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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 was required to finance deficits prior to the province balancing its budget in 2004/05 as required by the *Balanced Budget and Ministerial Accountability Act* and to meet other working capital requirements such as loans and advances or changes in accounts receivable/payable. Debt for government direct operating purposes has declined with surpluses achieved in 2004/05 through 2008/09. Borrowing for capital projects finances the building of schools, hospitals, roads, public transit and other social and economic 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, the debt of Crown corporations and agencies, school districts, universities, colleges, institutes and health authorities 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 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, 2009 was \$38,014 million, which consists of \$37,562 million (net of \$2,134 million sinking fund investments) in the Summary Financial Statements, together with \$343 million in additional debt of self-supported Crown corporations and agencies, and \$109 million in additional guaranteed debt.

## Provincial Debt as at March 31, 2009 (Unaudited)

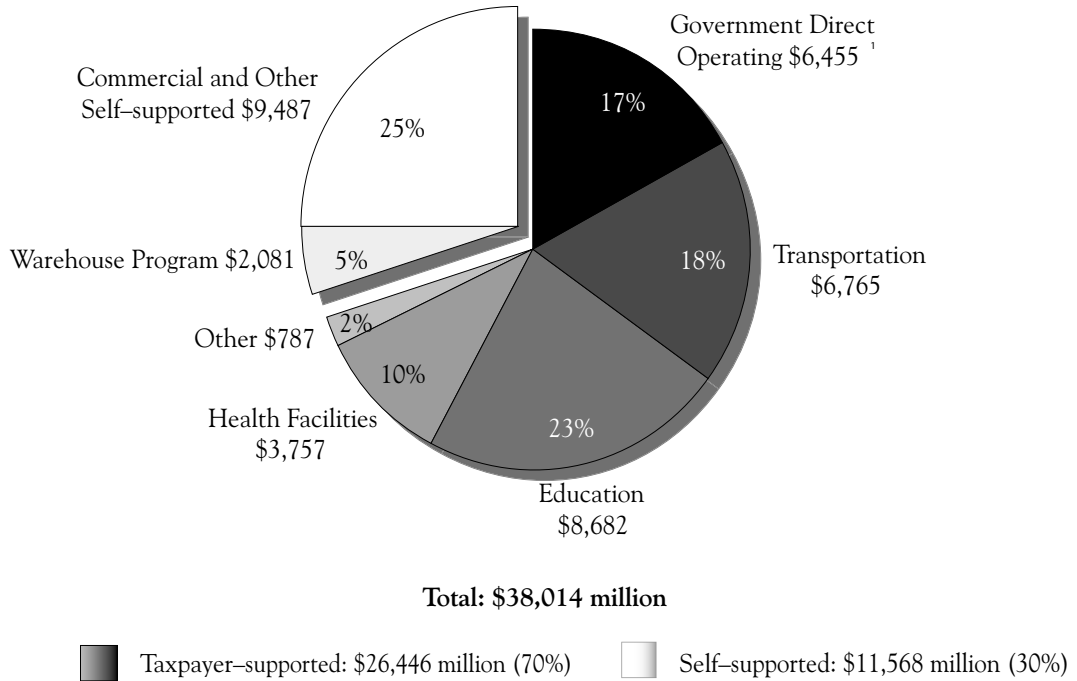
The accumulated provincial debt of \$38,014 million has been incurred for various purposes as shown in Chart 1 below. Over the years, the proceeds from borrowing have contributed to economic development in the province and have provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2009, taxpayer-supported debt totalled \$26,446 million—including debt incurred for government operating purposes (\$6,455 million), educational facilities (\$8,682 million), health facilities (\$3,757 million), transportation infrastructure (\$6,765 million), and other debt (\$787 million). Other debt is comprised mainly of debt relating to social housing, service delivery agencies and various loan guarantee programs.

At March 31, 2009, self-supported debt totalled \$11,568 million—including debt of commercial Crown corporations and agencies (\$9,487 million), and the Warehouse Borrowing Program (\$2,081 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, 2009**

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 prior to the province balancing its budget in 2004/05.

