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# *Provincial Debt Summary*





## Overview of Provincial Debt (Unaudited)

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

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

*Taxpayer-supported Debt*—includes government direct debt, which is incurred for government operating and capital purposes, and the debt of Crown corporations, agencies, school districts, universities, colleges, institutes and health organizations that require an operating or debt service subsidy from the provincial government, and that 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 is used to take advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to the province or Crown corporations and agencies. In the interim, the funds are invested at market rates.

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

The total provincial debt as at March 31, 2007 was \$33,347 million, which consists of \$32,940 million (net of \$3,798 million sinking fund investments) in the Summary Financial Statements, together with \$299 million in additional debt of self-supported Crown corporations and agencies and \$108 million in additional guaranteed debt.

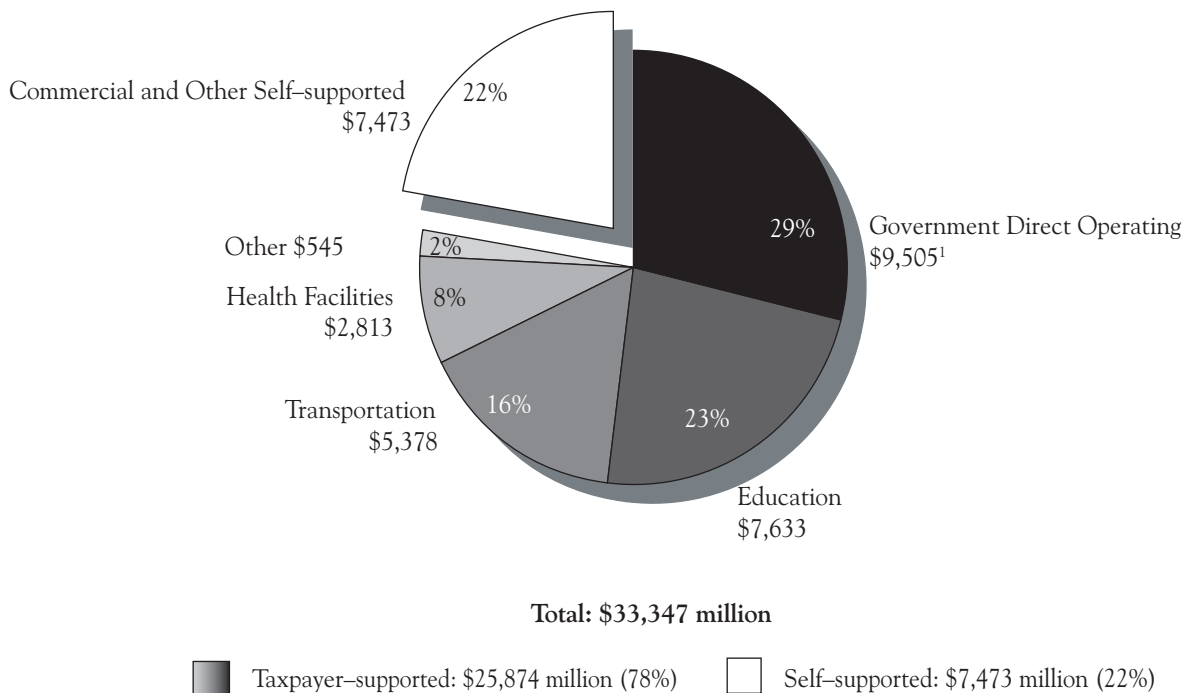
## Provincial Debt as at March 31, 2007 (Unaudited)

The accumulated provincial debt of \$33,347 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, 2007, taxpayer-supported debt totalled \$25,874 million—including debt incurred for government operating purposes (\$9,505 million), educational facilities (\$7,633 million), health facilities (\$2,813 million), transportation infrastructure (\$5,378 million) and other debt (\$545 million). Other debt is comprised mainly of debt relating to social housing, service delivery agencies and various loan guarantee programs.

