBIA ON THE  
SUMMARY OF PROVINCIAL DEBT,  
KEY INDICATORS OF PROVINCIAL DEBT, AND  
SUMMARY OF PERFORMANCE MEASURES

**Scope**

I examined financial and other information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2005, Key Indicators of Provincial Debt for the five years ended March 31, 2005, and Summary of Performance Measures for the year ended March 31, 2005 in accordance with procedures I considered necessary in the circumstances. These procedures include the verification of financial information extracted from financial statements audited by me or by other auditors whose work I have reviewed on a test basis. These procedures also include confirming or assessing the reasonableness of the non-financial and statistical data used by the Government for the Province's credit rating, population and gross domestic product; however, I did not perform an audit of such data.

**Opinion**

As a result of applying these procedures, I am of the opinion that the information included in the statements titled Summary of Provincial Debt for the five years ended March 31, 2005, Key Indicators of Provincial Debt for the five years ended March 31, 2005, and Summary of Performance Measures for the year ended March 31, 2005 are, in all significant respects, consistent with the sources from which they are extracted, and are presented in a consistent manner.

**Disclaimer**

I have not been associated with the development of the Government plans to manage provincial debt, nor have I audited them. This is the responsibility of the Government. My responsibility is limited to examining the information included in the statements specifically referred to in the above scope paragraph.



*Victoria, British Columbia  
May 13, 2005*

Wayne Strelieff, FCA  
Auditor General

## Summary of Provincial Debt<sup>1</sup> as at March 31

	In Millions				
	2005	2004	2003	2002	2001
<b>Taxpayer-supported Debt</b>	\$	\$	\$	\$	\$
Provincial government direct operating <sup>2,3</sup> .....	14,481	15,694	15,447	13,779	12,007
Education <sup>4</sup>					
Schools.....	4,483	4,409	4,333	4,126	3,910
Post-secondary institutions.....	2,326	2,112	1,791	1,717	1,548
	<u>6,809</u>	<u>6,521</u>	<u>6,124</u>	<u>5,843</u>	<u>5,458</u>
Health facilities <sup>4</sup> .....	<u>2,112</u>	<u>2,215</u>	<u>2,146</u>	<u>2,075</u>	<u>1,926</u>
Highways, ferries and public transit					
BC Transportation Financing Authority.....	2,474	2,764	2,661	2,514	2,197
British Columbia Ferry Corporation <sup>3</sup> .....				19	21
British Columbia Transit.....	78	83	87	79	75
Public transit <sup>4</sup> .....	906	914	930	936	948
SkyTrain extension <sup>4</sup> .....	1,135	1,119	1,105	1,044	836
Rapid Transit Project 2000 Ltd.....			3	47	114
	<u>4,593</u>	<u>4,880</u>	<u>4,786</u>	<u>4,639</u>	<u>4,191</u>
Other					
British Columbia Buildings Corporation.....	241	317	456	596	610
552513 British Columbia Ltd. (Skeena Cellulose Inc.) <sup>5</sup>					337
Social housing <sup>6</sup> .....	133	156	161	299	265
Homeowner Protection Office.....	130	129	123	113	71
Other <sup>7</sup> .....	158	116	182	190	244
	<u>662</u>	<u>718</u>	<u>922</u>	<u>1,198</u>	<u>1,527</u>
Total taxpayer-supported debt.....	<u>28,657</u>	<u>30,028</u>	<u>29,425</u>	<u>27,534</u>	<u>25,109</u>

## Summary of Provincial Debt<sup>1</sup> as at March 31—Continued

	In Millions				
	2005	2004	2003	2002	2001
<b>Self-supported Debt</b>	\$	\$	\$	\$	\$
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority.....	6,906	7,040	6,784	6,670	6,649
British Columbia Railway Company <sup>2</sup> .....		477	494	614	603
Columbia River power projects <sup>8</sup> .....	257	215	118	120	93
Columbia Power Corporation.....			47	64	20
British Columbia Liquor Distribution Branch.....	6	7	9	13	2
	<u>7,169</u>	<u>7,739</u>	<u>7,452</u>	<u>7,481</u>	<u>7,367</u>
Warehouse Borrowing Program.....				1,067	1,312
Total self-supported debt.....	<u>7,169</u>	<u>7,739</u>	<u>7,452</u>	<u>8,548</u>	<u>8,679</u>
<b>Total provincial debt.....</b>	<b><u>35,826</u></b>	<b><u>37,767</u></b>	<b><u>36,877</u></b>	<b><u>36,082</u></b>	<b><u>33,788</u></b>

<sup>1</sup>Debt is after deductions of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used in 2004/05.

