

Public Accounts

For the Fiscal Year Ended
March 31, 2004

2003/2004



BRITISH
COLUMBIA

Ministry of Finance
Office of the Comptroller General

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June 29, 2004
Victoria, British Columbia

Lieutenant Governor of the Province of British Columbia

MAY IT PLEASE YOUR HONOUR:

The undersigned has the honour to present the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2004.

GARY COLLINS
Minister of Finance

*Ministry of Finance
Victoria, British Columbia*

*Honourable GARY COLLINS
Minister of Finance*

I have the honour to submit herewith the Public Accounts of the Government of the Province of British Columbia for the fiscal year ended March 31, 2004.

Respectfully submitted,

ARN VAN IERSEL
Comptroller General

British Columbia's Public Accounts

Setting the Course

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

The proper focus of the Public Accounts is the Summary Financial Statements that represent the consolidated financial results and financial position for all those organizations that make up the government reporting entity. These statements provide an aggregate overview of how the Province and its various organizations performed against the financial plan. Supplementary information is also provided through the Consolidated Revenue Fund Extracts (available on the internet) that compare actual to planned spending on an appropriation basis, which represents another significant accountability of ministries back to the Legislative Assembly.

The Province continues to improve the Public Accounts in terms of their usefulness to readers. A new front section has been developed for Fiscal 2003/04, that provides a summary of the fiscal year. It further provides explanations of revenue, expense, assets and liabilities that tie into both the 2003/04 budget and the 2003/04 financial statements. This section is intended to make the Public Accounts more understandable and continues our effort to better integrate all our major financial accountability documents. Our intention is to further improve this section of the Public Accounts in the coming years by adding comparative data for prior years so that readers can better identify trends. The Public Sector Accounting Board also has a project to develop segmented financial reporting that will provide information on the major components of government. They intend this initiative to address some current concerns that the government entity has become so large and has lost some of its meaningfulness in terms of describing the government's major responsibilities, for example, health and education.

The 2003/04 Public Accounts are themselves, a transition document given that the government reporting entity, that is, those organizations considered to be part of government, has already been expanded in the 2004/05 budget, to include schools, universities, colleges, and health authorities (SUCH sector). However, since these Public Accounts are a report against the 2003/04 Budget that did not include the SUCH sector, they do not yet officially include these organizations. As has been the case for the past eight years, however, the projected impact of including SUCH sector is shown in the supplementary material (see page 83-86). Recognizing that as of 2004/05 and beyond, the Public Accounts will be based on the larger government reporting entity, we have provided some additional information on the impact of SUCH sector. Consistent with recent experience, adding in the SUCH sector would have improved our bottom line, as acknowledged by the auditor general, by \$337 million.

As the 2003/04 Public Accounts are still based on the old reporting entity and do not officially include the SUCH sector, the statements again include a reservation by the Auditor General in keeping with the past number of years. As of 2004/05, with the expanded entity being included in the budget, we expect this reservation will disappear. The government has agreed to include the SUCH sector effective 2004/05, based on our legal requirement to follow Generally Accepted Accounting Principles (GAAP). British Columbia, therefore, leads the country in terms of the organizations it includes in its reporting entity. We have stated, however, that with respect to universities, we will monitor the practices of other senior governments to determine if universities truly should be considered part of government in the long term.

Besides the SUCH sector, there have been other changes to the reporting entity for 2003/04. New organizations have been added, while others have been deleted, and some have changed status. Major changes include the conversion of BC Ferries into a new authority model, the transfer of the Pacific National Exhibition to the Municipality of Vancouver, and the starting of operations for the Forestry Innovation Investment Ltd and the Vancouver Convention Center Expansion Project.

There is a complete listing of the reporting entity for government on pages 67-68. For British Columbia Ferry Corporation, page 47, (Assets Held for Resale, Note 11), provides further information. Also, page 65, (Significant Events, Note 34), provides information regarding the BC Rail transaction anticipated to close in 2004/05. This information is provided to show the impact of the BC Rail transaction on the Summary Financial Statements.

Accounting policies are reviewed each year for continued relevance and consistency with GAAP. Since we are required by law to be GAAP compliant, we have to adjust our policies accordingly. For fiscal 2003/04 there were no accounting policy changes, however deferred foreign exchange gains or losses on debt are now included in the reported debt numbers rather than appearing as a deferred revenue or deferred expense.

