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# *Provincial Debt Summary (Unaudited)*

The following unaudited Provincial Debt Summary information is intended to provide additional information to financial statement readers.

The accounting policies applied for this unaudited information are different in some cases from the generally accepted accounting principles followed for the audited Summary Financial Statements. The Provincial Debt Summary figures include guaranteed debt in the calculation of total debt and calculate debt, interest costs and revenue as if the modified equity enterprises were consolidated on a line-by-line basis.



## Overview of Provincial Debt (Unaudited)

The provincial government, its Crown corporations, agencies and government organizations incur debt to fund operations and finance capital projects.

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, the debt of Crown corporations and agencies, school districts, universities, colleges, institutes and health organizations that require operating or debt service subsidies from the provincial government and are fully consolidated in the Summary Financial Statements. The BC Transportation Financing Authority is an example of a taxpayer-supported Crown corporation.

*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 takes 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 *Finance Statutes (Deficit Authorization and Debt Elimination) Amendment Act, 2009* requires that effective April 1, 2013, any increase in cash and cash equivalents in the Consolidated Revenue Fund must be applied to reduce or eliminate any provincial government direct operating debt. Supplementary estimates may not be presented to the Legislative Assembly if the most recent quarterly report includes a forecast that there will be provincial government direct operating debt at the end of the fiscal year to which the quarterly report applies.

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 net debt as at March 31, 2016 was \$65,292 million, which consists of \$66,052 million in the Summary Financial Statements in addition to \$802 million of non-guaranteed debt and \$18 million of guaranteed debt less \$1,580 million of sinking fund investments.

## Provincial Debt as at March 31, 2016 (Unaudited)

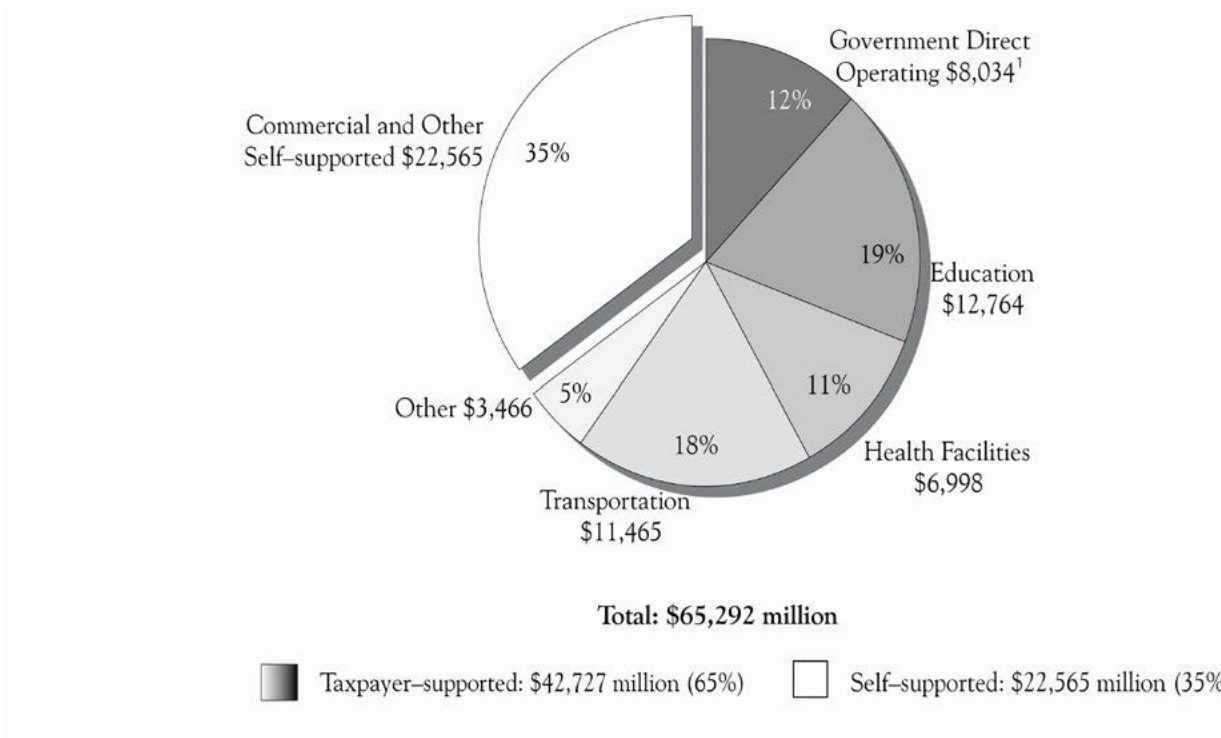
The accumulated provincial net debt of \$65,292 million has been incurred for various purposes as shown in Chart 1 below. Over the years, the proceeds from borrowing have contributed to economic development in the province and have provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2016, taxpayer-supported net debt totalled \$42,727 million including debt incurred for government operating purposes (\$8,034 million), educational facilities (\$12,764 million), health facilities (\$6,998 million), transportation infrastructure (\$11,465 million), and other debt (\$3,466 million). Other debt is comprised mainly of debt related to social housing, provincial government general capital expenditures, service delivery agencies and various loan guarantee programs.

