

British Columbia's Public Accounts

Staying the Course

The Public Accounts include the Summary Financial Statements of the provincial Government Reporting Entity which includes the financial results of all ministries and Crown agencies presented on a consolidated basis. The supporting notes and schedules define the accounting policies followed in preparing the province's financial statements and form an integral part of the overall financial picture of the province's financial activities in fiscal year 2013/14.

Responsibility for the preparation of the government's financial statements rests with the Office of the Comptroller General. Although accounting policies are based in Public Sector Accounting Standards, the application of standards to specific programs and transactions is the responsibility of the preparer who must use professional judgement to determine the treatment that is most representative of the underlying economic substance and best serves the information requirements of the users of government financial statements.

These determinations can be challenging, particularly in a time of continuing significant change in national and international accounting standards. To ensure due diligence in the application of accounting policies, decisions are based on comprehensive understanding of the substance of transactions, reference to existing and emerging accounting standards, and consultation with standard setters, other jurisdictions and the audit community. In preparing the province's financial statements, our objective is to ensure they not only comply with the technical requirements of Public Sector accounting, but also provide useful and understandable information about government's financial results and the financial position of the province. In addressing these challenges, the province is supported by the independent Accounting Policy Advisory Committee established under the *Budget Transparency and Accountability Act* in 2001.

Throughout the year, we work with the Office of the Auditor General to implement changes in accounting standards, address audit findings and recommendations, and improve the transparency of financial reporting. In doing so, we are mindful of the need to maintain consistency in the fundamental principles of accounting, and the comparability of financial information over a long period of time. This continuity allows the users of financial information to compare government's financial performance against their fiscal plan, and to understand the province's financial performance over longer periods of time. These objectives help to demonstrate accountability for financial performance to the public, both in the current year and over the longer term.

We are fortunate in British Columbia to have had a review of the budget and reporting process. The Budget Process Review Panel report set out some very clear principles for financial reporting based on user needs. This has guided our principles-based financial reporting since then. Currently, much of the challenge related to changing accounting standards relates to PSAB moving away from a revenue and expense model to an asset and liability model. This is moving the accounting further away from some of the principles included in the Budget Process Review Panel report. These principles have been used by government as the basis for budgeting annual expenditures. They have also been relied upon by users of the financial statements in establishing the government's accountability for financial management and ensuring consistency in presentation.

Despite the growing complexity of the reporting process, British Columbia remains committed to timely delivery of the Public Accounts each year and continues to focus on consistency 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.

To provide financial statement users with assurance over the reliability of the Public Accounts, the Auditor General expresses his independent opinion on the Summary Financial Statements and Debt Summary Report. This year the Auditor General has once again provided a qualified opinion, identifying areas where he believes the financial statements depart from the Canadian generally accepted accounting principles. While our judgement differs from that of the Auditor General, those differences are identified and quantified in the audit opinion, and disclosure is provided in the notes to the financial statements to ensure users are fully informed. Although disclosure is not an alternative to financial statement recognition, our main concern in addressing areas of disagreement is to ensure transparency and support a full understanding of the basis and nature of qualification while we engage the national community to resolve differences of application.

I would like to thank the Select Standing Committee on Public Accounts of the Legislative Assembly, government ministries, Crown corporations and agencies, and the Auditor General and his staff for their cooperation and support in preparing the 2013/14 Public Accounts.

Comments or questions regarding the Public Accounts document 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: Stuart.Newton@gov.bc.ca; by telephone at 250-387-6692, or by fax at 250-356-2001.

Further information on the government's financial performance is also provided through the Consolidated Revenue Fund Extracts (available on the Internet – website <http://www.fin.gov.bc.ca/ocg.htm>). These extracts compare actual to planned spending of ministries on an appropriation basis, fulfilling ministries accountability back to the Legislative Assembly.

STUART NEWTON
Comptroller General

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Public Accounts Content

Financial Statement Discussion and Analysis (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 business enterprises) and the school districts, universities, colleges, institutes and health organizations (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 Statement of Financial Position, the CRF Statement of Operating Results, the CRF Statement of Cash Flow, a CRF Schedule of Net Revenue by Source, a CRF Schedule of Expenses, a CRF Schedule of Financing Transactions, and a CRF Schedule of Write-offs, Extinguishments and Remissions, as required by statute.

Provincial Debt Summary—this section presents unaudited schedules and unaudited 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.

Legislative Compliance and Accounting Policy 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, school districts, universities, colleges, institutes and health organizations 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."

For senior governments, generally accepted accounting principles (GAAP) is generally considered to be the recommendations and guidelines of the Canadian Public Sector Accounting Board.

Section 4.1 of the BTAA established an Accounting Policy Advisory Committee (APAC) to advise Treasury Board on the implementation of GAAP for the government reporting entity (GRE). With the government's transition to full GAAP for the 2004/05 year, the role of APAC changed to include the provision of advice on evolving developments in accounting standards by the accounting profession, as well as emerging issues within government.

Financial Statement Discussion and Analysis Report

Highlights

The highlights section provides a summary of the key events affecting the financial statements based on information taken from the Summary Financial Statements and Provincial Debt Summary included in the Public Accounts. The budget figures are from pages 3–7 of the *Estimates—Fiscal Year Ending March 31, 2014 Presented to the Legislative Assembly June 27, 2013*.

- The province ended the year with a surplus of \$353 million, compared to a budgeted surplus of \$153 million. Revenues were \$511 million lower than budget estimates, offset by \$561 million savings in budgeted government spending. The \$150 million forecast allowance was not used.
- In 2013/14, the province's net investment to build and upgrade schools, universities, colleges, hospitals, roads and bridges was \$1,016 million. Capital investment is financed through a combination of debt, partnerships with the private sector and cost sharing with partners such as Federal and Municipal governments.
- Total provincial debt, the most commonly used measure of debt, increased by \$4,877 million in 2013/14 to finance capital infrastructure and support working capital requirements for programs and initiatives. For accounting purposes, financial statement debt increased by \$3,963 million in 2013/14. A reconciliation of total provincial debt to financial statement debt is included on page 132 of the Public Accounts.
- In calendar year 2013, the provincial economy grew by 2.0% as measured by real GDP. This is equal to the national average rate of 2.0%. The province's ratio of net liabilities to GDP was 17.2%.
- British Columbia continues to maintain a strong credit rating with all three major credit rating agencies. Dominion Bond Rating Service affirmed the province a rating of AA(high), Standard & Poor's affirmed the province's rating of AAA, and Moody's Investors Service Inc. affirmed the province's rating of Aaa.