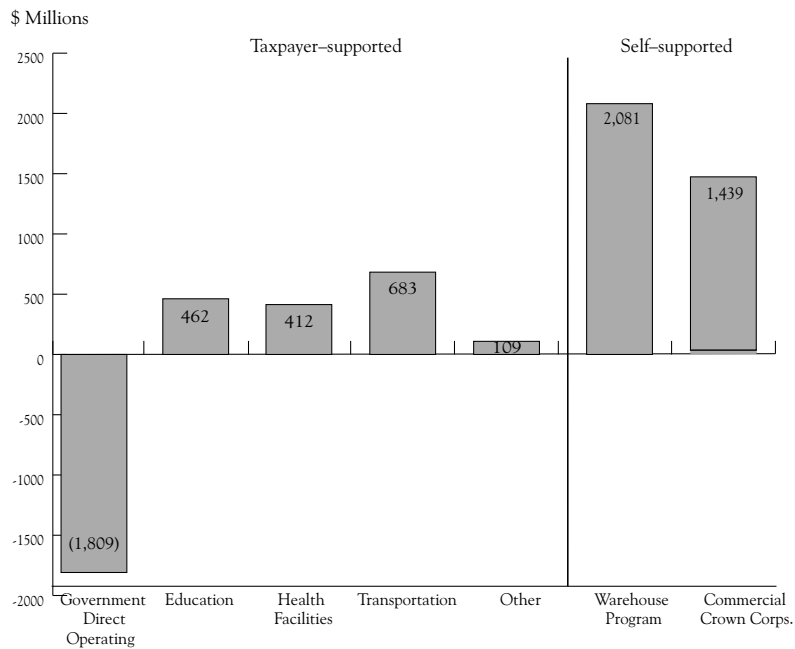
## Change in Provincial Debt<sup>1</sup> (Unaudited)

Provincial debt increased by \$3,377 million in 2008/09 when compared to the prior year. This includes a decrease in taxpayer-supported debt of \$143 million and an increase in self-supported debt of \$3,520 million (see Chart 2 below).

*Taxpayer-supported Debt*—The decrease of \$143 million was due to increases in new capital financing requirements in the transportation sector (\$683 million), the education sector (\$462 million), the health sector (\$412 million), and other taxpayer-supported entities (\$109 million). The increases were offset by a decrease of \$1,809 million in government operating debt as a result of surplus funding from the Consolidated Revenue Fund, due mainly to revenue improvements and reduced working capital requirements.

*Self-supported Debt*—The increase of \$3,520 million consisted of a \$1,421 million increase in British Columbia Hydro and Power Authority debt, advanced borrowing in the Warehouse Borrowing Program of \$2,081 million, \$20 million increase for the Transportation Investment Corporation, and an increase of \$19 million reported for subsidiaries of post-secondary institutions. The increases were offset by decreases in debt reported by the British Columbia Transmission Corporation (\$9 million), the Columbia River power projects (\$11 million), and the British Columbia Liquor Distribution Branch (\$1 million).

**Chart 2 – Change in provincial debt for the year ended March 31, 2009**



<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, 2009  
(Unaudited)**

	In Millions	
	2009	2008 <sup>1</sup>
	\$	\$
(Surplus) for the year.....	(78)	(2,837)
Taxpayer-supported debt decreased by:		
Non-cash expenses included in (surplus).....	(1,959)	(1,813)
Accounts receivable, accounts payable and other working capital net changes.....	(959)	457
	<u>(2,918)</u>	<u>(1,356)</u>
Taxpayer-supported debt increased by:		
Self-supported Crown corporation and agency earnings in excess of contributions to the Consolidated Revenue Fund.....	937	785
Tangible capital asset net acquisitions.....	3,742	3,588
Net increases in loans, advances and investments.....	(1,826)	441
	<u>2,853</u>	<u>4,814</u>
Net increase (decrease) in taxpayer-supported debt.....	(143)	621
Taxpayer-supported debt—beginning of year.....	26,589	25,968
Taxpayer-supported debt—end of year.....	26,446	26,589
Self-supported debt.....	11,568	8,048
<b>Total debt<sup>2</sup>.....</b>	<b><u>38,014</u></b>	<b><u>34,637</u></b>