At March 31, 2016, self-supported debt totalled \$22,565 million including debt of commercial Crown corporations and agencies: British Columbia Hydro and Power Authority (\$17,928 million), the Transportation Investment Corporation (\$3,389 million), Columbia River power projects (\$459 million), Columbia Power Corporation (\$296 million), British Columbia Lottery Corporation (\$150 million), commercial subsidiaries of certain post-secondary institutions (\$310 million), and debt of other government business enterprise (\$33 million).

**Chart 1 – Provincial debt as at March 31, 2016**

In Millions/Percent of Total



<sup>1</sup>Operating debt includes amounts required to finance operating deficits and amounts allocated to fund provincial government general capital expenditures prior to the 2008/09 fiscal year end.

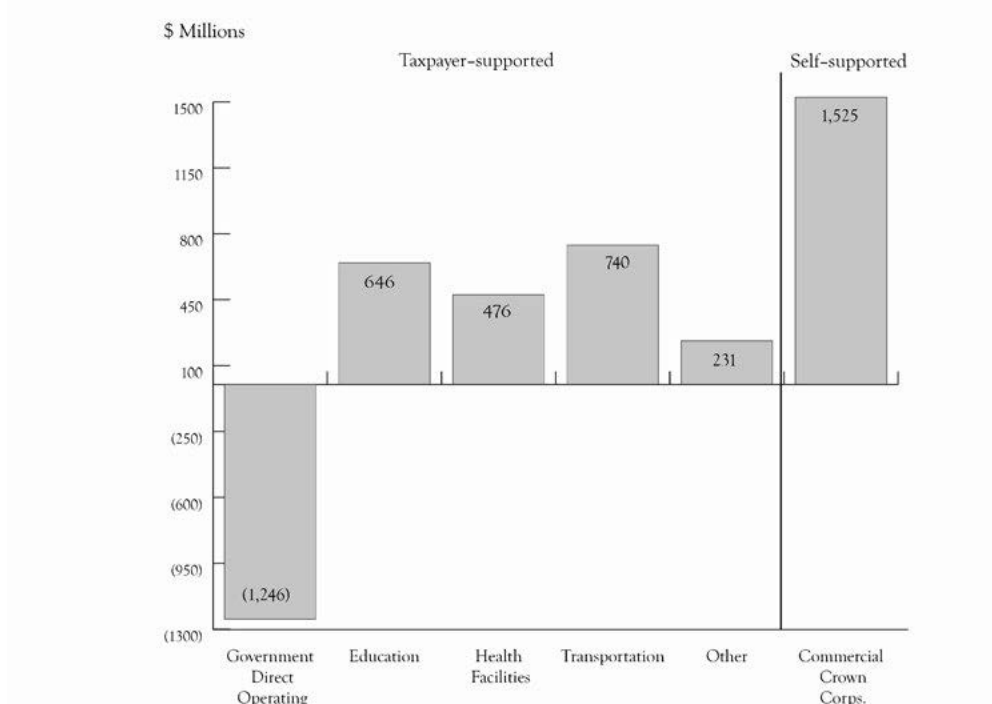
## Change in Provincial Debt<sup>1</sup> (Unaudited)

Provincial debt increased by \$2,372 million in 2015/16 when compared to the prior year. This includes an increase in taxpayer-supported debt of \$847 million and an increase in self-supported debt of \$1,525 million. Warehouse Program debt was zero at fiscal year-end. Chart 2 below shows the change in provincial debt for the year ended March 31, 2016.