Financial Statement Discussion and Analysis Report

Economic Highlights

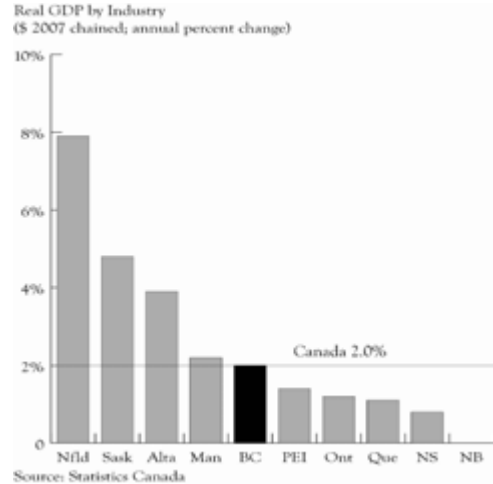
British Columbia's economy grew by an estimated 2.0% in the 2013 calendar year, the fifth highest rate among provinces and equal to the national average of 2.0%, according to preliminary GDP by industry data from Statistics Canada. The 2.0% growth for British Columbia in 2013 is higher than the government's *Budget 2014* estimate of 1.4%.

Real Gross Domestic Product in Calendar Year 2013

Growth was observed across most major industries in 2013 with the exception of utilities (down 2.9%), public administration (down 1.0%) and manufacturing (down 0.2%). The strongest gains among industries in 2013 were observed in mining, quarrying and oil and gas extraction (up 5.1%), finance and insurance services (up 3.8%) and real estate, rental and leasing services (up 3.7%). Wholesale and retail trade, construction, as well as accommodation and food services, also saw steady gains in 2013.

Retail sales, an indicator of consumer spending, increased by 2.4% in 2013. Also, the value of merchandise exports from British Columbia increased by 6.3% in 2013 due to strong external demand for BC products.

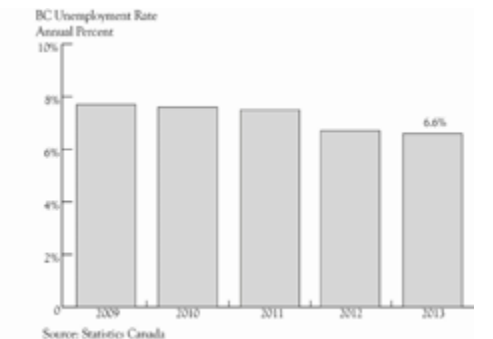
Provincial Comparison



Unemployment Rate in Calendar Year 2013

British Columbia saw its annual unemployment rate decline slightly in 2013, as it fell to 6.6% from the 6.7% rate observed in 2012. The unemployment rate in BC in 2013 was lower than the national average of 7.1%. The average level of employment in 2013 was higher than the pre-recession level observed in 2008 (by about 41,700 jobs).

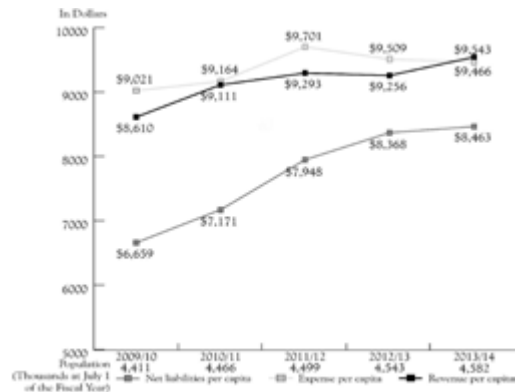
2009 to 2013



Per Capita Information

Per capita information describes the amount of revenue received, amounts expended, and net liabilities incurred per person in the province over the last five years. Expense per capita and net liabilities per capita remained stable in the year while revenue per capita increased slightly from \$9,256 to \$9,543.

2009/10 to 2013/14



Financial Statement Discussion and Analysis Report

Discussion and Analysis

The detailed analysis section provides an overview of significant trends relating to the Statement of Operations, Statement of Financial Position and Provincial Debt.

Summary Accounts Surplus (Deficit)

	In Millions			Variance	
	2013/14 Budget	2013/14 Actual	2012/13 Actual	2013/14 Actual to Budget	2013/14 vs 2012/13
	\$	\$	\$	\$	\$
Taxpayer-supported Programs and Agencies					
Revenue.....	41,424	41,027	39,273	(397)	1,754
Expense.....	(43,936)	(43,375)	(43,201)	561	(174)
Taxpayer-supported net earnings	(2,512)	(2,348)	(3,928)	164	1,580
Self-supported Crown corporation net earnings.....	2,815	2,701	2,776	(114)	(75)
Surplus (deficit) before unusual items	303	353	(1,152)	50	1,505
Forecast allowance.....	(150)			150	0
Surplus (deficit) for the year.....	153	353	(1,152)	200	1,505

The province ended the year with a surplus of \$353 million, which was \$200 million higher than the surplus forecast in the *Budget and Fiscal Plan 2013/14 – 2015/16*. The 2013/14 surplus of \$353 million was \$1,505 million more than the deficit of \$1,152 million in fiscal year 2012/13.

During the 2013/14 fiscal year, the province continued to invest in capital projects. Investments in infrastructure, including the Interior Heart and Surgical Centre, Lakes District Hospital replacement, North Island Hospital Project, Children's and Women's Hospitals Redevelopment Project, Surrey Memorial Hospital Emergency Department and Critical Care Tower Project, School of Design at Kwantlen Polytechnic University, Trades Training Facility Expansion and Replacement Project at Okanagan College, investments in public transit, the Cariboo Connector Program, Highway 1 improvements–Kamloops to Alberta border and various upgrades and improvements to facilities in the Education sector, as well as the province's power generation and transmission facilities, which ensure the necessary infrastructure is in place to meet key service delivery needs and support economic development in BC.