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

British Columbia remains a leader in budgeting and financial reporting based on the comparability of its Estimates and Public Accounts, with its focus on "One Bottom Line"; that is, the Summary Financial Statements of the Province including ministries, Crown corporations and other agencies. While we continue to go through significant change, we remain dedicated to improving both the budgeting and reporting of the Province.

Again, I thank the Select Standing Committee on Public Accounts of the Legislative Assembly, government ministries, Crown corporations and agencies, and the Office of the Auditor General for their guidance and support in preparing the 2003/04 Public Accounts. The efforts of all participants were critical in maintaining an early release date comparable with the best practitioners in Canada.

Comments or questions regarding the Public Accounts documents are very much appreciated and can be directed to me by mail at PO Box 9413 STN PROV GOVT, Victoria BC V8W 9V1, e-mail at arn.vaniersel@gems8.gov.bc.ca or by telephone at 250-387-6692 or fax at 250-356-2001.

ARN VAN IERSEL
Comptroller General

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Public Accounts Content

Financial Statement Discussion and Analysis (Financial Highlights)—provides a written commentary on the Summary Financial Statements plus additional information on the financial performance of the 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 and taxpayer-supported Crown corporations and agencies (government organizations) and self-supported Crown corporations and agencies (government enterprises).

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.

Additional information is also included on the impact of including schools, universities, colleges and institutes, and health care authorities in the government reporting entity. Currently, they are not considered part of the government reporting entity because each is part of a province-wide program, is locally based and has an initial accountability to a local board. These organizations will be included in 2004/05.

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

Provincial Debt Summary—presents schedules and statements that provide further details on provincial debt and reconcile the Summary Financial Statements 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

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 province's Consolidated Revenue Fund, including details of expenses by ministerial appropriations, including an analysis of statutory appropriations, Special Accounts and Special Funds, 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 and agencies that are included in the government reporting entity.

Segregated Funds and Trust Funds Financial Statements—this section contains the audited financial statements of the pension, superannuation and long-term disability funds administered by the province. A summary of financial information for trust funds is also included in this section.

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

Financial Statement Discussion and Analysis Report

The focus of the province's financial reporting is the Summary Financial Statements that consolidate the operating and financial results of the province's Crown corporations and agencies 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 (GAAP)." This move to fully comply with GAAP must be completed effective with the 2004/05 fiscal year.

For senior governments, GAAP is generally considered to be the recommendations and guidelines of the Public Sector Accounting Board (PSAB) of The Canadian Institute of Chartered Accountants. While the province generally follows the recommendations of PSAB, there are two areas that have been or will be reviewed in the move to full GAAP reporting:

i) school districts, universities, colleges and institutes, and health authorities (SUCH sector) were examined to determine whether or not they belong in the government reporting entity (GRE). These organizations will be included in the GRE in 2004/05.

ii) prepaid capital advances, currently used to capitalize grants to entities outside the GRE for tangible capital assets, will be reviewed to determine if they are still required once the move to fully comply with GAAP is complete.

An Accounting Policy Advisory Committee has been established as an independent body and is assisting the province in addressing these two issues.

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

Financial Highlights

Financial Highlights

The information contained within the Financial Highlights is taken from the Summary Financial Statements on pages 31 to 77. The budget figures are from pages 3 to 5 of the *Estimates—Fiscal Year Ended March 31, 2004*.

Despite significant revenue and expenditure shocks in 2003/04, the province ended the year with a deficit of \$1,339 million, an improvement of \$961 million compared with the budgeted \$2,300 million deficit and an improvement of \$1,860 million compared with the prior year.

Summary Accounts' Surplus (Deficit)

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ¹ Actual	2003/04 Actual to Budget	2003/04 vs 02/03
Taxpayer-supported programs and agencies	\$	\$	\$	\$	\$
Revenue ²	24,619	24,793	22,887	174	1,906
Expense ²	(27,800)	(27,891)	(27,577)	(91)	(314)
Taxpayer-supported balance	(3,181)	(3,098)	(4,690)	83	1,592
Self-supported Crown corporation net earnings	1,381	1,881	1,766	500	115
Surplus (Deficit) before unusual items	(1,800)	(1,217)	(2,924)	583	1,707
Results of discontinued operations			(106)		106
Restructuring exit expense		(122)	(169)	(122)	47
Forecast allowance	(500)			500	
Surplus (Deficit) for the year	(2,300)	(1,339)	(3,199)	961	1,860

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

²2003/04 Budget excluded \$319 million in additional CHST funds from the federal government that were not known at the time of the Budget, but were included in the *Supply Act* passed on May 29, 2003.