**Reconciliation of Total Debt to Summary Financial Statements' Debt  
as at March 31, 2009  
(Unaudited)**

	In Millions	
	2009	2008 <sup>1</sup>
	\$	\$
Total debt.....	38,014	34,637
Debt included as part of equity in self-supported Crown corporations and agencies.....	(343)	(336)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province.....	(109)	(116)
Sinking fund investments.....	2,134	2,649
<b>Summary Financial Statements' debt.....</b>	<b><u>39,696</u></b>	<b><u>36,834</u></b>
Comprised of:		
Taxpayer-supported debt.....	28,366	28,537
Self-supported debt.....	11,330	8,297
<b>Summary Financial Statements' debt.....</b>	<b><u>39,696</u></b>	<b><u>36,834</u></b>

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

<sup>2</sup>See Summary of Provincial Debt, page 131.

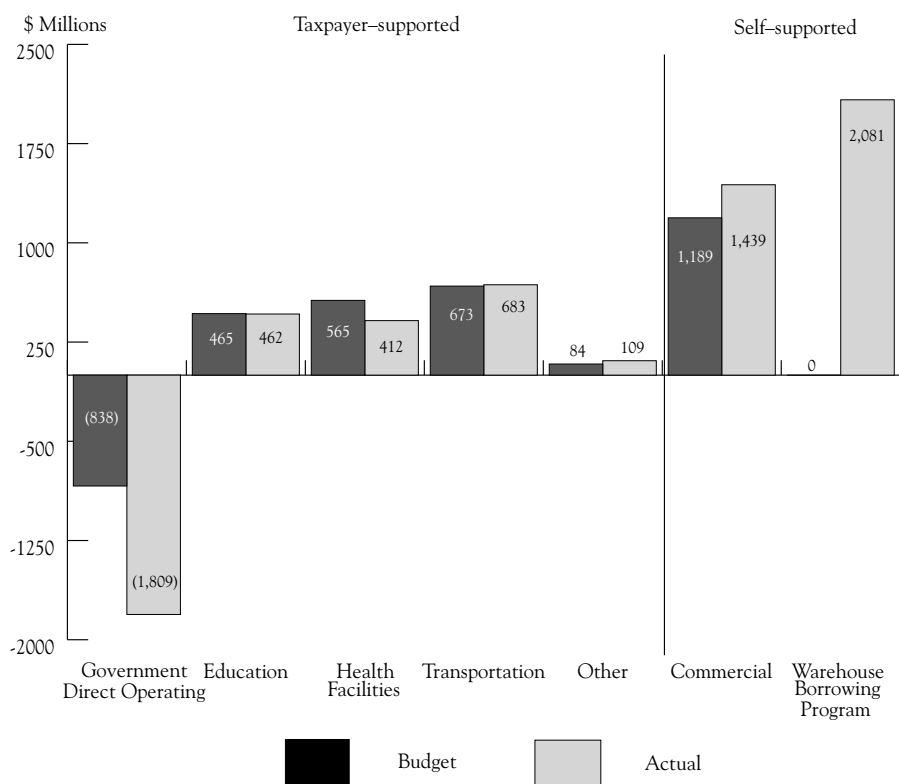
## Change in Provincial Debt, Comparison to Budget (Unaudited)

Provincial debt increased by \$3,377 million, compared to a budgeted increase of \$2,738 million (per the Budget and Fiscal Plan presented in February 2008), for an increase in debt of \$639 million over budget, which included a \$750 million 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 decreased by \$143 million, compared to a budgeted increase of \$949 million. The \$1,092 million improvement over budget is due to reduced government operating debt (\$971 million lower than forecast) primarily due to higher than forecast revenues and reduced working capital requirements; lower than forecast capital spending on education (\$3 million less than forecast), health (\$153 million less than forecast); offset by higher than forecast debt in transportation infrastructure (\$10 million), and other taxpayer-supported Crown corporations and agencies (\$25 million).