*Taxpayer-supported Debt*—Increased by \$847 million due to a \$1,246 million decrease to government direct operating debt, and new capital financing requirements of \$646 million in the education sector, \$476 million in the health sector, \$740 million in the transportation sector, and \$231 million for other taxpayer-supported entities which included \$289 million for provincial government general capital.

*Self-supported Debt*—Increased by \$1,525 million due to new capital financing requirements of \$1,384 million by BC Hydro and Power Authority, \$88 million by the commercial subsidiaries of certain post-secondary institutions, \$54 million by Transportation Investment Corporation, and \$10 million by British Columbia Lottery Corporation offset by a decrease of \$5 million by Columbia River power projects, \$4 million by Columbia Power Corporation, and \$2 million by other government business enterprises.

**Chart 2 – Change in provincial debt for the year ended March 31, 2016**



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

**Reconciliation of Summary Financial Statements' Deficit (Surplus)  
to Change in Taxpayer-supported Debt and Total Debt  
for the Fiscal Year Ended March 31, 2016  
(Unaudited)**

	In Millions	
	2016	2015
	\$	\$
(Surplus) for the year.....	(730)	(1,692)
Taxpayer-supported debt decreased by:		
Non-cash expenses included in (surplus).....	(1,990)	(2,183)
Accounts receivable, accounts payable and other working capital net changes.....	396	861
	<u>(1,594)</u>	<u>(1,322)</u>
Taxpayer-supported debt increased by:		
Self-supported Crown corporation and agency (deficit) earnings in excess of contributions to the Consolidated Revenue Fund.....	(74)	738
Tangible capital asset net acquisitions.....	2,975	3,196
Net increases (decreases) in loans, advances and investments.....	270	(108)
	<u>3,171</u>	<u>3,826</u>
Net increase in taxpayer-supported debt.....	847	812
Taxpayer-supported debt—beginning of year.....	41,880	41,068
Taxpayer-supported debt—end of year.....	42,727	41,880
Self-supported debt.....	22,565	21,040
<b>Total debt<sup>2</sup>.....</b>	<b><u>65,292</u></b>	<b><u>62,920</u></b>

**Reconciliation of Total Debt to Summary Financial Statements' Debt  
as at March 31, 2016  
(Unaudited)**

	In Millions	
	2016	2015
	\$	\$
Total debt.....	65,292	62,920
Debt included as part of equity in self-supported Crown corporations and agencies.....	(802)	(720)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province.....	(18)	(19)
Sinking fund investments.....	1,580	977
<b>Summary Financial Statements' debt.....</b>	<b><u>66,052</u></b>	<b><u>63,158</u></b>
Comprised of:		
Taxpayer-supported debt.....	44,127	42,693
Self-supported debt.....	21,925	20,465
<b>Summary Financial Statements' debt.....</b>	<b><u>66,052</u></b>	<b><u>63,158</u></b>

<sup>2</sup>See Summary of Provincial Debt, page 137.