Improvements in taxation and energy revenues and self-supported Crown corporation operating results helped to offset unanticipated events, such as reduced Equalization revenues and the costs of forest fires, floods and Bovine Spongiform Encephalopathy (BSE). At the same time, lower debt service costs and ministry savings created additional fiscal room to accommodate priority initiatives, including the acceleration of \$72 million of the government's commitment to support the 2010 Olympic and Paralympic Winter Games.

During the 2003/04 fiscal year, the Legislative Assembly approved four Supplementary Estimates totalling \$837 million. The Supplementary Estimate authorized the spending of \$319 million in federal health accord funding received. The Supplementary Estimates provided information and authorization to support spending of \$446 million in additional expenses related to disaster costs, \$72 million in accelerated funding for the 2010 Olympics, and \$274,000 in additional expenses for the Information and Privacy Commissioner.

Financial Highlights**Changes From 2003/04 Budget**

	In Millions		
	Revenues	Expenses	Deficit
	\$	\$	\$
Budget (before forecast allowance)	26,000	27,800	(1,800)
Forecast Allowance			(500)
Surplus (Deficit) per Budget			(2,300)
Increase in taxation revenue	467		467
Decrease in equalization funding	(1,005)		(1,005)
Increase in Canada Health and Social Transfer	281		281
Increase in energy revenue	332		332
Increase in self-supported Crown corporation net earnings	500		500
Increase in other revenue	99		99
(Decrease) in debt interest expense		(341)	341
Increase in forest fires, floods, and BSE costs.....		410	(410)
Increase in other spending.....		144	(144)
Decrease in forecast allowance.....			500
	<u>674</u>	<u>213</u>	<u>961</u>
Actual Results	<u>26,674</u>	<u>28,013</u>	<u>(1,339)</u>

Changes In Actual Results from 2003 to 2004

	In Millions		
	Revenues	Expenses	Deficit
	\$	\$	\$
2002/03¹ Surplus (Deficit)	24,653	27,852	(3,199)
Increase in taxation revenue (see page 14)	1,531		1,531
Increase in natural resources revenue (see page 14)	372		372
Increase in other revenue (see page 14)	235		235
Increase in self-supported Crown corporation net earnings (see page 14)	115		115
(Decrease) in federal contributions (see page 14)	(232)		(232)
Increase in health expenses (see page 16)		221	(221)
(Decrease) in social services expense (see page 16)		(280)	280
Increase in other expense		220	(220)
Subtotal of changes in actual results	<u>2,021</u>	<u>161</u>	<u>1,860</u>
2003/04 Surplus (Deficit)	<u>26,674</u>	<u>28,013</u>	<u>(1,339)</u>
2002/03¹ Accumulated Surplus (Deficit)			<u>(8,015)</u>
2003/04 Accumulated Surplus (Deficit)			<u>(9,354)</u>

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Financial Highlights

Fiscal 2003/04 also marks the final year of the government's three-year restructuring initiative for government ministries. Over the three-year period, actual ministry restructuring costs totalled \$574 million. Crown corporations restructuring costs over the same period were \$309 million.

Debt reported on the financial statements at the end of 2003/04 was \$36,938 million, up \$814 million from 2002/03. As noted in the table below, total provincial debt was \$399 million higher than the amount reported in the province's financial statements due to differences in how debt guarantees and non-guaranteed debt are reported for accounting purposes.

Total Provincial Debt

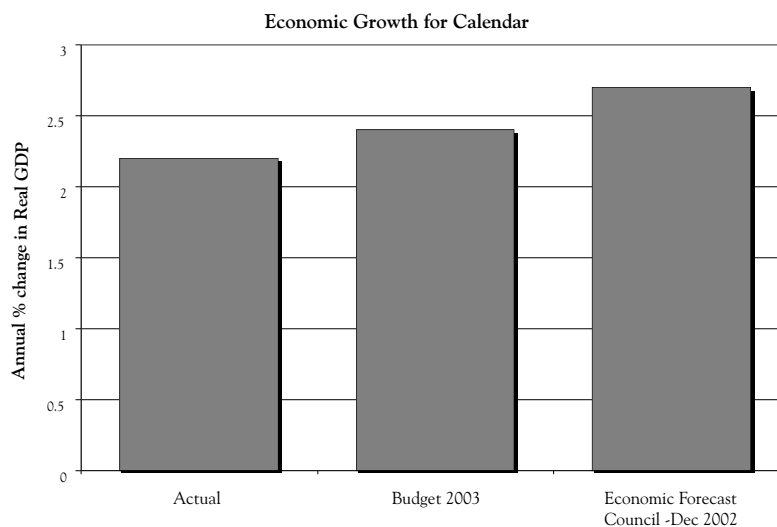
	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ¹ Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	\$	\$	\$	\$	\$
Financial statement debt	40,527	36,938	36,124	(3,589)	814
Third party guarantees and non-guaranteed debt	439	399	415	(40)	(16)
Total Provincial Debt	40,966	37,337	36,539	(3,629)	798