At March 31, 2007, self-supported debt relating to commercial Crown corporations and agencies totalled \$7,473 million. Commercial debt includes the debt incurred by British Columbia Hydro and Power Authority, debt relating to Columbia River power projects, and debt of commercial subsidiaries of certain post-secondary institutions.

**Chart 1 – Provincial debt as at March 31, 2007**  
In Millions/Percent of Total



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

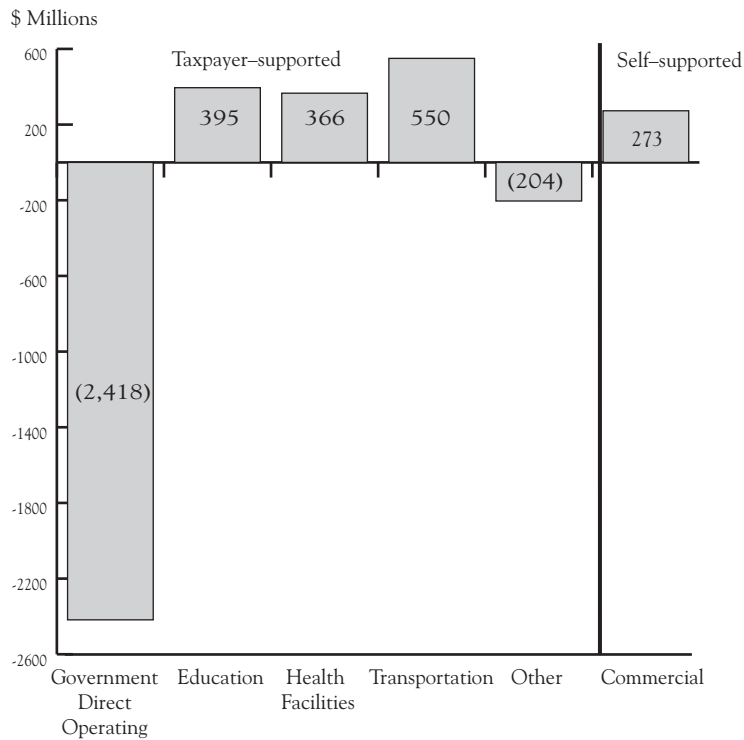
## Change in Provincial Debt<sup>1</sup> (Unaudited)

Provincial debt decreased by \$1,038 million in 2006/07; this included a decrease in taxpayer-supported debt of \$1,311 million, offset by an increase in self-supported debt of \$273 million (see Chart 2 below).

*Taxpayer-supported Debt*—The decrease of \$1,311 million was primarily due to a decrease of \$2,418 million in government direct operating debt as a result of an operating surplus at the Consolidated Revenue Fund level, mainly due to higher taxation revenues and one-time revenues from federal transfers, and reduced working capital requirements, offset by increases in capital debt in the education sector (\$395 million), the health sector (\$366 million), and the transportation sector (\$550 million). In addition, debt of other taxpayer-supported Crown corporations and agencies decreased by \$204 million which was mainly due to the transfer of the debt of BC Buildings Corporation to the province as a result of the wind up of the corporation's operations.

*Self-supported Debt*—The increase of \$273 million consists of a \$252 million increase in BC Hydro and Power Authority debt and \$34 million increase in debt of commercial subsidiaries of certain post-secondary institutions, offset by decreases of \$11 million for Columbia River power projects and \$2 million for British Columbia Liquor Distribution Branch.

**Chart 2 – Change in provincial debt for the year ended March 31, 2007**



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

**Reconciliation of Summary Financial Statements' Surplus  
to Change in Taxpayer-supported Debt and Total Debt  
for the Fiscal Year Ended March 31, 2007  
(Unaudited)**