Self-supported debt increased by \$3,520 million, compared to a budgeted increase of \$1,189 million, for an increase in debt of \$2,331 million over budget. The larger than forecast increase in self-supported debt is a result of advanced borrowing in the Warehouse Borrowing Program (\$2,081 million), higher than forecast debt for British Columbia Hydro and Power Authority (\$232 million), British Columbia Transmission Corporation (\$7 million), subsidiaries of post-secondary institutions (\$19 million) and the Transportation Investment Corporation (\$20 million). These increases were offset by lower than forecast debt for Columbia River power project (\$28 million).

**Chart 3 – Change in provincial debt<sup>1</sup> (actual vs budget) for the year ended March 31, 2009**



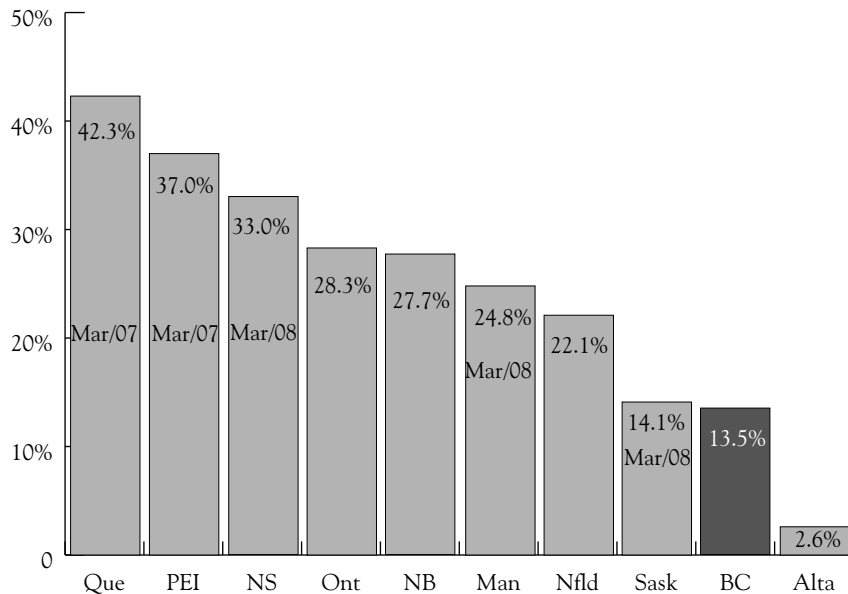
<sup>1</sup>The change in forecast allowance is not included in this chart.

## 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 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**

Percent of GDP<sup>1</sup> at March 31, 2009



Source: Moody's Investors Service Inc., based on June 2009 estimates.

<sup>1</sup>Current figures for the province of Quebec, Prince Edward Island, Nova Scotia, Manitoba, and Saskatchewan are not available, most recent figures from prior years have been used for the comparison.

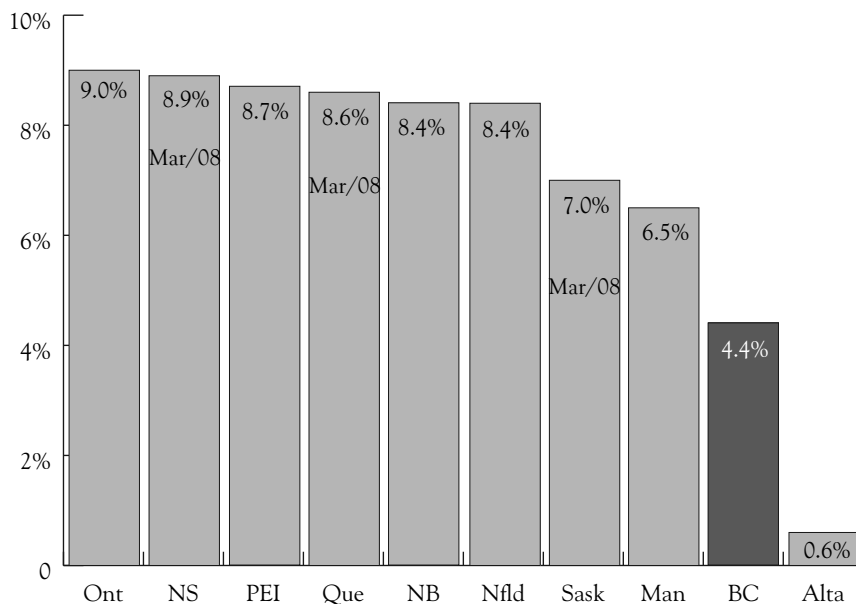


## Interprovincial Comparison of Taxpayer-supported Debt Service Costs as a Percentage of Revenue (Unaudited)

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 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<sup>1</sup>, at March 31, 2009



Source: Moody's Investors Service Inc., based on June 2009 estimates.