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

A more comprehensive overview of provincial debt, including key debt indicators is located on pages 103 to 116.

Economic Highlights

British Columbia's economy grew by 2.2% in calendar 2003, tying for fourth highest among provinces, according to preliminary results from Statistics Canada. The estimated 2.2% growth last year exceeded the national average of 1.7%. Economic growth in British Columbia was fueled by a strong housing market and robust job creation in 2003. Employment grew 2.5% last year with just over 50,000 jobs created, almost all of them full-time. Housing starts posted growth of 21% in calendar 2003 and non-residential construction also saw a pick-up in growth to 6.1%.



Financial Highlights**Strong and Stable Credit**

British Columbia continues to maintain a strong and stable credit rating, most notably evidenced by the recent upgrade to the province's credit rating outlook by two of the three credit rating agencies. (See page 19 for details.)

Financial Performance**Revenue**

For the 2003/04 fiscal year, revenue totalled \$26,674 million, \$674 million higher than budget and \$2,021 million higher than 2002/03.

Revenue by Source

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ¹ Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	\$	\$	\$	\$	\$
Taxation	13,341	13,808	12,277	467	1,531
Contributions from Federal Government ²	3,992	3,346	3,578	(646)	(232)
Natural Resources	3,396	3,653	3,281	257	372
Fees and Licences.....	2,262	2,427	2,283	165	144
Net earnings of self-supported Crown Corporations	1,381	1,881	1,766	500	115
Miscellaneous	900	977	829	77	148
Investment Earnings	728	582	639	(146)	(57)
Total Revenue.....	26,000	26,674	24,653	674	2,021

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

²2003/04 Budget excluded \$319 million in additional CHST funds from the federal government that were not known at the time of the Budget, but were included in the *Supply Act* passed on May 29, 2003.

The main reasons for the difference between budget and actuals were higher self-supported Crown corporation net earnings and higher taxation and natural resource revenues, partially offset by lower federal transfer payments.

Taxation revenues, which comprise over 50% of all revenues, were \$467 million higher than budget and \$1,531 million higher than 2002/03, reflecting personal income tax and property transfer tax improvements.