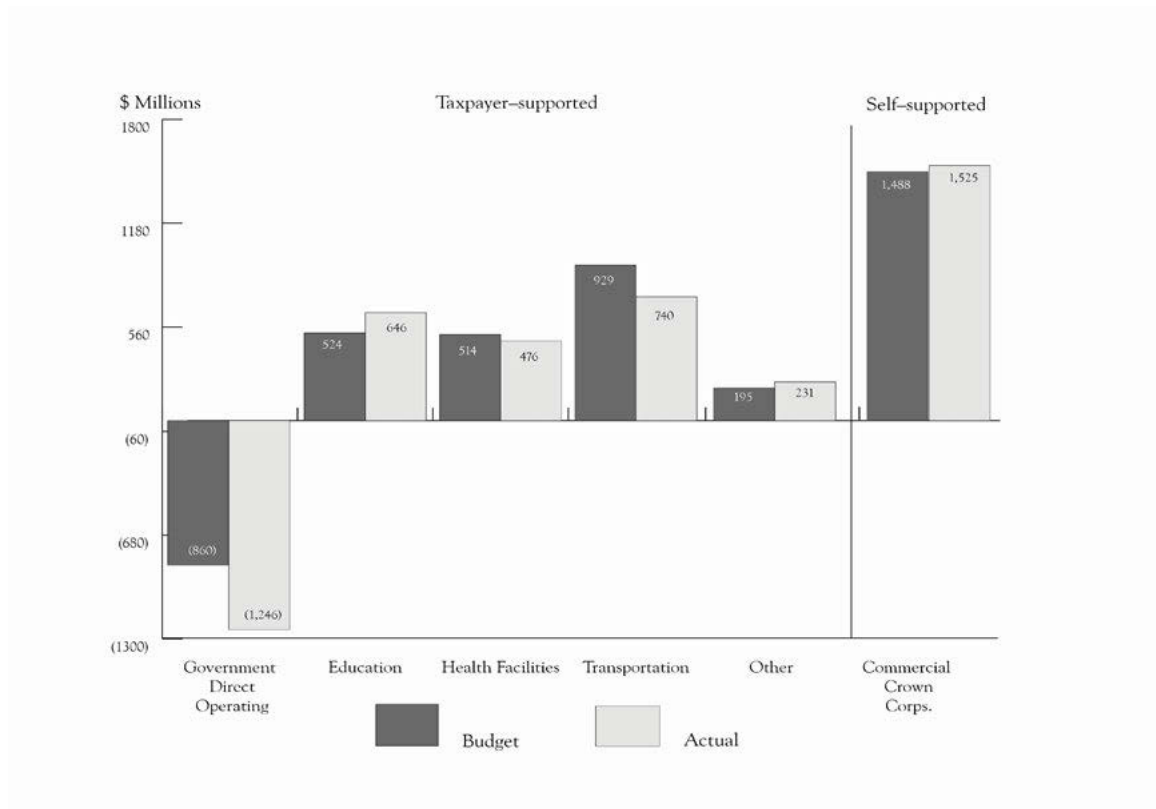
## Change in Provincial Debt, Comparison to Budget (Unaudited)

Provincial debt increased by \$2,372 million compared to a budgeted increase of \$3,040 million resulting in a \$668 million improvement over budget net of the \$250 million increase in the forecast allowance. Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category.

Taxpayer-supported debt increased by \$847 million compared to a budgeted increase of \$1,302 million. The \$455 million improvement over budget is due to lower than forecasted borrowing for government operating purposes (\$386 million), health (\$38 million), and transportation (\$189 million) offset by higher than forecasted borrowing for education (\$122 million) and other capital investments (\$36 million).

Self-supported debt increased by \$1,525 million compared to a budgeted increase of \$1,488 million. The \$37 million difference from budget is due to lower than forecasted borrowing for British Columbia Hydro and Power Authority (\$85 million), British Columbia Lottery Corporation (\$5 million), and other government business enterprises (\$8 million) offset by higher than forecasted borrowing for Transportation Investment Corporation (\$18 million), Columbia Power Corporation (\$3 million), Columbia River power projects (\$2 million) and commercial subsidiaries of certain post-secondary institutions (\$112 million).