Financial Statement Discussion and Analysis Report

Components of Surplus (Deficit)

Revenue Analysis

Revenue analysis helps users understand the government's finances in terms of its revenue sources and allows them to evaluate the revenue producing capacity of the government.

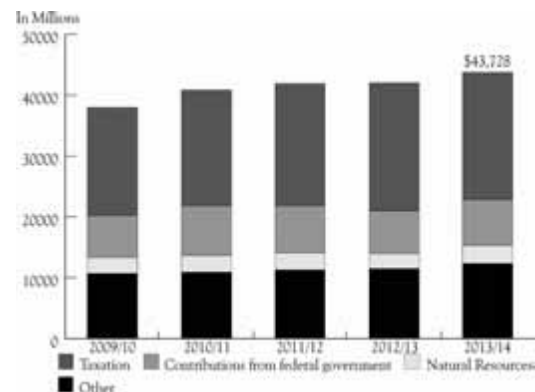
Revenue by Source

Revenue by source provides an outline of the primary sources of provincial revenue and how results change between those sources over time. Revenues are broken down into separate components of taxation, contributions from the federal government, natural resources and other sources, which include fees and licenses, contributions from self-supported Crown corporations, and investment income.

	In Millions				
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual
	\$	\$	\$	\$	\$
Taxation.....	17,702	19,031	20,145	21,050	20,930
Contributions from federal government.....	6,927	8,009	7,718	7,044	7,502
Fees and licences.....	4,121	4,440	4,735	4,907	5,210
Miscellaneous.....	2,615	2,696	2,685	2,626	3,194
Natural resources.....	2,649	2,729	2,812	2,473	2,955
Net earnings of self-supported Crown corporations.....	3,033	2,940	2,691	2,776	2,701
Investment income.....	931	843	1,022	1,173	1,236
Total revenue.....	37,978	40,688	41,808	42,049	43,728

2009/10 to 2013/14

Provincial revenues increased by \$1,679 million in 2013/14. The improvement in provincial revenue was led by increases in contributions from the federal government, natural resource revenues, and fees and licences. Increases in these significant sources of revenue were offset by decreases in taxation and earnings from self-supported Crown corporations.



In 2013/14, tax revenue decreased by \$120 million (0.6%). Personal income tax revenue decreased by \$115 million (1.6%) while corporate income tax revenue increased by \$223 million (10.1%). Harmonized sales tax was replaced with provincial sales tax in the year, the amount of provincial sales tax received was \$677 million (11.3%) less than the amount received under the harmonized sales tax in 2012/13 including adjustments to prior year estimates of \$250 million. Tobacco tax increased by \$109 million (17.7%), and there was a \$179 million increase (23.6%) in property transfer tax revenue from 2012/13. All other tax revenues increased by \$161 million over the same period.

Contributions from the federal government were \$458 million higher than contributions received in 2012/13. This increase was the result of annual increase to the provinces per capita share of Canada Health and Social transfers.

Natural resource revenues increased by \$482 million (19.5%) from 2012/13 to 2013/14. Petroleum, natural gas and mineral royalties were \$230 million (17.1%) more than in 2012/13. Forest revenues increased by \$157 million (27.9%) and other sources of natural resource revenue increased by \$95 million (16.7%) over 2012/13.

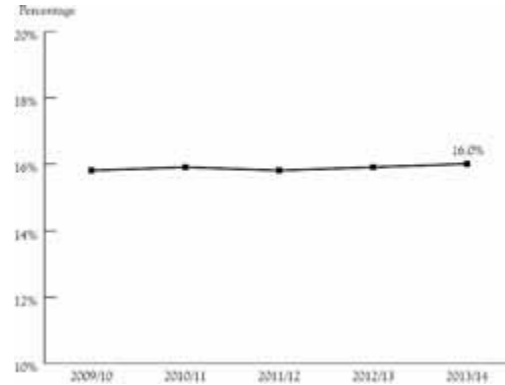
Financial Statement Discussion and Analysis Report

Own-source Revenue to GDP

The ratio of own-source revenue to GDP represents the amount of revenue the provincial government is taking from the provincial economy in the form of taxation, natural resource revenue, earnings of self-supported Crown corporations and user fees and licences (own-source revenue is all revenue except for federal transfers).

Own-source revenue to GDP has increased marginally in 2013/14 ending the year at 16.0%.

2009/10 to 2013/14

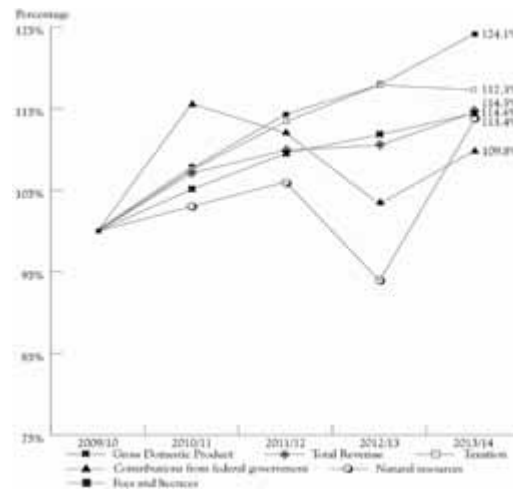


Percentage Change in Revenue

Trend analysis of revenue provides users with information about significant changes in revenue over time and between sources. This enables users to evaluate past performance and assess potential implications for the future.

Total revenue increased in 2013/14. This improvement is the result of increases in contributions from the federal government, natural resource revenues and revenues generated from surplus asset sales.

2009/10 to 2013/14



Financial Statement Discussion and Analysis Report

Natural Resource Revenue

The chart of natural resource revenue by source explains past trends of natural resource revenue in total and by major category. Natural resource revenue is among the most volatile revenue sources for the province because it is vulnerable to market fluctuations in commodity prices.

Petroleum, natural gas and mineral revenues increased by \$230 million from 2012/13. These categories of natural resource revenue account for 53.2% of natural resource revenue compared to 54.3% in 2012/13.