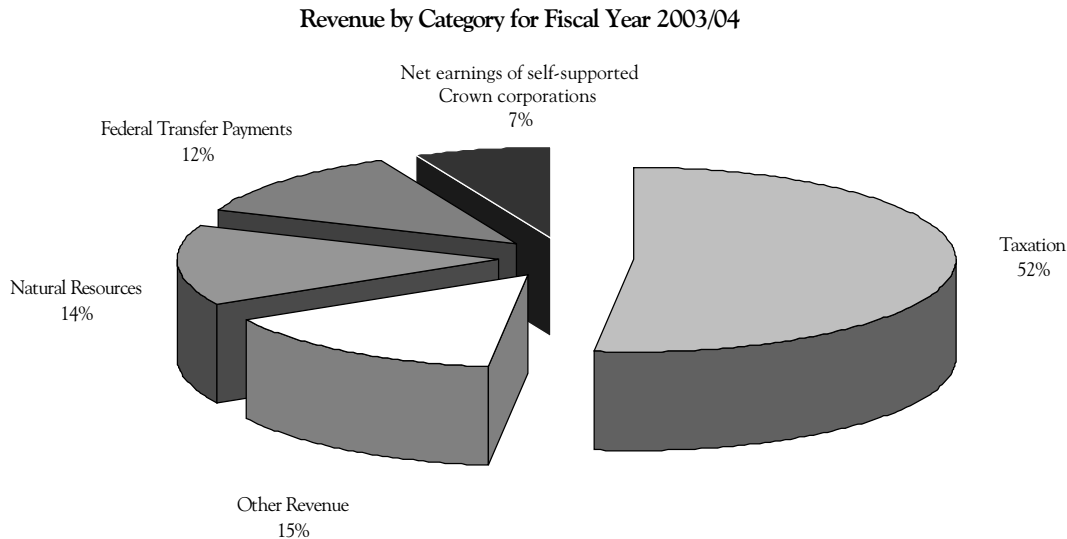
Financial Highlights

Contributions from the federal government were \$646 million lower than budget and \$232 million lower than 2002/03 since reduced equalization entitlements for 2003/04 and prior years were only partially offset by higher revenues for Canada Health and Social Transfer (CHST) and federal government relief for forest fire costs. Equalization revenue was \$1,005 million below budget reflecting a \$499 million lower entitlement in respect of 2003/04 and a negative \$506 million prior year adjustment mainly for 2002/03. CHST revenue was up \$281 million from budget mainly due to the Health Accord funding and federal contributions for forest fire relief totalled \$121 million. Relative to 2002/03, equalization revenue was \$873 million lower and CHST revenue was up \$438 million. The year-over-year change in CHST revenue reflects the Health Accord funding, the higher entitlement for prior years and an increased base in 2003/04.

Natural resource revenues were \$257 million higher than budget and \$372 million higher than 2002/03, reflecting higher energy revenues, mainly due to the record natural gas and petroleum drilling rights sold in September 2003. These gains were partially offset during the year by lower natural gas revenues resulting from lower production and lower forest revenues due to the effects of a higher Canadian dollar and lower coastal harvest volumes.

Net earnings of self-supported Crown corporations were \$500 million higher than budget and \$115 million higher than 2002/03. The change from budget was primarily due to improved reservoir levels, lower than expected energy and interest costs for the British Columbia Hydro and Power Authority (BC Hydro), and higher premium revenue and reduced operating costs for the Insurance Corporation of British Columbia (ICBC). The improvement over the 2002/03 fiscal year was due to increased sales and reduced costs for the Liquor Distribution Branch, increased BC Lotteries' revenues, and higher premium revenues from ICBC. These increases were partially offset by lower income from BC Hydro due to an increase in electricity purchases to meet domestic demand and a provision for the Vancouver Island Generation Project /Georgia Strait Crossing Pipeline costs.

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



Financial Highlights**Expense**

In 2003/04, provincial expenses totalled \$28,013 million, \$213 million higher than budget and \$161 million higher than 2002/03.

Expense by Function

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ¹ Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	\$	\$	\$	\$	\$
Health ²	10,718	10,945	10,724	227	221
Education	6,936	6,899	6,898	(37)	1
Social Services	2,856	2,871	3,151	15	(280)
Interest ³	1,792	1,451	1,493	(341)	(42)
Protection of Persons and Property	1,428	1,565	1,422	137	143
Transportation	1,354	1,267	1,150	(87)	117
Natural resources and economic development	1,127	1,496	1,533	369	(37)
Other	1,123	906	667	(217)	239
General Government	466	491	539	25	(48)
Total Operating Expense	27,800	27,891	27,577	91	314
Results of discontinued operations			106		(106)
Restructuring exit expense		122	169	122	(47)
Total Expense	27,800	28,013	27,852	213	161

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

²2003/04 Budget for Health excluded \$319 million in additional CHST funds from the federal government that were not known at the time of the budget, but were included in the Supply Act passed on May 29, 2003.

³Interest expense does not include interest relating to prepaid capital advances. These interest costs are recorded in the related health, education and transportation functions. See Note 29 on page 63 for more details.

Health spending was \$227 million higher than budget and \$221 million higher than 2002/03, primarily due to additional federal funding arising from the federal/provincial Health Accord.

Social services spending was \$15 million higher than budget and \$280 million lower than 2002/03. The decrease from the prior year was primarily due to an overall reduction in caseloads and other program costs.

Interest expense was \$341 million less than budget and \$42 million less than 2002/03 as a result of lower interest rates, reduced debt balances compared to budget and a stronger Canadian dollar.