**Chart 3 – Change in provincial debt<sup>1</sup> (actual vs budget) for the year ended March 31, 2016**

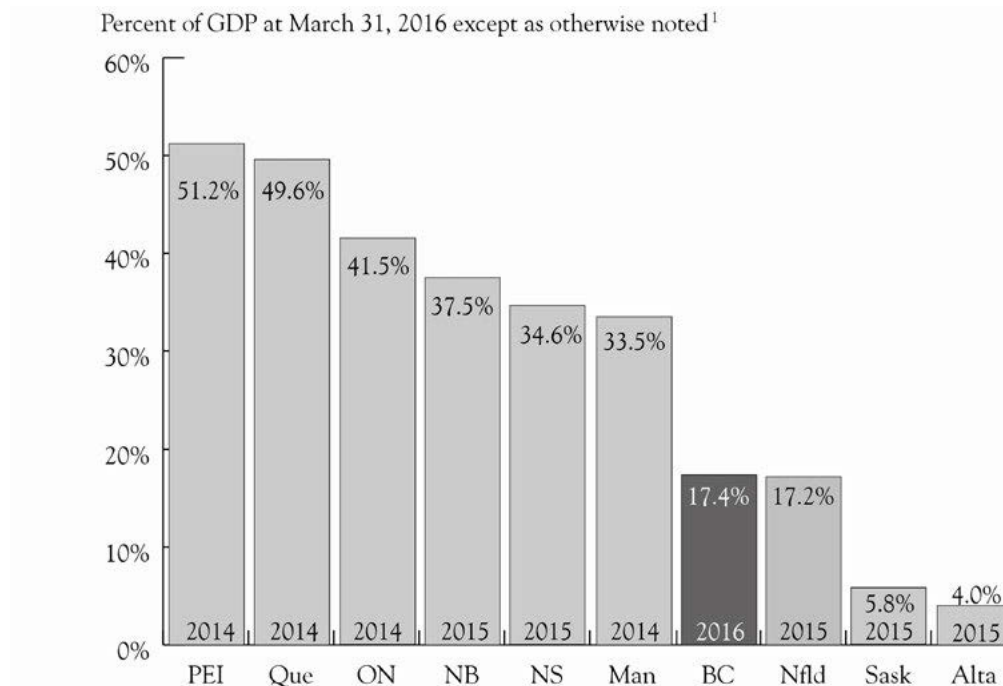


<sup>1</sup>The change in forecast allowance is not included in this chart.

## 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 most recent data published by Moody's Investors Service Inc. (Moody's), 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 – Interprovincial comparison of taxpayer-supported debt as a percentage of GDP**



Source: Moody's Investors Service Inc.

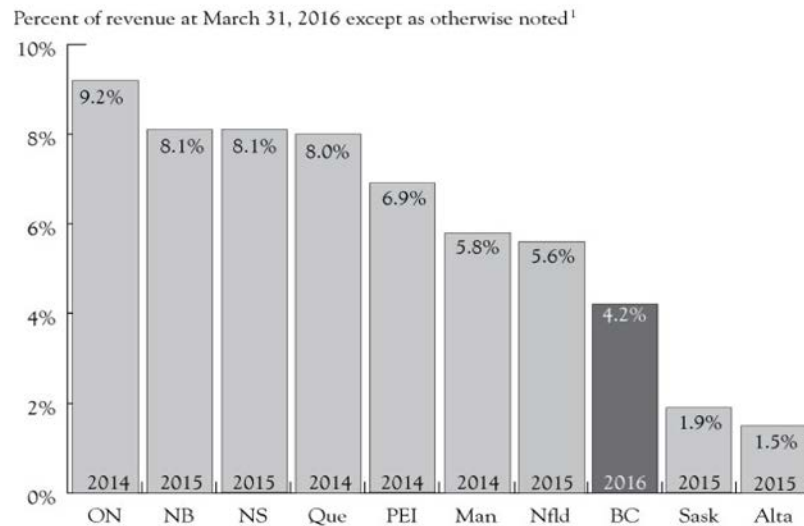
<sup>1</sup>Figures for PEI and Manitoba restated to reflect latest Moody's reports.

British Columbia's results as per Ministry of Finance's actuals; Moody's results for British Columbia as at March 31, 2016 are 17.4%.

## Interprovincial Comparison of Taxpayer–supported Debt Service Costs as a Percentage of Revenue (Unaudited)

Chart 5 shows the ratio (interest bite) of each province's taxpayer–supported debt servicing costs as a percentage of revenue. The interest bite indicates how much of each dollar of provincial revenue is used to pay for taxpayer–supported debt service costs. According to the most recent data published by Moody's, British Columbia has one of the lowest taxpayer–supported debt service costs as a percentage of revenue of all provinces.

**Chart 5 – Interprovincial comparison of taxpayer–supported debt service costs as a percentage of revenue**



Source: Moody's Investors Service Inc.

<sup>1</sup>Figures for PEI restated to reflect latest Moody's report.

British Columbia's results as per Ministry of Finance's actuals; Moody's results for British Columbia as at March 31, 2015 are 3.7%

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 used by Moody's is the closest to that employed by the ministry but, even then, there are small differences. 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 on 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).





## **INDEPENDENT AUDITOR'S REPORT**

*To the Minister of Finance, Province of British Columbia*

I have audited the accompanying debt-related statements of the Government of the Province of British Columbia (the Government), which comprise the summary of provincial debt as at March 31, 2016, the key indicators of provincial debt and the summary of performance measures for the year then ended, and a summary of significant accounting policies.

Through these statements, the government reports to the Legislative Assembly 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 target measures for the fiscal year ended March 31, 2016.