Forestry revenue increased by \$157 million in 2013/14. The proportion of natural resource revenue derived from forestry increased to 24.3% in 2013/14 from 22.7% in 2012/13.

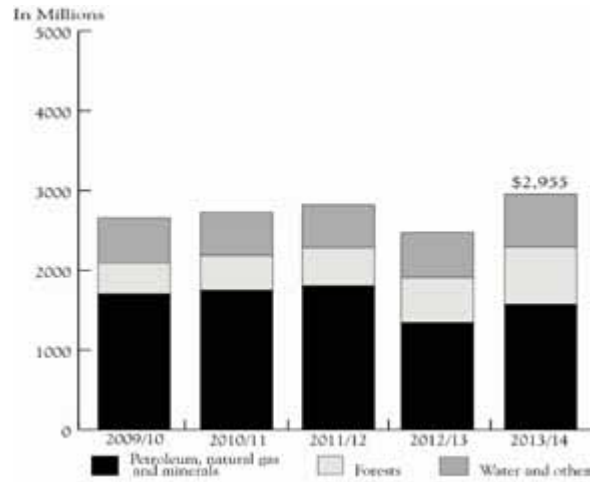
Water and other resource revenues increased by \$95 million in the year.

Government-to-Government Transfers to Total Revenue

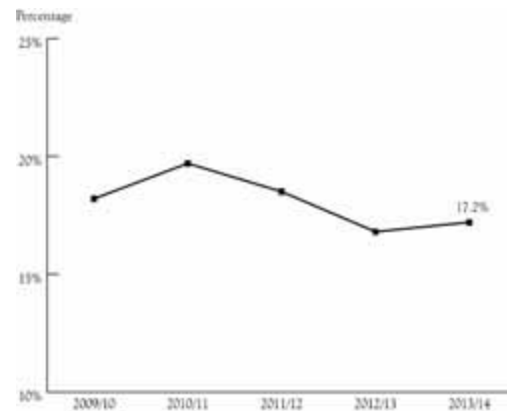
The ratio of government-to-government transfers to total revenue is an indicator of how dependent the province is on transfers from the Federal government. An increasing trend shows more reliance and a decreasing trend shows less.

Federal transfers increased by \$458 million in 2013/14. This increase was the result of an increase in the province's per capita share of Canada Health and Social transfers.

2009/10 to 2013/14



2009/10 to 2013/14



Financial Statement Discussion and Analysis Report

Expense Analysis

The following analysis helps users understand the impact of the government's spending on the economy, the government's allocation and use of resources, and the cost of government programs.

Expense by Function

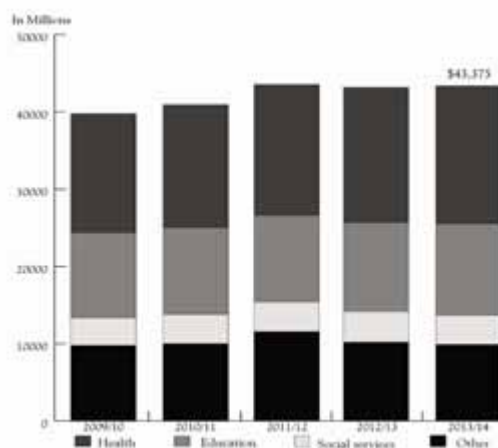
Expense by function provides a summary of the major areas of government spending, and changes in spending over time. Functions, which indicate the purpose of expenditures, are defined by Statistics Canada's Financial Management System of Government Statistics. The province uses the following functions: health, education, social services, interest, natural resources and economic development, transportation, other, protection of persons and property, and general government. The health, education and social services functions account for approximately three quarters of the province's total operating costs.

	In Millions				
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual
	\$	\$	\$	\$	\$
Health.....	15,385	15,992	16,917	17,502	17,862
Education.....	11,052	11,165	11,227	11,528	11,827
Social services.....	3,573	3,786	3,940	3,990	3,805
Interest.....	2,197	2,252	2,383	2,390	2,482
Natural resources and economic development.....	2,264	2,349	1,873	2,092	1,755
Transportation.....	1,474	1,580	1,544	1,552	1,554
Other.....	1,407	1,208	1,415	1,346	1,184
Protection of persons and property.....	1,535	1,448	1,512	1,539	1,520
General government.....	903	1,146	2,834	1,262	1,386
Total expense.....	39,790	40,926	43,645	43,201	43,375

2009/10 to 2013/14

Government program spending increased by \$174 million in 2013/14.

In 2013/14, the province increased spending on health by \$360 million (2.1%) and education by \$299 million (2.6%). These increases were offset by decreased spending in the natural resource sector of \$337 million (16.1%), and the social services sector of \$185 million (4.6%). Spending in all other sectors increased by \$37 million in 2013/14.



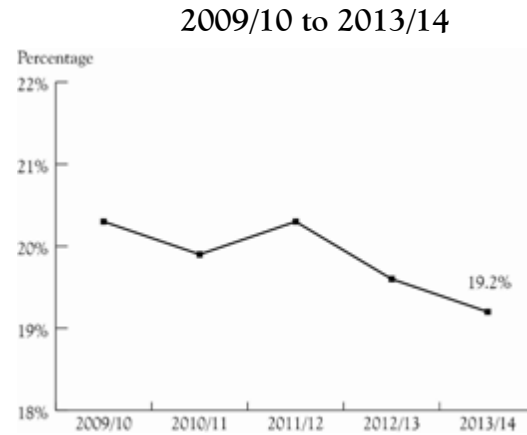
Financial Statement Discussion and Analysis Report

In 2013/14, provincial operating expenses were \$43,375 million, a \$174 million (0.4%) increase from 2012/13. Program spending has increased by \$3,585 million (9.0%) since 2009/10. This is compared to increases in GDP of 15.2% over the same period.

Expense to GDP

The ratio of expense to GDP represents the amount of government spending in relation to the overall provincial economy.

Government spending as a percentage of GDP decreased from 19.6% to 19.2% in 2013/14, indicating that government spending increased at a rate below economic growth as represented by GDP.