<sup>2</sup>Effective July 19, 2004, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Railway Company (\$463 million).

<sup>3</sup>Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Ferry Corporation (\$1,080 million).

<sup>4</sup>Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

<sup>5</sup>Based on the outlook for world pulp prices and their potential impact on 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the debt was reclassified as being taxpayer-supported in 2000/01. In fiscal 2001/02, the company's debt was assumed by the provincial government (\$260 million) and by the minority shareholder (\$94 million), as Skeena Cellulose Inc. was sold to the private sector.

<sup>6</sup>Includes debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

<sup>7</sup>Includes debt of Land and Water British Columbia Inc., the Pacific National Exhibition, other taxpayer-supported Crown corporations and agencies and the fiscal agency loans to local governments. Also includes student loan guarantees, loan guarantees to agricultural producers, and guarantees under economic development and home mortgage assistance programs.

<sup>8</sup>Joint ventures of Columbia Power Corporation and Columbia Basin Trust.

## Key Indicators of Provincial Debt<sup>1</sup> for the Fiscal Years Ended March 31

	2005		2004	2003	2002	2001
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Debt to Revenue (percent)</b>						
Total provincial.....	98.4	85.2	100.8	104.7	92.2	81.3
Taxpayer-supported.....	108.0	88.4	107.4	110.3	100.3	88.1
<b>Debt per Capita (\$) <sup>2</sup></b>						
Total provincial.....	9,413	8,538	9,096	8,962	8,848	8,365
Taxpayer-supported.....	7,674	6,830	7,232	7,151	6,752	6,217
<b>Debt to GDP (percent) <sup>3</sup></b>						
Total provincial.....	26.8	22.9	26.0	26.7	26.9	25.7
Taxpayer-supported.....	21.8	18.3	20.6	21.3	20.5	19.1
<b>Interest Bite (cents per dollar of revenue) <sup>4</sup></b>						
Total provincial.....	6.0	5.0	5.9	6.3	6.2	6.3
Taxpayer-supported.....	6.4	5.0	6.0	6.3	6.3	6.7
<b>Interest Costs (\$ millions)</b>						
Total provincial.....	2,404	2,119	2,207	2,237	2,432	2,636
Taxpayer-supported.....	1,907	1,624	1,682	1,669	1,734	1,903
<b>Interest Rate (percent) <sup>5</sup></b>						
Taxpayer-supported.....	6.1	5.5	5.7	5.9	6.6	7.6
<b>Background Information</b>						
<b>Revenue (\$ millions)</b>						
Total provincial <sup>6,7</sup> .....	40,048	42,058	37,464	35,232	39,127	41,551
Taxpayer-supported <sup>8</sup> .....	29,737	32,407	27,966	26,680	27,456	28,516

## Key Indicators of Provincial Debt<sup>1</sup> for the Fiscal Years Ended March 31—Continued

	2005		2004	2003	2002	2001
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Total Debt (\$ millions)</b>						
Total provincial.....	39,395	35,826	37,767	36,877	36,082	33,788
Taxpayer-supported <sup>9</sup> .....	32,115	28,657	30,028	29,425	27,534	25,109
<b>Provincial GDP (\$ millions)<sup>10</sup>.....</b>	147,161	156,481	145,500	138,368	134,060	131,333
<b>Population (thousands at July 1)<sup>11</sup>.....</b>	4,185	4,196	4,152	4,115	4,078	4,039

<sup>1</sup>Figures for prior years and the 2004/05 budget have been restated to conform with the presentation used for fiscal 2004/05 and to include the effects of changes in underlying data and statistics.

<sup>2</sup>The ratio of debt to population (e.g., debt at March 31, 2005 divided by population at July 1, 2004).

<sup>3</sup>The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g., debt at March 31, 2005 divided by 2004 GDP).

<sup>4</sup>The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

<sup>5</sup>Weighted average of the cost of all outstanding debt issues.

<sup>6</sup>Includes revenue of the Consolidated Revenue Fund (excluding dividends from enterprises) plus revenue of all government organizations and enterprises.

<sup>7</sup>Total provincial revenue since 2002/03 has been amended to reflect a change in accounting policy for power utilities. Electricity trade activities that are supported by derivative purchases and sales are reported on a net basis (no bottom line impact). This resulted in a revenue decrease (and an offsetting decrease in expense) of \$1.3 billion in 2002/03 and \$1.1 billion in 2003/04 for the British Columbia Hydro and Power Authority. The amount for 2004/05 is unknown. Amounts for years before 2002/03 have not been restated due to lack of information. This restatement affects the calculation of two indicators: total provincial debt to revenue and total provincial interest bite.