	In Millions	
	2007	2006 <sup>1</sup>
	\$	\$
(Surplus) for the year.....	(4,056)	(3,090)
Taxpayer-supported debt decreased by:		
Non-cash expenses included in (surplus).....	(1,631)	(1,670)
Accounts receivable, accounts payable and other working capital net changes.....	165	(412)
	<u>(1,466)</u>	<u>(2,082)</u>
Taxpayer-supported debt increased by:		
Self-supported Crown corporation and agency earnings in excess of contributions to the Consolidated Revenue Fund.....	522	269
Tangible capital asset net acquisitions.....	3,359	2,926
Net increases in loans, advances and investments.....	330	518
	<u>4,211</u>	<u>3,713</u>
Net (decrease) in taxpayer-supported debt.....	(1,311)	(1,459)
Taxpayer-supported debt—beginning of year.....	27,185	28,644
Taxpayer-supported debt—end of year.....	25,874	27,185
Self-supported debt <sup>1</sup> .....	7,473	7,200
<b>Total debt<sup>2</sup>.....</b>	<b><u>33,347</u></b>	<b><u>34,385</u></b>

**Reconciliation of Total Debt to the Summary Financial Statements Debt  
as at March 31, 2007  
(Unaudited)**

	In Millions	
	2007	2006 <sup>1</sup>
	\$	\$
Total debt.....	33,347	34,385
Debt included as part of equity in self-supported Crown corporations and agencies.....	(299)	(278)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province.....	(108)	(119)
Sinking fund investments.....	3,798	4,059
<b>Summary Financial Statements debt.....</b>	<b><u>36,738</u></b>	<b><u>38,047</u></b>
Comprised of:		
Taxpayer-supported debt.....	28,841	30,289
Self-supported debt.....	7,897	7,758
<b>Total debt<sup>3</sup>.....</b>	<b><u>36,738</u></b>	<b><u>38,047</u></b>

<sup>1</sup>Comparative figures for the previous year have been restated.

<sup>2</sup>See Summary of Provincial Debt, page 119.

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

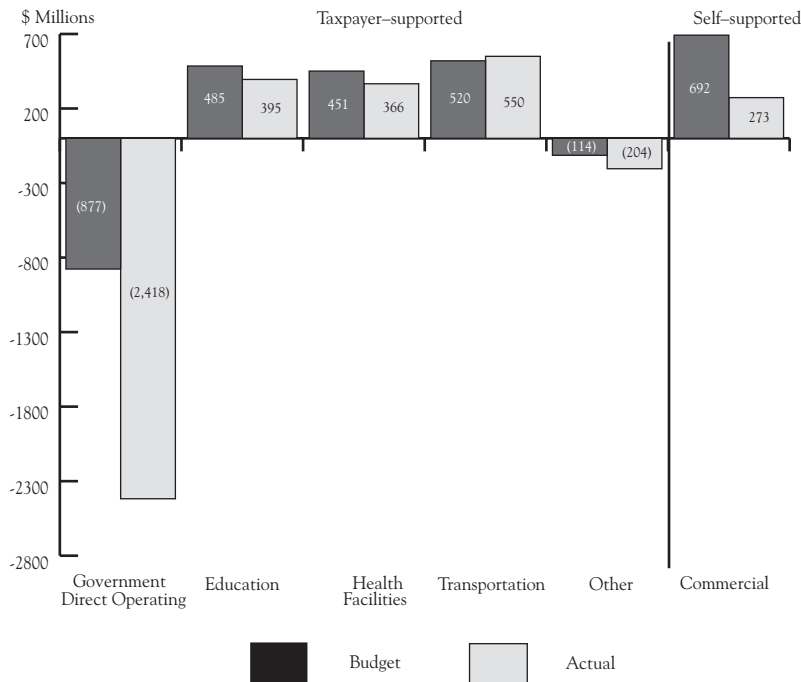
## Change in Provincial Debt, Comparison to Budget (Unaudited)

Provincial debt decreased by \$1,038 million, compared to a budgeted increase of \$1,707 million (per the Budget and Fiscal Plan presented in February 2006), for an improvement of \$2,745 million. Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category. The decrease in taxpayer-supported debt was \$1,776 million better than budget and the increase in self-supported debt was \$419 million better than budget. In addition, the \$550 million forecast allowance included in the budget was not required.