Financial Statement Discussion and Analysis Report

Changes in Actual Results from 2012/13 to 2013/14

	In Millions		Surplus (Deficit)
	Revenue	Expense	
	\$	\$	\$
2012/13 (Deficit).....	42,049	43,201	(1,152)
Decrease in taxation revenue.....	(120)		(120)
Increase in federal contributions.....	458		458
Increase in fees and licences revenue.....	303		303
Increase in natural resource revenue.....	482		482
Increase in other revenue.....	556		556
Increase in health spending.....		360	(360)
Increase in education spending.....		299	(299)
Decrease in social services spending.....		(185)	185
Decrease in natural resource and economic development.....		(337)	337
Increase in other services spending.....		37	(37)
Subtotal of changes in actual results.....	<u>1,679</u>	<u>174</u>	<u>1,505</u>
	<u>43,728</u>	<u>43,375</u>	
2013/14 Surplus.....			<u>353</u>
2012/13 Accumulated Surplus.....			<u>1,301</u>
2013/14 Accumulated Surplus before Accumulated Other Comprehensive income.....			1,654
Accumulated other comprehensive income from self-supported Crown corporations and agencies.....			<u>481</u>
2013/14 Accumulated Surplus.....			<u><u>2,135</u></u>

The increase in total revenue of \$1,679 million, offset by the increase in total expense of \$174 million, resulted in a surplus that was \$1,505 million higher than 2012/13. The accumulated surplus of \$1,301 million in 2012/13 increased by the annual surplus of \$353 million, and accumulated other comprehensive income from self-supported Crown corporations and agencies of \$481 million, which resulted in an ending accumulated surplus of \$2,135 million for 2013/14.

Financial Statement Discussion and Analysis Report

Changes from 2013/14 Budget

	In Millions			
	Revenue	Expense	Forecast Allowance	Surplus
	\$	\$	\$	\$
Surplus per Budget March 2013	44,239	43,936	(150)	153
Decreased taxation revenue.....	(402)			(402)
Decreased self-supported Crown corporations earnings.....	(114)			(114)
Increased natural resource revenue.....	109			109
Increased investment earnings.....	55			55
Decreased other revenues.....	(159)			(159)
Decreased health spending.....		(564)		564
Increased social services spending.....		164		(164)
Increased protection of persons and property spending...		142		(142)
Decreased other program spending.....		(303)		303
Forecast allowance.....			150	150
Subtotal of changes in actual results compared to budget.....	(511)	(561)	150	200
Actual Results	43,728	43,375	0	353

Revenue was \$511 million (1.2%) lower than the budgeted amount of \$44,239 million and expenses were \$561 million (1.3%) lower than the budget of \$43,936 million.

Net Liabilities and Accumulated Surplus

In accordance with Canadian generally accepted accounting principles, the government's Consolidated Statement of Financial Position is presented on a net liabilities basis. Net liabilities represent net future cash outflows resulting from past transactions and events. An analysis of net liabilities and accumulated surplus helps users to assess the government's overall financial position and the future revenue required to pay for past transactions and events.

	In Millions			Variance	
	2013/14 Budget	2013/14 Actual	2012/13 Actual	2013/14 Budget to Actual	2013/14 vs 2012/13
	\$	\$	\$	\$	\$
Financial assets.....	40,503	39,733	37,586	(770)	2,147
Less: liabilities.....	(80,070)	(78,510)	(75,602)	1,560	(2,908)
Net Liabilities.....	(39,567)	(38,777)	(38,016)	790	(761)
Less: non-financial assets.....	41,226	40,912	39,471	(314)	1,441
Accumulated surplus	1,659	2,135	1,455	476	680

Financial Statement Discussion and Analysis Report

The accumulated surplus represents the sum of the current and prior years' operating results, and accumulated changes in other comprehensive income. At March 31, 2014, the accumulated surplus was \$2,135 million, \$476 million higher than budget. The \$680 million increase in accumulated surplus compared to 2012/13 reflects the annual surplus of \$353 million, plus the change in other comprehensive income of self-supported Crown corporations, which increased by \$327 million.

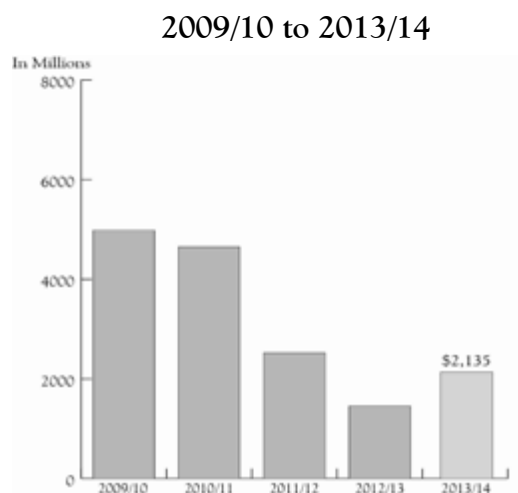
Financial assets were \$2,147 million higher than 2012/13. Compared to 2012/13, cash, cash equivalents, and temporary investments decreased by \$372 million and other financial assets decreased by \$786 million. These decreases were offset by increases in accounts receivables of \$993 million, equity in self-supported Crown corporations and agencies of \$298 million, and loans for the purchase of assets, recoverable from agencies of \$2,014 million.

Liabilities increased by \$2,908 million from 2012/13. Compared to 2012/13, self-supported debt increased by \$2,030 million and taxpayer-supported debt increased by \$1,933 million to fund infrastructure programs, provide capital financing to self-supported Crown corporations and agencies, and support working capital requirements. Other liabilities, including accounts payable and deferred revenue, decreased by \$1,055 million from 2012/13.

Non-financial assets typically represent resources, such as tangible capital assets, that the government can use in the future to provide services. Non-financial assets increased by \$1,441 million over 2012/13 as government invested in hospitals and health facilities, transportation infrastructure and post-secondary institutions.

Accumulated Surplus

The accumulated surplus represents current and all prior years' operating results. In 2013/14, the province had an accumulated surplus of \$2,135 million, \$680 million higher than in 2012/13. The positive operating results of prior years and the current year provide the flexibility to protect core public services.