<sup>8</sup>Excludes revenue of government enterprises, but includes dividends from enterprises paid to the Consolidated Revenue Fund.

<sup>9</sup>Excludes debt of commercial Crown corporations and agencies and funds held under the province's Warehouse Borrowing Program.

<sup>10</sup>GDP for the calendar year ending in the fiscal year (e.g., GDP for 2004 is used for the fiscal year ending March 31, 2005).

<sup>11</sup>Population at July 1st within the fiscal year (e.g., population at July 1, 2004 is used for the fiscal year ending March 31, 2005).

## Summary of Performance Measures<sup>1</sup> for the Fiscal Year Ended March 31, 2005

	2005	2005	2004
	Target	Actual	Actual
Provincial credit rating <sup>2</sup> .....	Aa2	Aa1	Aa2
Taxpayer-supported debt to GDP ratio <sup>2</sup> .....	In the lowest 3	2nd lowest	2nd lowest
Taxpayer-supported debt service costs as a percentage of revenue <sup>2</sup> .....	2nd lowest	2nd lowest	2nd lowest

<sup>1</sup>Performance measures as presented in the Ministry of Finance Service Plan in February 2004.

<sup>2</sup>Moody's Investors Service Inc., based on May 2005 estimates. The debt to gross domestic product (GDP) and debt service costs as a percentage of revenue performance measures represent interprovincial comparisons.



## Definitions (Unaudited)

*Consolidated Revenue Fund*—includes the taxpayer-supported activities of the General Fund and special funds of the government through which the government delivers central government programs. It does not include the activities of government operated through Crown corporations and agencies or the school districts, universities, colleges, institutes and health authorities (SUCH) sector.

*Consolidation*—the methods used to combine the results of Crown corporations and agencies and the SUCH sector entities with the Consolidated Revenue Fund. The two methods used are:

(i) *Full or Proportional Consolidation*—the accounts of the Crown corporation, agency or SUCH sector entity are adjusted to a basis consistent with the accounting policies of the government. The operating result and financial position of the Crown and SUCH entities are combined with those of the Consolidated Revenue Fund on a "line-by-line" basis. Inter-entity accounts and transactions are eliminated upon consolidation. Proportional consolidation differs from full consolidation in that only the government's portion of operating and financial results of a joint venture is combined with those of the Consolidated Revenue Fund on a "line-by-line" basis.

(ii) *Modified Equity Consolidation*—the original investment of the government in the Crown corporation, agency or SUCH sector entity is initially recorded at cost and adjusted annually to include the net earnings/losses and other net equity changes of the entity. There is no adjustment to conform to government accounting policies. Since the government ensures the ongoing activities of self-supported Crown corporations and agencies, full account is taken of losses in these entities, even when cumulative losses exceed the original investment. Accounts and transactions between self-supported entities are not eliminated; however, profit elements included in such transactions, including certain increases in contributed surplus, are eliminated.

*Debt* has a variety of meanings:

(i) *Gross debt*—the par value of the debt, unamortized discount and premiums, and unrealized foreign exchange gains or losses.

(ii) *Net debt*—gross debt less sinking fund investments.

(iii) *Provincial debt*—net debt plus guaranteed debt and debt directly incurred by modified equity entities.

*Deficit*—the meaning is dependent upon the statement to which it applies:

(i) Statement of Financial Position: *Accumulated Deficit*—the amount by which the total liabilities of the government exceeds its total assets.

(ii) Statement of Operations: *Annual Deficit*—the amount by which the total annual expenses for the operating year exceed total annual revenues (see "Surplus" definition).

*Entitlement*—a government transfer that must be made if the recipient meets specified eligibility criteria. Entitlements are non-discretionary in the sense that both eligibility criteria and the amount of the payment are prescribed in a statute or regulation.

*Financial assets*—assets on hand at the end of the accounting period, including cash and assets that are readily convertible into cash and are not intended for consumption in the normal course of activities. These assets could be liquidated to discharge existing liabilities or finance future operations. Financial assets could include sinking fund investments held to pay debt at maturity. On the province's statements, sinking funds are not reported as financial assets but are, instead, netted against debt.

*Government business partnership*—a government partnership that has all the following characteristics:

(i) is a separate legal entity with the power to contract in its own name and that can sue or be sued;

(ii) has been delegated the financial and operational authority to carry on a business;

(iii) sells goods and/or services to individuals and organizations outside the government reporting entity as its principal activity; and

(iv) can, in the normal course of its operation, maintain its operations and meet its liabilities from revenue received from sources outside the government reporting entity.