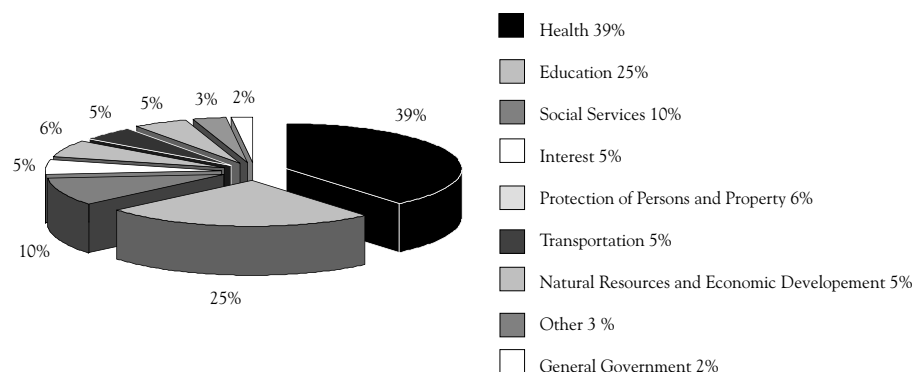
Natural resources and economic development spending was \$369 million higher than budget and \$37 million lower than 2002/03. The change from budget was primarily due to unanticipated forest fire suppression, BSE, and flood related costs. The decrease from the prior year mainly reflected the effect of a one-time provision of \$275 million made in 2002/03 for forestry revitalization offset by the additional disaster costs in 2003/04.

Other spending was \$217 million lower than budget and \$239 million higher than 2002/03. The difference between actual and budget was due to lower than expected spending by taxpayer-supported Crown corporations. The 2003/04 to 2002/03 actual variance related to the accelerated spending associated with the 2010 Olympics.

Financial Highlights

In accordance with Generally Accepted Accounting Principles (GAAP) for senior governments and Public Sector Accounting Board (PSAB), provincial expenses are reported on a functional basis in the Public Accounts. Under functional reporting, expenses are grouped and classified according to their principle purpose using a modified version of the Statistics Canada account classification system. Primary expense functions are outlined in the chart below:

Expense by Function for Fiscal Year 2003/04



Ministry, Program and Agency Reporting

While functional reporting allows for greater comparability across jurisdictions, it is not considered the primary tool for managing results as the level of aggregation does not provide specific information about the operational objectives and major activities of the reporting entity. Reporting by entity provides management and the public additional information regarding the allocation of resources and related costs of the different operational activities of government. For example, Health Services shows an expense of \$10,453 million while the Health Function in the above table shows an expense of \$10,945 million. The difference results from the Health Function including the Health Services Ministry, taxpayer-supported Crown corporations and agencies and other ministries' programs that are related to health function spending.

Expense by Major Accountability

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ¹ Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	\$	\$	\$	\$	\$
Health Services	10,209	10,453	10,206	244	247
Education	4,860	4,787	4,807	(73)	(20)
Advanced Education	1,899	1,897	1,897	(2)	
Management of Public Funds and Debt	926	738	711	(188)	27
Other Ministries and Programs	6,950	7,235	7,346	285	(111)
Government restructuring (All ministries)	190	168	212	(22)	(44)
Consolidated Revenue Fund Expense	25,034	25,278	25,179	244	99
Less: Grants/internal transfers	(1,087)	(1,128)	(1,155)	(41)	27
Add: Recoveries	1,615	1,733	1,670	118	63
Other taxpayer supported entities (net of accounting adjustments)	2,238	2,130	2,158	(108)	(28)
Total Expense	27,800	28,013	27,852	213	161

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Financial Highlights

Major variances in the Expense by Major Accountability are:

Health Services was \$244 million higher than budget and \$247 million higher than 2002/03, due primarily to additional federal contributions for health care. A Supplementary Estimate to authorize the spending of the federal contribution was approved in May 2003. After taking into account the Supplementary Estimate, health care spending was \$75 million below budget.

Other ministries and program spending was \$285 million higher than budget and \$111 million lower than 2002/03. The change from budget primarily reflects the additional costs associated with forest fire suppression, BSE, and flood related costs partially offset by lower spending in other areas.

Management of Public Funds and Debt (interest) was \$188 million lower than budget due to government interest savings arising from lower interest rates, reduced debt balances and a stronger Canadian dollar.

Other taxpayer-supported entity spending was a \$108 million lower than budget and \$28 million lower than 2002/03, primarily due to delays in the implementation of Ministry of Children and Family governance authorities.

Further details on ministry, program and agency spending can be found in the 2004 British Columbia Financial and Economic Review available in July 2004, at: www.fin.gov.bc.ca/pubs

Financial Assets

Financial assets as at March 31, 2004 totalled \$15,810 million, \$269 million lower than budget and \$1,439 million higher than 2002/03. The increase compared to 2002/03 is primarily due to a \$344 million increase in BC Hydro loans receivable, a \$399 million increase in ICBC equity and a \$428 million loan receivable from British Columbia Ferry Services Inc.