Taxpayer-supported debt decreased by \$1,311 million, compared to a budgeted increase of \$465 million. The improvement of \$1,776 million is due to reduced government operating debt (\$1,541 million) mainly due to higher than forecast taxation revenues and one-time revenues from federal transfers, reduced working capital requirements, lower than forecast capital spending on education, health and transportation infrastructure (\$145 million), and lower than expected debt of other taxpayer-supported Crown corporations and agencies (\$90 million).

Self-supported debt increased by \$273 million, compared to a budgeted increase of \$692 million, for an improvement of \$419 million. The improvement is a result of reduced debt for British Columbia Hydro and Power Authority (\$412 million) mainly due to lower than forecast capital debt requirements, lower debt of British Columbia Transmission Corporation (\$40 million) and British Columbia Liquor Distribution Branch (\$1 million). This is offset by the increase of \$34 million relating to the reclassification of the debt of commercial subsidiaries of certain post-secondary institutions from taxpayer-supported to self-supported.

**Chart 3 – Change in provincial debt (actual vs budget<sup>1</sup>) for the year ended March 31, 2007**



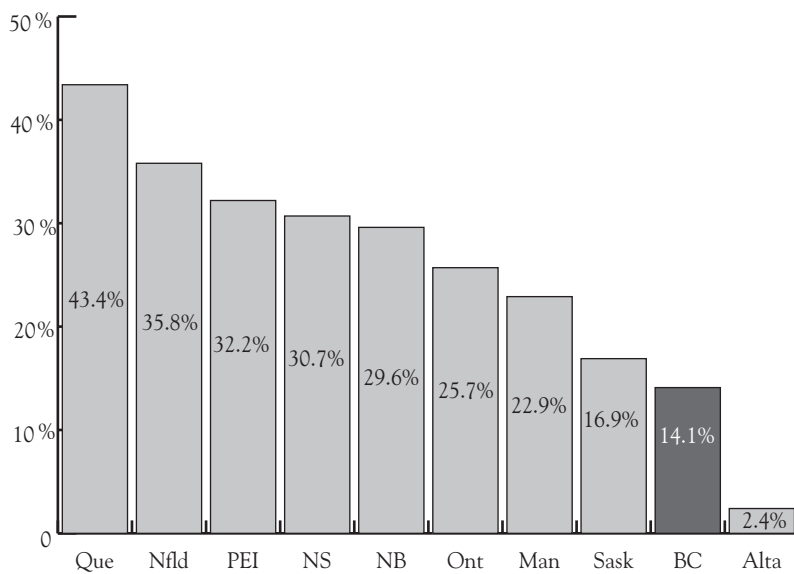
<sup>1</sup>The \$550 million forecast allowance is not included.

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

Chart 4 below shows the ratio of each province's taxpayer-supported debt as a percentage of their gross domestic product (GDP). The ratio of a province's taxpayer-supported debt relative to its GDP highlights the ability of a province to service its debt load. This ratio is often used by investors and credit rating agencies when assessing a province's investment quality. According to the Moody's Investors Service Inc., 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 % of GDP**

Per cent of GDP at March 31, 2007



Source: Moody's Investors Service Inc., based on May 2007 estimates.