## Definitions—Continued (Unaudited)

*Government partnership*—a contractual arrangement between the government and a party or parties outside the government reporting entity that has all the following characteristics:

- (i) the partners cooperate toward achieving significant, clearly defined common goals;
- (ii) the partners make a financial investment in the government partnership;
- (iii) the partners share control of decisions related to the financial and operating policies of the government partnership on an ongoing basis; and
- (iv) the partners share, on an equitable basis, significant risks and benefits associated with the operation.

*Government transfers*—transfer of money from government to an individual, organization or another government from which the government making the transfer does not:

- (i) receive any goods or services directly in return;
- (ii) expect to be repaid in the future; nor
- (iii) expect a financial return.

*Grants*—a government transfer made at the sole discretion of the government. The government has the discretion to decide whether or not to make the grant, any conditions to be complied with, the amount of the grant and the recipient of the grant.

*Net liabilities*—the amount by which the total liabilities of the government exceed its total financial assets. The separate calculation of this number on the Statement of Financial Position is unique to financial statements for Canadian senior governments. This calculation excludes non-financial assets such as buildings and prepaid expenses.

*Provincial government direct debt*—combines the government direct operating debt and the debt incurred to finance education, health facilities and public transit. This combined portfolio represents the debt for which the government has direct responsibility for the associated debt service costs.

*Self-supported Crown corporations and agencies*—all Crown corporations and agencies that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the legislature and are owned or controlled by the government. In addition, they must also carry on a business that sells goods and/or services to persons outside the government reporting entity as their principal activity and maintain operations and meet liabilities from revenue received outside the government reporting entity in the normal course of operations. This also includes the government's interest in government business partnerships.

*Sinking funds*—a pool of cash and investments earmarked to provide resources for the redemption of debt.

*Summary accounts*—the financial position and operating result of the government reporting entity including the Consolidated Revenue Fund, Crown corporations, agencies and SUCH sector entities; the amounts represented by the Summary Financial Statements of the government.

*Surplus*—meaning is dependent upon the statement to which it applies:

- (i) Statement of Financial Position: the accumulated surplus is the amount by which the total assets of the government exceeds its total liabilities.
- (ii) Statement of Operations: the annual surplus is the amount by which the total annual revenues for the operating year exceed total annual expenses (see "Deficit" definition).

*Taxpayer-supported Crown corporations and agencies and SUCH sector entities*—all Crown corporations and agencies and entities outside the Consolidated Revenue Fund that meet the criteria of control (by the province) as established by generally accepted accounting principles. In addition, they must not meet the criteria for being self-supported. This also includes the government's interest in government partnerships that are not government business partnerships.

*Transfers under agreements (including shared cost)*—a government transfer that is a reimbursement of eligible expenditures pursuant to an agreement between the government and the recipient. The recipient usually spends the money first; however, the government has some input into how the money is spent.

## Acronyms (Unaudited)

AiP	Agreement in Principle
APAC	Accounting Policy Advisory Committee
BCHMC	British Columbia Housing Management Commission
BCRC	British Columbia Railway Corporation
BC Hydro	British Columbia Hydro and Power Authority
BCT	British Columbia Transit
BTAA	Budget Transparency and Accountability Act
CHMC	Canada Housing and Mortgage Corporation
CHST	Canada Health and Social Transfer
CICA	Canadian Institute of Chartered Accountants
CN	Canadian National Railway Company
CRF	Consolidated Revenue Fund
ICBC	Insurance Corporation of British Columbia
FAA	Financial Administration Act
FRAS	Financial Reporting and Advisory Services
FTE	Full-time equivalent
GAAP	Generally accepted accounting principles (for senior governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants)
GRE	Government reporting entity
GVTA	Greater Vancouver Transportation Authority
Health Accord	February 2003 First Ministers' Accord on Health Care Renewal
MPA	Multi-party agreement
OAG	Office of the Auditor General
OCCG	Office of the Comptroller General
OIC	Order in Council
PHSA	Provincial Health Services Authority
PSAB	Public Sector Accounting Board
RTP	Rapid Transit Project 2000 Ltd.
SUCH	School districts, universities, colleges, institutes and health authorities (Note: health authorities includes hospital societies unless separately disclosed.)
TCA	Tangible capital assets
UBC	University of British Columbia
WCB	Workers' Compensation Board of British Columbia
VANOC	Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games