Financial Assets

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ¹ Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	\$	\$	\$	\$	\$
Accounts receivable.....	2,539	2,542	2,380	3	162
Equity in self-supported Crown Corporations and Agencies.	2,594	2,989	2,629	395	360
Loans for purchases of assets recoverable from agencies.....	8,270	7,602	7,336	(668)	266
Other financial assets.....	2,676	2,677	2,026	1	651
Total Financial Assets.....	16,079	15,810	14,371	(269)	1,439

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Financial Highlights

As at March 31, 2004, the province's equity investment in self-supported Crown corporations was \$2,989 million. In 2003/04, these organizations provided government with \$1,881 million in net income.

More than 90% of the \$7,602 million in recoverable capital loans represents loans to BC Hydro toward the acquisition of power generation and distribution assets. The change from budget is primarily due to lower than anticipated borrowing requirements for BC Hydro.

Other financial assets include cash and cash equivalents, temporary investments, inventory, and loans receivable.

Liabilities

Total liabilities were \$2,250 million lower than budget and \$2,285 million higher than 2002/03.

Liabilities

	In Millions			Variance	
	2003/04	2003/04	2002/03 ¹	2003/04	2003/04
	Budget	Actual	Actual	Actual to Budget	vs 02/03
	\$	\$	\$	\$	\$
Taxpayer-supported Debt	31,871	29,431	28,899	(2,440)	532
Self-supported Debt	8,156	7,507	7,225	(649)	282
Forecast Allowance.....	500			(500)	
Total Financial Statement Debt.....	40,527	36,938	36,124	(3,589)	814
Accounts Payable.....	3,790	3,543	3,353	(247)	190
Other Liabilities	941	2,527	1,246	1,586	1,281
Total Liabilities	45,258	43,008	40,723	(2,250)	2,285

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Financial Statement Debt

Total financial statement debt was \$3,589 million lower than budget, but \$814 million higher than 2002/03. Primary reasons for the change from budget included lower than forecast debt balances at the end of the 2002/03 fiscal year, improved government operating results and reduced capital spending requirements.

Other Liabilities

Other liabilities were \$1,586 million higher than budget and \$1,281 million higher than 2002/03. Of this difference, \$733 million related to the increase for the repayable Equalization advance from the federal government and an increase of \$390 million in deferred revenue related to the federal trusts for CHST.

Total Provincial Debt

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

Total provincial debt at March 31, 2003/04, was \$37,337 million, which is \$3,629 million less than budget and \$798 million higher than 2002/03.

In April 2004, two of the three rating agencies upgraded the province's credit rating outlook to positive from stable. The Moody's Investors Service Inc., presents the outlook for the province at Aa2 (Positive) and Standard and Poor's outlook for the province is at AA-(Positive). The outlook from Dominion Bond Rating Service (DBRS) remains unchanged at AA (low).

Financial Highlights**Credit Ratings June 2004**

Province	Rating Agency ¹		
	Moody's Investors Services Inc.	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aa2	AA-	AA (low)
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa3	AA-	A
Manitoba	Aa2	AA-	A (high)
Ontario	Aa2	AA	AA
Quebec	A1	A+	A
New Brunswick	Aa3	AA-	A
Nova Scotia	A3	A-	BBB(high)
Prince Edward Island	A2	Not rated	A(low)
Newfoundland	A3	A-	BBB
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 103-116 of this publication.

Non-Financial Assets

At March 31, 2004, non-financial assets totalled \$17,844 million, representing a \$507 million decrease from budget and a \$493 million decrease from the previous year. The decreases were a result of lower than anticipated capital requirements in ministries and the health and education sectors.

Non-Financial Assets

	In Millions			Variance	
	2003/04	2003/04	2002/03 ¹	2003/04	2003/04
	Budget	Actual	Actual	Actual to Budget	vs 02/03
	\$	\$	\$	\$	\$
Tangible Capital Assets	10,735	10,482	10,381	(253)	101
Prepaid Capital Advances.....	7,313	7,136	7,108	(177)	28
Prepaid Program Costs	98	82	107	(16)	(25)
Non-financial assets held for resale			593		(593)
Other Assets.....	205	144	148	(61)	(4)
Total Non-Financial Assets	18,351	17,844	18,337	(507)	(493)

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Non-financial assets typically represent resources that government can use in the future to provide services. The majority of the province's non-financial assets reflect capital asset related expenditures and take the form of either tangible capital assets or prepaid capital advances. Prepaid capital advances represent the government's claim on provincially funded assets acquired by external entities in the health, education and transportation sectors.