Financial Statement Discussion and Analysis Report

Components of Net Liabilities

Financial Assets

Trend analysis of financial assets provides users with information regarding the amount of resources available to the government that can be converted to cash to meet obligations or fund operations.

	In Millions				
	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Actual	Actual	Actual	Actual
	\$	\$	\$	\$	\$
Cash, cash equivalents, temporary investments and warehouse investments.....	2,911	3,060	3,235	3,174	2,802
Accounts receivable.....	2,537	2,342	2,408	2,456	3,449
Equity in self-supported Crown corporations and agencies.....	7,459	7,093	6,998	7,541	7,839
Loans for the purchase of assets, recoverable from agencies.....	11,471	12,947	14,846	16,907	18,921
Other financial assets.....	5,962	7,057	7,021	7,508	6,722
Total financial assets.....	30,340	32,499	34,508	37,586	39,733

In 2013/14, financial assets increased by \$2,147 million over 2012/13 primarily due to an increase in capital loans to Crown agencies. Recoverable capital loans increased by \$2,014 million as the province provided funding to Crown agencies for capital projects, equity in self-supported Crown corporations increased by \$298 million, and all other financial assets decreased by \$165 million.

Liabilities

Trend analysis of liabilities provides users with information to understand and assess the demands on financial assets and the revenue raising capacity of government.

	In Millions				
	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Actual	Actual	Actual	Actual
	\$	\$	\$	\$	\$
Taxpayer-supported debt.....	31,116	33,079	36,012	39,828	41,761
Self-supported debt.....	11,552	13,030	14,942	17,011	19,041
Total financial statement debt.....	42,668	46,109	50,954	56,839	60,802
Accounts payable and other liabilities.....	7,044	7,675	8,874	8,902	8,024
Deferred revenue.....	10,000	10,741	10,438	9,861	9,684
Total liabilities.....	59,712	64,525	70,266	75,602	78,510

In 2013/14, total liabilities increased by \$2,908 million over 2012/13. Liabilities are obligations that must be settled at a future date by the transfer or use of assets. Taxpayer-supported debt increased in 2013/14 by \$1,933 million, while self-supported debt increased by \$2,030 million. Information relating to the government's debt management can be found in more detail in the analysis of the total provincial debt on page 26. Deferred revenue decreased by \$177 million while accounts payable and other liabilities decreased by \$878 million.

Financial Statement Discussion and Analysis Report

Non-financial Assets

Trend analysis of non-financial assets provides users with information to assess the management of a government's infrastructure and long-term non-financial assets.

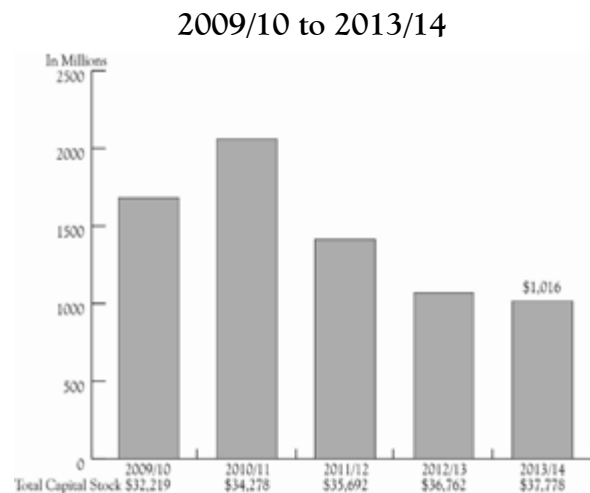
	In Millions				
	2009/10	2010/11	2011/12	2012/13	2013/14
	Actual	Actual	Actual	Actual	Actual
	\$	\$	\$	\$	\$
Tangible capital assets.....	32,219	34,278	35,692	36,762	37,778
Other non-financial assets.....	2,137	2,398	2,592	2,709	3,134
Total non-financial assets.....	34,356	36,676	38,284	39,471	40,912

Management of non-financial assets has a direct impact on the level and quality of services a government is able to provide to its constituents. Non-financial assets typically represent resources that government can use in the future to provide services. At March 31, 2014, non-financial assets were \$40,912 million which was \$1,441 million higher than 2012/13 and \$6,556 million higher than 2009/10. The majority of the province's non-financial assets represent capital expenditures for tangible capital assets net of amortization. The government has increased its investment in tangible capital assets by \$1,016 million in 2013/14, to ensure service potential is available to deliver programs and services in future periods. Capital expenditures are not included on the Consolidated Statement of Operations and have no effect on the current surplus. They reduce future surpluses in the form of amortization expense as the service potential of assets is used to deliver programs and services.

Change in Capital Stock

This measure shows the impact of net changes to the government's stock of physical capital. Positive amounts demonstrate an investment in infrastructure to replace existing capital and provide service potential in future periods.

The net annual investment in capital was \$1,016 million in 2013/14, and \$7,240 million since 2009/10. Total capital stock has also increased steadily over that period which indicates that capital infrastructure is available to continue providing programs and services in future periods.



Financial Statement Discussion and Analysis Report

Net Liabilities and Accumulated Surplus

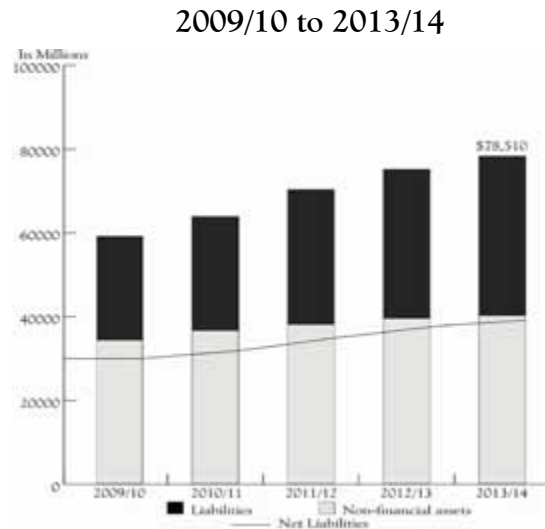
	In Millions				
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual
	\$	\$	\$	\$	\$
Financial assets.....	30,340	32,499	34,508	37,586	39,733
Less: liabilities.....	(59,712)	(64,525)	(70,266)	(75,602)	(78,510)
Net liabilities.....	(29,372)	(32,026)	(35,758)	(38,016)	(38,777)
Less: non-financial assets.....	34,356	36,676	38,284	39,471	40,912
Accumulated surplus.....	4,984	4,650	2,526	1,455	2,135

Net liabilities increased by \$761 million in 2013/14, due to increased investment in infrastructure. The liabilities include deferred revenue of \$9,684 million that represents unearned revenues and restricted contributions that will be recognized as revenue in future periods.