### ***Government's Responsibility for the Debt-Related Statements***

Government is responsible for determining the appropriateness of the stated basis of accounting as described in the notes to the debt-related statements and for the preparation of the debt-related statements in accordance with the stated basis of accounting. Government is also responsible for such internal control as management determines is necessary to enable the preparation of the debt-related statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor General's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the debt-related statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the debt-related statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Government's preparation and presentation of the debt-related statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Government, as well as evaluating the overall presentation of the debt-related statements.

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

***Opinion***

In my opinion, the summary of provincial debt as at March 31, 2016, the key indicators of provincial debt and the summary of performance measures for the year then ended, are prepared, in all material respects, in accordance with the basis of accounting as described in the notes to the debt-related statements.

*Victoria, British Columbia*  
July 4, 2016



Carol Bellringer, FCPA, FCA  
Auditor General



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

	In Millions				
	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
<b>Taxpayer-supported Debt</b>					
Provincial government direct operating					
Provincial government operating.....	5,338	6,584	7,527	6,712	5,117
Provincial government general capital.....	2,696	2,696	2,696	2,696	2,696
	<u>8,034</u>	<u>9,280</u>	<u>10,223</u>	<u>9,408</u>	<u>7,813</u>
Education <sup>2</sup>					
Schools.....	8,033	7,600	7,245	6,830	6,407
Post-secondary institutions.....	4,731	4,518	4,386	4,315	4,185
	<u>12,764</u>	<u>12,118</u>	<u>11,631</u>	<u>11,145</u>	<u>10,592</u>
Health facilities <sup>2</sup> .....	<u>6,998</u>	<u>6,522</u>	<u>6,038</u>	<u>5,691</u>	<u>5,293</u>
Highways, ferries and public transit					
BC Transportation Financing Authority.....	9,185	8,428	7,912	7,084	6,287
British Columbia Transit.....	106	123	143	163	183
Public transit <sup>2</sup> .....	1,000	1,000	1,000	1,000	1,000
SkyTrain extension <sup>2</sup> .....	1,174	1,174	1,174	1,174	1,174
	<u>11,465</u>	<u>10,725</u>	<u>10,229</u>	<u>9,421</u>	<u>8,644</u>
Other					
BC Pavilion Corporation.....	389	381	382	383	383
Provincial government general capital.....	1,987	1,698	1,372	1,073	808
Social Housing <sup>3</sup> .....	760	715	719	658	674
Other <sup>4</sup> .....	330	441	474	403	452
	<u>3,466</u>	<u>3,235</u>	<u>2,947</u>	<u>2,517</u>	<u>2,317</u>
Total taxpayer-supported debt.....	<u>42,727</u>	<u>41,880</u>	<u>41,068</u>	<u>38,182</u>	<u>34,659</u>

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

	In Millions				
	2016	2015	2014	2013	2012
	\$	\$	\$	\$	\$
<b>Self-supported Debt</b>					
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority <sup>5</sup> .....	17,928	16,544	15,559	14,167	12,978
British Columbia Lottery Corporation.....	150	140	155	132	90
Columbia Power Corporation.....	296	300			
Columbia River power projects <sup>6</sup> .....	459	464	470	475	481
Post-secondary institutions' subsidiaries <sup>7</sup> .....	310	222	198	215	173
Transportation Investment Corporation.....	3,389	3,335	3,209	2,610	1,779
Other <sup>8</sup> .....	33	35	34	35	33
<b>Total self-supported debt.....</b>	<b>22,565</b>	<b>21,040</b>	<b>19,625</b>	<b>17,634</b>	<b>15,534</b>
<b>Total provincial debt.....</b>	<b>65,292</b>	<b>62,920</b>	<b>60,693</b>	<b>55,816</b>	<b>50,193</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.

<sup>2</sup>Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

<sup>3</sup>Includes the debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

<sup>4</sup>Includes debt of other taxpayer-supported Crown corporations and agencies and the fiscal agency loans to local governments. Also includes reconstruction loan program guarantees, student loan guarantees, loan guarantees to agricultural producers, guarantees under economic development and home mortgage assistance programs.

<sup>5</sup>Effective July 5, 2010, the British Columbia Hydro and Power Authority assumed responsibility for the fiscal agency loans of the British Columbia Transmission Corporation (\$70 million).

<sup>6</sup>Debt related to joint ventures of the Columbia Power Corporation and the Columbia Basin Trust.