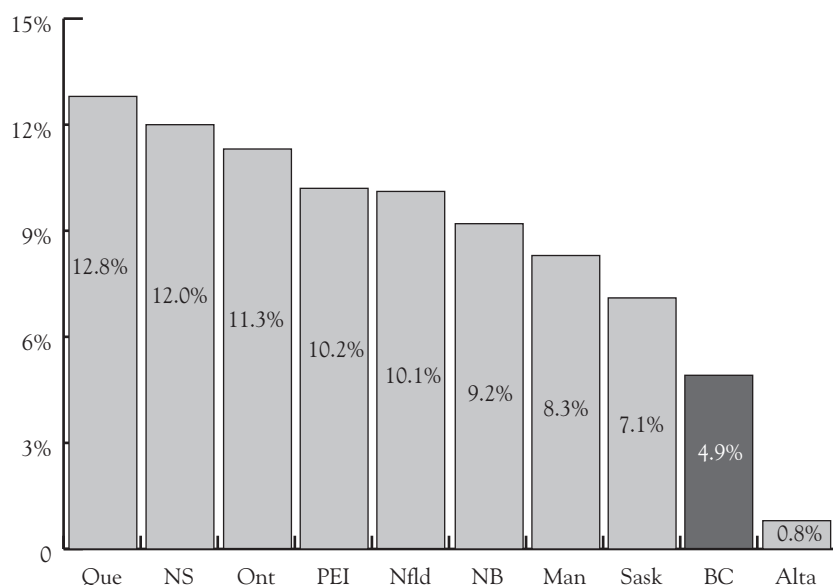


## Interprovincial Comparison of Taxpayer-supported Debt Service Costs as a Percentage of Revenue (Unaudited)

Chart 5 shows the ratio (interest bite) of each province's taxpayer-supported debt service costs as a percentage of the 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 Moody's Investors Service (Moody's), British Columbia has the second 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**

Percent of revenue, at March 31, 2007



Source: Moody's Investors Service Inc., based on May 2007 estimates.

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

More comprehensive information 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), outside these statements.





# Report of the Auditor General of British Columbia

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

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

### **Introduction**

I have audited the debt-related statements of the Government of the Province of British Columbia consisting of the summary of provincial debt as at March 31, 2003 through 2007, the key indicators of provincial debt for the five fiscal years then ended, and the summary of performance measures for the fiscal year ended March 31, 2007. Through these statements, the Government reports on its debt management by presenting five years of information on provincial debt and debt indicators, and compares its actual results of performance measures to its target measures for the fiscal year ended March 31, 2007. The preparation of the debt-related information and the setting of performance targets are the responsibility of the Government. My responsibility is to express an opinion on this debt-related information based on my audit.

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 a provincial government 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.

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

**Scope**

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance whether the debt-related statements are free of material misstatement. My audit included examining, on a test basis, evidence supporting the amounts and disclosures in the debt-related statements. My audit also included evaluating the overall presentation of the debt-related statements.

**Opinion**

In my opinion, these statements present fairly, in all material respects, the summary of provincial debt as at March 31, 2003 through 2007, the key indicators of provincial debt for the five fiscal years then ended, and the summary of performance measures for the year ended March 31, 2007, in accordance with the basis of accounting referred to in the introduction.