While the financial measure of net liabilities has increased, the financial position of the province remains positive as total assets, including both financial assets and investments in capital stock, are greater than the liabilities of the province. The accumulated surplus of the province was \$2,135 million at the end of 2013/14, indicating that the cumulative result of all past annual surpluses and deficits is positive, or that the province remains in a positive net financial position.

Non-financial Assets as a Portion of Liabilities

The chart provides an indication of what proportion of liabilities are used to fund capital infrastructure as opposed to funding working capital requirements including accounts payable and other operating liabilities, as well as revenue deferred to future periods. Over the past five years, the proportion of liabilities used to fund capital infrastructure has decreased from 57.5% in 2009/10 to 52.1% in 2013/14.



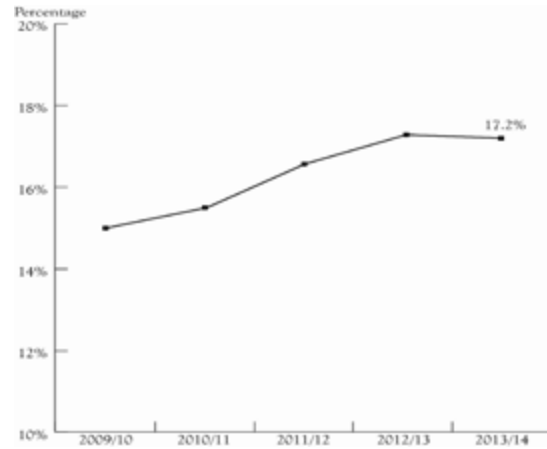
Financial Statement Discussion and Analysis Report

Net Liabilities to GDP

The net liabilities to GDP ratio provides an indication of the province's ability to maintain existing programs and meet existing creditor requirements without increasing the debt burden on the economy as a whole.

The stability in net liabilities to GDP is the result of net liabilities remaining in line with the increase in economic growth as represented by GDP in 2013/14. Net liabilities include deferred revenue that will be recognized as revenue in future periods as well as obligations to outside parties, including accounts payable and debt.

2009/10 to 2013/14

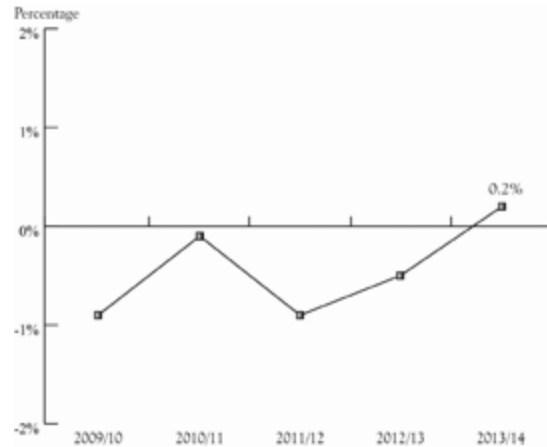


Surplus (Deficit) to GDP

The surplus (deficit) to GDP ratio is an indicator of sustainability that compares the province's financial results to the overall results of the economy.

Results in the positive range of the chart indicate that the economy is growing faster than net government spending.

2009/10 to 2013/14



Financial Statement Discussion and Analysis Report

Total Provincial Debt

Analysis of total provincial debt helps users to assess the extent of long-term liabilities and the government's ability to meet future debt obligations.

	In Millions				
	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual
	\$	\$	\$	\$	\$
Gross debt.....	42,668	46,109	50,954	56,839	60,802
Less: sinking fund assets.....	(1,329)	(1,410)	(1,491)	(1,778)	(835)
Third party guarantees and non-guaranteed debt.....	546	455	730	755	726
Total provincial debt.....	41,885	45,154	50,193	55,816	60,693

When reporting to rating agencies, the province adds to its financial statement debt, all debt guarantees and the debt directly incurred by self-supported Crown corporations, reduced by sinking fund assets. This balance is referred to as the total provincial debt.

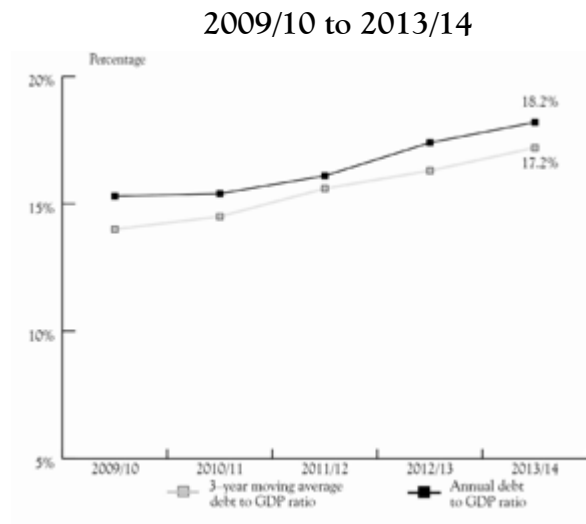
Total provincial debt is \$109 million lower than the amounts reported in the province's financial statements after deducting sinking funds held to pay down the debt, and including guaranteed debt and the debt of self-supported Crown corporations. Overall, total provincial debt increased by \$4,877 million in 2013/14 because the government borrowed to fund capital projects and working capital requirements.

The largest increases in the debt of self-supported Crown agencies were the debt of the British Columbia Hydro and Power Authority which increased by \$1,392 million and the debt of Transportation Investment Corporation which increased by \$599 million. BC Transportation Financing Authority debt increased by \$828 million; health sector debt increased by \$347 million; education sector debt increased by \$486 million; and the debt of other taxpayer-supported entities increased by \$410 million. Provincial government direct operating debt increased by \$815 million compared to 2012/13.