<sup>7</sup>Includes debt of Heritage Realty Properties Ltd., SFU Community Trust, UBC Property Investments Ltd. and Vancouver Island Technology Park.

<sup>8</sup>Includes Columbia Basin Trust's share of real estate investment joint ventures' debt, British Columbia Liquor Distribution Branch and School District 91 private company.

### Summary of Provincial Debt

The debt-related statements are prepared using financial information that supports the government's Summary Financial Statements, which are prepared in accordance with Canadian generally accepted accounting principles. However, in the debt-related statements, there are some differences in the methods of compilation and presentation compared to generally accepted accounting principles. In the debt-related statements, debt is calculated net of sinking fund assets, includes debt directly incurred by modified equity enterprises, and other commercial subsidiaries of taxpayer-supported entities, and includes debt incurred by others outside the government reporting entity where there is provincial guarantee as to the payment of principal and interest. Also, total provincial revenue and interest costs include the gross revenue and interest costs of modified equity enterprises, and total provincial interest costs are net of sinking fund earnings.

### Provincial government general capital

In February 2009, government tabled the *Finance Statutes (Deficit Authorization and Debt Elimination) Amendment Act, 2009*, which prohibited spending on supplementary estimates until operating debt was eliminated. Historically, government direct operating debt included debt attributed to financing ministry capital expenditures, in addition to borrowing for operating deficits and working capital needs. In accordance with the amending legislation, beginning in 2009/10, debt attributed to amounts spent on ministry capital are reported as "Provincial government general capital" and reported separately from direct operating debt for deficit financing. Amounts attributed to ministry capital spending prior to 2008/09 are disclosed as a component of direct operating debt for compliance with the amended legislation. These segregated debt disclosures are consistent with government's policy of paying down operating debt before other types of debt.

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

	2016		2015	2014	2013	2012
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Debt to Revenue (percent)</b>						
Total provincial.....	110.5	105.8	106.4	107.7	104.1	94.7
Taxpayer-supported.....	95.4	91.0	94.1	96.1	93.7	85.1
<b>Debt per Capita (\$)<sup>2</sup></b>						
Total provincial.....	14,071	13,942	13,586	13,244	12,287	11,156
Taxpayer-supported.....	9,212	9,124	9,043	8,962	8,405	7,703
<b>Debt to GDP (percent)<sup>3</sup></b>						
Total provincial.....	26.6	26.7	26.4	26.9	25.1	23.1
Taxpayer-supported.....	17.4	17.4	17.5	18.2	17.2	15.9
<b>Interest Bite (cents per dollar of revenue)<sup>4</sup></b>						
Total provincial.....	4.7	4.8	4.2	4.5	4.4	4.3
Taxpayer-supported.....	3.9	4.2	3.6	4.0	3.9	4.0
<b>Interest Costs (\$ millions)</b>						
Total provincial.....	2,827	2,946	2,465	2,550	2,336	2,300
Taxpayer-supported.....	1,777	1,960	1,591	1,689	1,590	1,625
<b>Interest Rate (percent)<sup>5</sup></b>						
Taxpayer-supported.....	4.2	4.6	3.8	4.3	4.4	4.9
<b>Revenue Factor for Key Indicators (\$ millions)</b>						
Total provincial <sup>6</sup> .....	59,688	61,726	59,142	56,367	53,613	52,993
Taxpayer-supported <sup>7</sup> .....	45,241	46,927	44,526	42,725	40,744	40,734

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

	2016		2015	2014	2013	2012
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Total Debt (\$ millions)</b>						
Total provincial.....	65,960	65,292	62,920	60,693	55,816	50,193
Taxpayer-supported <sup>8</sup> .....	43,182	42,727	41,880	41,068	38,182	34,659
<b>Provincial GDP (\$ millions)<sup>9</sup>.....</b>	247,860	244,990	238,726	225,794	222,565	217,460
<b>Population (thousands at July 1)<sup>10</sup>.....</b>	4,688	4,683	4,631	4,583	4,543	4,499

<sup>1</sup>Figures for prior years have been restated to conform with the presentation used for 2015/16 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, 2016 divided by population at July 1, 2015).

<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, 2016 divided by 2015 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 all outstanding debt issues.

<sup>6</sup>Includes revenue less earnings related to enterprises (sinking fund earnings, loan interest and net earnings), plus revenue of all enterprises.