*Victoria, British Columbia*  
*June 15, 2007*



Errol Price, CA  
Acting Auditor General

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

	In Millions				
	2007	2006	2005	2004	2003
	\$	\$	\$	\$	\$
<b>Taxpayer-supported Debt</b>					
Provincial government direct operating <sup>2,3</sup> .....	9,505	11,923	14,510	15,694	15,447
Education <sup>4</sup>					
Schools.....	4,724	4,588	4,483	4,409	4,333
Post-secondary institutions <sup>5</sup> .....	2,909	2,650	2,284	2,066	1,749
	<u>7,633</u>	<u>7,238</u>	<u>6,767</u>	<u>6,475</u>	<u>6,082</u>
Health facilities <sup>4</sup> .....	<u>2,813</u>	<u>2,447</u>	<u>2,112</u>	<u>2,215</u>	<u>2,146</u>
Highways, ferries and public transit					
BC Transportation Financing Authority.....	3,237	2,699	2,474	2,764	2,661
British Columbia Transit.....	96	80	78	83	87
Public transit <sup>4</sup> .....	892	904	906	914	930
SkyTrain extension <sup>4</sup> .....	1,153	1,145	1,135	1,119	1,105
Rapid Transit Project 2000 Ltd.....					3
	<u>5,378</u>	<u>4,828</u>	<u>4,593</u>	<u>4,880</u>	<u>4,786</u>
Other					
British Columbia Buildings Corporation <sup>3</sup> .....		246	241	317	456
Social housing <sup>6</sup> .....	216	189	133	156	161
Homeowner Protection Office.....	110	110	130	129	123
Other <sup>7</sup> .....	219	204	158	116	182
	<u>545</u>	<u>749</u>	<u>662</u>	<u>718</u>	<u>922</u>
<b>Total taxpayer-supported debt.....</b>	<u><b>25,874</b></u>	<u><b>27,185</b></u>	<u><b>28,644</b></u>	<u><b>29,982</b></u>	<u><b>29,383</b></u>
<b>Self-supported Debt</b>					
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority.....	7,144	6,892	6,906	7,040	6,784
British Columbia Transmission Corporation.....	37	37			
British Columbia Railway Company <sup>2</sup> .....				477	494
Columbia River power projects <sup>8</sup> .....	236	247	257	215	118
Columbia Power Corporation.....					47
British Columbia Liquor Distribution Branch.....	3	5	6	7	9
Post secondary institutions' subsidiaries <sup>5</sup> .....	53	19	26	14	18
	<u>7,473</u>	<u>7,200</u>	<u>7,195</u>	<u>7,753</u>	<u>7,470</u>
<b>Total self-supported debt.....</b>	<u><b>7,473</b></u>	<u><b>7,200</b></u>	<u><b>7,195</b></u>	<u><b>7,753</b></u>	<u><b>7,470</b></u>
<b>Total provincial debt.....</b>	<u><b>33,347</b></u>	<u><b>34,385</b></u>	<u><b>35,839</b></u>	<u><b>37,735</b></u>	<u><b>36,853</b></u>

<sup>1</sup>Debt is after deductions of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for 2007 and to reflect changes in underlying data.

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

<sup>3</sup>Effective April 1, 2006, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Buildings Corporation (\$246 million).

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

<sup>5</sup>During fiscal 2006/2007, the University of Victoria and University of British Columbia changed their accounting policy for recording the activities of their controlled for-profit entities from full consolidation to the equity method. The long term debt of these commercial entities was reclassified as self-supported debt from taxpayer-supported debt.

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

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

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

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

	2007		2006	2005	2004	2003
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Debt to Revenue (per cent)</b>						
Total provincial.....	78.9	69.0	74.7	85.2	100.6	104.5
Taxpayer-supported.....	80.8	69.4	77.6	88.4	107.1	109.9
<b>Debt per Capita (\$) <sup>2</sup></b>						
Total provincial.....	8,503	7,737	8,075	8,527	9,082	8,956
Taxpayer-supported.....	6,480	6,003	6,384	6,815	7,216	7,140
<b>Debt to GDP (per cent) <sup>3</sup></b>						
Total provincial.....	20.7	18.6	20.4	22.7	25.9	26.7
Taxpayer-supported.....	15.8	14.4	16.1	18.2	20.6	21.3
<b>Interest Bite (cents per dollar of revenue) <sup>4</sup></b>						
Total provincial.....	4.8	4.2	4.3	4.7	5.9	6.3
Taxpayer-supported.....	4.9	4.1	4.4	5.0	6.1	6.2
<b>Interest Costs (\$ millions)</b>						
Total provincial.....	2,241	2,033	1,991	1,986	2,220	2,237
Taxpayer-supported.....	1,702	1,534	1,525	1,622	1,695	1,669
<b>Interest Rate (per cent) <sup>5</sup></b>						
Taxpayer-supported.....	6.2	5.8	5.5	5.5	5.7	5.9
<b>Background Information</b>						
<b>Revenue (\$ millions)</b>						
Total provincial <sup>6</sup> .....	46,393	48,333	46,026	42,076	37,495	35,280
Taxpayer-supported <sup>7</sup> .....	34,526	37,280	35,029	32,391	27,997	26,728

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

	2007		2006	2005	2004	2003
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Total Debt (\$ millions)</b>						
Total provincial.....	36,590	33,347	34,385	35,839	37,735	36,853
Taxpayer-supported <sup>8</sup> .....	27,883	25,874	27,185	28,644	29,982	29,383
<b>Provincial GDP (\$ millions)<sup>9</sup>.....</b>	176,611	179,701	168,855	157,540	145,763	138,193
<b>Population (thousands at July 1)<sup>10</sup>.....</b>	4,303	4,310	4,258	4,203	4,155	4,115

<sup>1</sup>Figures for prior years and the 2006/07 Budget have been restated to conform with the presentation used for fiscal 2006/07 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, 2007 divided by population at July 1, 2006).