Taxpayer-supported debt to GDP

The ratio of taxpayer-supported debt to GDP is a key measure used by financial analysts and investors to assess a province's ability to repay debt and is a key measure monitored by the bond rating agencies. An increasing ratio means that debt is growing faster than the growth of the economy as measured by GDP.

At the end of 2013/14 taxpayer-supported debt to GDP was 18.2%, lower than the budgeted level of 18.4%.



Financial Statement Discussion and Analysis Report

Strong Credit Rating

Reflecting the province's fiscal performance, British Columbia has maintained a strong and stable credit rating with all three credit rating agencies. In 2013/14, Moody's Investors Service Inc. gave the province an Aaa credit rating (2013: Aaa); Standard and Poor's gave the province an AAA credit rating (2013: AAA); and Dominion Bond Rating Service gave the province an AA(high) credit rating (2013: AA (high)).

Credit Ratings May 2014

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

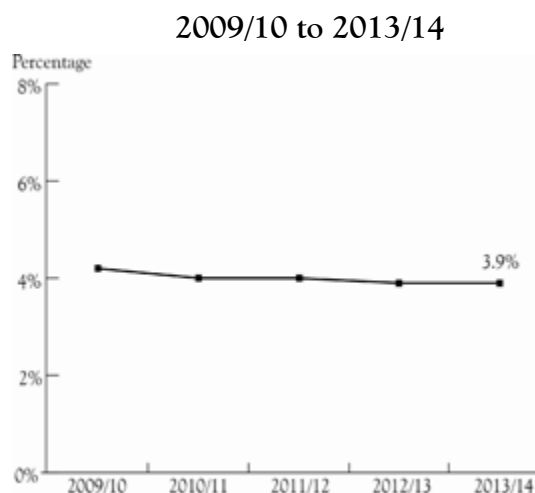
¹The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality, are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", "-", and "+" modifiers show relative standing within the major categories. For example, AA+ exceeds AA.

A more comprehensive overview of provincial debt, including key debt indicators is located on pages 129–142.

Public Debt Charges to Revenue (the Interest Bite)

The public debt charges to revenue indicator is often referred to as the "interest bite". This provides users with the percentage of the province's revenue used to pay interest on debt. The ratio is sensitive to the cost of debt arising from either increasing interest rates or increasing debt, as well as decreases in revenue.

If an increasing proportion of provincial revenue is required to pay interest on provincial debt, less money is left to provide core public services. The interest bite has decreased over the last five years from 4.2% in 2009/10. In 2013/14, the province spent 3.9 cents of each revenue dollar on interest on the provincial debt.



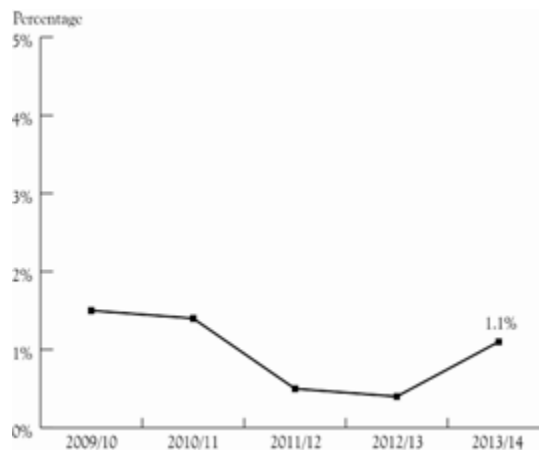
Financial Statement Discussion and Analysis Report

Non-Hedged Foreign Currency Debt to Total Provincial Debt

The ratio of non-hedged foreign currency debt to total provincial debt shows the degree of vulnerability of a government's public debt position to swings in exchange rates.

Since 2009/10, the government has reduced its foreign currency debt, thereby reducing the province's vulnerability to changes in exchange rates.

2009/10 to 2013/14



Risks and Uncertainties

The government's main exposure to risks and uncertainties arises from variables which the government does not directly control. These include:

- assumptions underlying revenue and Crown corporation forecasts such as economic factors, commodity prices and weather conditions;
- the outcome of litigation, arbitration, and negotiations with third parties;
- potential changes to federal transfer allocations, cost-sharing agreements with the federal government and impacts on the provincial income tax bases arising from federal tax policy and budget changes;
- utilization rates for government services such as health care, children and family services, and income assistance;
- exposure to interest rate fluctuations, foreign exchange rates and credit risk; and
- changes in Canadian generally accepted accounting principles.

The following are the approximate effect of changes in some of the key variables on the deficit:

Key Fiscal Sensitivities

Variable	Increase Of	Annual Fiscal Impact (\$ millions)
Nominal GDP	1%	\$150 to \$250
Lumber prices (US\$/thousand board feet)	\$50	\$25 to \$50 ¹
Natural gas prices (Cdn\$/gigajoule)	50 cents	\$117 to \$125 ²
US exchange rate (US cents/Cdn\$)	1 cent	(\$25) to (\$50)
Interest rate	1 percentage point	(\$93)
Debt	\$500 million	(\$12)

¹Sensitivity relates to stumpage revenue only. Depending on market conditions, changes in stumpage revenue may be offset by changes in border tax revenue.

²Sensitivities can vary significantly, especially at lower prices.

Financial Statement Discussion and Analysis Report

Although the government is unable to directly control these variables, strategies have been implemented to mitigate these risks and uncertainties. The development of taxation, financial and corporate regulatory policy to reinforce British Columbia's position as an attractive place to invest and create jobs will help offset the increase in competition for investment as a result of globalization of economic and financial markets. As in previous years, the government applied a forecast allowance in the budget to account for risks to revenue, expenditure, Crown corporations', school districts', universities', colleges', institutes', and health organizations' (SUCH sector) forecasts. The use of forecast allowances recognizes the uncertainties in predicting future economic developments.

Risk management in relation to debt is discussed in Note 20 on page 68 of the Notes to the Consolidated Summary Financial Statements.