<sup>7</sup>Excludes revenue of government enterprises, but includes dividends from enterprises paid to the Consolidated Revenue Fund.

<sup>8</sup>Excludes debt of commercial Crown corporations and agencies, and funds held under the province's warehouse borrowing program.

<sup>9</sup>Nominal GDP for the calendar year ending in the fiscal year (e.g., GDP for 2015 is used for the fiscal year ended March 31, 2016). As nominal GDP for the calendar year ending 2015 is not available, the 2015 GDP projected in February 2016 has been used for the fiscal year ended March 31, 2016 for demonstration purposes. Preliminary GDP figures are presented as published for the year noted.

<sup>10</sup>Population at July 1<sup>st</sup> within the fiscal year (e.g., population at July 1, 2015 is used for the fiscal year ended March 31, 2016).

## Summary of Performance Measures for the Fiscal Year Ended March 31, 2016

	2016	2016	2015
	Target	Actual	Actual
Provincial credit rating <sup>1</sup> .....	Aaa	Aaa	Aaa
Taxpayer-supported debt to GDP ratio <sup>2</sup> .....	17.4%	17.4%	17.5%
Taxpayer-supported debt service costs as a percentage of revenue <sup>2</sup>	3.9%	4.2%	3.6%

<sup>1</sup>Performance target presented in the Ministry of Finance 2016/17–2018/19 Service Plan, actuals as per Moody's Investors Services Inc.

<sup>2</sup>These performance measures, among others, are key indicators on which credit rating agencies rely to determine the province's credit rating. In previous Ministry of Finance service plans, these target measures were included but in the 2016/17–2018/19 Service Plan, only the province's credit rating is cited as a comprehensive measure of performance. Target ratios are now included in the Ministry of Finance's budget estimates from the Budget and Fiscal Plan 2015/16–2017/18. Actual performance measures are those reported in the 2015/16 Public Accounts.

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

(ii) Consolidated 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.

*Government business enterprise*—a government organization 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 Consolidated 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.

*Other comprehensive income (OCI)*—is made up of certain unrealized gains and losses of self-supported Crown corporations that are not reported in their statement of operations, but are reported in their statement of financial position. These unrealized gains and losses will be recognized in the statement of operations when they become realized gains and losses.

*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 enterprises.

*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) Consolidated Statement of Financial Position: the accumulated surplus is the amount by which the total assets of the government exceeds its total liabilities.
- (ii) Consolidated 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).



## Definitions—Continued (Unaudited)

*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 enterprises.

*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)

APAC	Accounting Policy Advisory Committee
AiP	Agreements in Principle
BC Hydro	British Columbia Hydro and Power Authority
BCHMC	British Columbia Housing Management Commission
BCIT	British Columbia Institute of Technology
BCRC	British Columbia Railway Corporation
BCT	British Columbia Transit
BCTS	British Columbia Timber Sales
BTAA	<i>Budget Transparency and Accountability Act</i>
CICA	Canadian Institute of Chartered Accountants
CMHC	Canada Mortgage and Housing Corporation
CRF	Consolidated Revenue Fund
FAA	<i>Financial Administration Act</i>
FRAS	Financial Reporting and Advisory Services
FTE	Full-time equivalent
GAAP	Generally accepted accounting principles (for senior governments as recommended by the Canadian Public Sector Accounting Board)
GDP	Gross domestic product
GRE	Government reporting entity
HPO	Homeowner Protection Office
HST	Harmonized Sales Tax
ICBC	Insurance Corporation of British Columbia
IFRS	International Financial Reporting Standards
MLA	Members of the Legislative Assembly
Moody's	Moody's Investors Service
OAG	Office of the Auditor General
OCG	Office of the Comptroller General
OCI	Other comprehensive income
OIC	Order in Council
P3	Public private partnership
Pension Corporation	British Columbia Pension Corporation
PHH	PHH Vehicle Management Services Inc.
PSAB	Public Sector Accounting Board
RTP	Rapid Transit Project 2000 Ltd.

## Acronyms—Continued (Unaudited)

SCBCTA	South Coast British Columbia Transportation Authority
SUCH	School districts, universities, colleges, institutes and health organizations
TCA	Tangible capital assets
the Commission	British Columbia Utilities Commission
UBC	University of British Columbia
UVIC	University of Victoria