<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, 2007 divided by 2006 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 of the Consolidated Revenue Fund (excluding dividends from enterprises) plus revenue of all government organizations and 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>GDP for the calendar year ending in the fiscal year (e.g., GDP for 2006 is used for the fiscal year ending March 31, 2007).

<sup>10</sup>Population at July 1st within the fiscal year (e.g., population at July 1, 2006 is used for the fiscal year ending March 31, 2007).

## Summary of Performance Measures<sup>1</sup> for the Fiscal Year Ended March 31, 2007

	2007	2007	2006
	Target	Actual	Actual
Provincial credit rating <sup>2</sup> .....	Aa1	Aaa	Aa1
Taxpayer-supported debt to GDP ratio <sup>2</sup> .....	15.8%	14.1%	16.2%
Taxpayer-supported debt service costs as a percentage of revenue <sup>2</sup> ..	2nd lowest	2nd lowest	2nd lowest

<sup>1</sup>Performance measures as presented in the Ministry of Finance Service Plan in February 2006.

<sup>2</sup>As per Moody's Investors Service Inc., ratios are based on May 2007 estimates. The debt to gross domestic product (GDP) and debt service costs as a percentage of revenue performance measures represent interprovincial comparisons.

## Definitions (Unaudited)

*Consolidated Revenue Fund*—includes the taxpayer-supported activities of the General Fund and special funds of the government through which the government delivers central government programs. It does not include the activities of government operated through Crown corporations and agencies or the school districts, universities, colleges, institutes and health 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. OCI has arisen because of the adoption of a new comprehensive income accounting standard, issued by the Canadian Institute of Chartered Accounts, for Crown corporations and agencies that have fiscal years commencing after October 1, 2006.

*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).

*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.

**Definitions—Continued**  
**(Unaudited)**

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

## Acronyms (Unaudited)

AiP	Agreement in Principle
APAC	Accounting Policy Advisory Committee
BCHMC	British Columbia Housing Management Commission
BCRC	British Columbia Railway Corporation
BCRP	BCR Properties Ltd
BC Hydro	British Columbia Hydro and Power Authority
BCT	British Columbia Transit
BTAA	Budget Transparency and Accountability Act
CHMC	Canada Housing and Mortgage Corporation
CHST	Canada Health and Social Transfer
CICA	Canadian Institute of Chartered Accountants
CN	Canadian National Railway Company
CRF	Consolidated Revenue Fund
ICBC	Insurance Corporation of British Columbia
IOC	International Olympic Committee
FAA	Financial Administration Act
FRAS	Financial Reporting and Advisory Services
FTE	Full-time equivalent
GAAP	Generally accepted accounting principles (for senior governments as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants)
GRE	Government reporting entity
GVTA	Greater Vancouver Transportation Authority
Health Accord	February 2003 First Ministers' Accord on Health Care Renewal
KMCT	Kinder Morgan Canada Terminals ULC
MLA	Members of the Legislative Assembly
MPA	Multi-party agreement
OAG	Office of the Auditor General
OCG	Office of the Comptroller General
OIC	Order in Council
P3	Public private partnership
PHSA	Provincial Health Services Authority
PSAB	Public Sector Accounting Board
RCMP	Royal Canadian Mounted Police
RTP	Rapid Transit Project 2000 Ltd.
SUCH	School districts, universities, colleges, institutes and health organizations
TCA	Tangible capital assets

**Acronyms—Continued**  
**(Unaudited)**

UBC	University of British Columbia
VANOC	Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games
VW	Vancouver Wharves
VWLP	Vancouver Wharves Limited Partnership