Financial Highlights

Net Liabilities and Accumulated Deficit

In accordance with GAAP, the government's statement of financial position is presented on a net debt or net liabilities basis. Net liabilities represents the difference between a government's financial assets and its liabilities and is often used as a measure of the future revenues required to pay for past transactions and events. The accumulated deficit represents the sum of prior years' operating results.

Net Liabilities and Accumulated Deficit

	In Millions			Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ¹ Actual	2003/04 Actual to Budget	2003/04 vs 02/03
	\$	\$	\$	\$	\$
Financial Assets	16,079	15,810	14,371	(269)	1,439
Less: Liabilities	(45,258)	(43,008)	(40,723)	2,250	(2,285)
Net Liabilities	(29,179)	(27,198)	(26,352)	1,981	(846)
Less: Non-financial Assets	18,351	17,844	18,337	(507)	(493)
Accumulated deficit	(10,828)	(9,354)	(8,015)	1,474	(1,339)

¹The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

Summary Accounts' Staff Utilization for the Fiscal Year Ended March 31, 2004¹

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

				Variance	
	2003/04 Budget	2003/04 Actual	2002/03 ² Actual	2003/04 Actual to Budget	2003/04 vs 02/03
Consolidated Revenue Fund ³	29,049	28,684	29,751	(365)	(1,067)
Taxpayer-supported Crown corporations and agencies ^{4, 5} ...	5,270	4,570	7,747	(700)	(3,177)
Regional authorities ⁶	150			(150)	
Total Staff Utilization	34,469	33,254	37,498	(1,215)	(4,244)

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

²The 2002/03 figures have been restated to conform with the presentation of the 2003/04 Public Accounts.

³See the Consolidated Revenue Fund Schedules at www.fin.gov.bc.ca for details.

⁴See financial statements of Crown corporations and agencies at www.fin.gov.bc.ca for details of amounts included in this total.

⁵The 2003/04 Budget includes an estimate for Canadian Blood Services. This organization is not included in the Public Accounts figures.

⁶In 2003/04, the government reporting entity was expanded to include the Ministry of Children and Family Development governance authorities.

Financial Highlights

The FTE reductions for the CRF against 2003/04 budget and 2002/03 actuals reflect the government's three-year restructuring and workforce adjustment initiative, offset by 150 FTEs not transferred to regional authorities in 2003/04.

The difference between budgeted utilization for taxpayer-supported Crown corporations and actual utilization was 700 employees. This difference included an estimate of 545 employees for Canadian Blood Services while no actual utilization was available for this entity at year end and there were also 82 fewer employees than budgeted for in the Legal Services Society. No employees were transferred to regional authorities in 2003/04 although 150 employees were budgeted to be transferred.

The major change between 2003/04 and 2002/03 (4,244 employees) was the transfer of the British Columbia Ferry Corporation in the 2003/04 fiscal year, to an organization outside of the government reporting entity. This accounted for 3,345 employees.

Move to Generally Accepted Accounting Principles

Although the province is not required to include the schools, universities, colleges and health authorities (SUCH sector) in its financial statements until fiscal 2004/05, the 2003/04 Public Accounts does provide an impact statement as if these entities were included. This information has been included in the Public Accounts since fiscal year end 1997/98.

The following table outlines the financial impact to government had the SUCH sector organizations been included under Generally Accepted Accounting Principles for the 2003/04 fiscal year.

Impact of SUCH Sector

	In Millions		
	Before Inclusion of SUCH	After Inclusion of SUCH	Impact of SUCH
	\$	\$	\$
Revenue ¹	26,674	28,974	2,300
Expenses ¹	28,013	29,976	1,963
Annual Deficit	(1,339)	(1,002)	337
Financial Assets	15,810	19,540	3,730
Less: Liabilities	(43,008)	(46,900)	(3,892)
Net Liabilities	(27,198)	(27,360)	(162)
Less: Non-financial Assets	17,844	22,617	4,773
Accumulated Deficit	(9,354)	(4,743)	4,611

¹Changes to accounting adjustments resulting from the impact of the SUCH sector.

Further details on the impact of the SUCH sector are available on pages 83 to 90 of this publication.