<sup>1</sup> Current figures for the province of Nova Scotia, Quebec and Saskatchewan are not available, most recent figures from prior years have been used for this comparison.

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).





# 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 (2005 to 2009), the key indicators of provincial debt for the fiscal years ended March 31 (2005 to 2009), and the summary of performance measures for the fiscal year ended March 31, 2009. 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, 2009. 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.

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

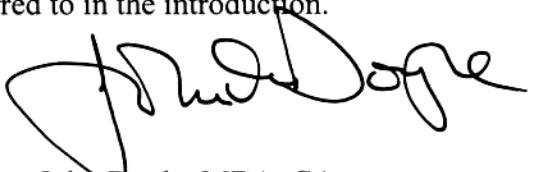
**Scope**

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, 2005 through 2009, 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, 2009, in accordance with the basis of accounting referred to in the introduction.

*Victoria, British Columbia  
June 30, 2009*



John Doyle, MBA, CA  
Auditor General

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

	In Millions				
	2009	2008	2007	2006	2005
	\$	\$	\$	\$	\$
<b>Taxpayer-supported Debt</b>					
Provincial government direct operating <sup>2,3</sup> .....	6,455	8,264	9,505	11,923	14,510
Education <sup>4</sup>					
Schools.....	5,189	4,906	4,724	4,588	4,483
Post-secondary institutions <sup>5</sup> .....	3,493	3,314	2,909	2,663	2,296
	<u>8,682</u>	<u>8,220</u>	<u>7,633</u>	<u>7,251</u>	<u>6,779</u>
Health facilities <sup>4,6</sup> .....	3,757	3,345	2,899	2,491	2,119
Highways, ferries and public transit					
BC Transportation Financing Authority.....	4,586	3,948	3,237	2,699	2,474
British Columbia Transit.....	94	84	96	80	78
Public transit <sup>4</sup> .....	931	897	892	904	906
SkyTrain extension <sup>4</sup> .....	1,154	1,153	1,153	1,145	1,135
	<u>6,765</u>	<u>6,082</u>	<u>5,378</u>	<u>4,828</u>	<u>4,593</u>
Other					
British Columbia Buildings Corporation <sup>3</sup> .....				246	241
Social housing <sup>7</sup> .....	286	218	216	189	133
Homeowner Protection Office <sup>8</sup> .....	150	136	110	110	130
Other <sup>9,10</sup> .....	351	324	227	213	163
	<u>787</u>	<u>678</u>	<u>553</u>	<u>758</u>	<u>667</u>
<b>Total taxpayer-supported debt.....</b>	<b><u>26,446</u></b>	<b><u>26,589</u></b>	<b><u>25,968</u></b>	<b><u>27,251</u></b>	<b><u>28,668</u></b>
<b>Self-supported Debt</b>					
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority.....	9,054	7,633	7,144	6,892	6,906
British Columbia Transmission Corporation <sup>11</sup> .....	70	79	30	30	
Columbia River power projects <sup>12</sup> .....	208	219	236	247	257
British Columbia Liquor Distribution Branch.....	1	2	3	5	6
Post-secondary institutions' subsidiaries <sup>5</sup> .....	134	115	58	32	32
Transportation Investment Corporation.....	20				
	<u>9,487</u>	<u>8,048</u>	<u>7,471</u>	<u>7,206</u>	<u>7,201</u>
Warehouse Borrowing Program <sup>13</sup> .....	2,081				
<b>Total self-supported debt.....</b>	<b><u>11,568</u></b>	<b><u>8,048</u></b>	<b><u>7,471</u></b>	<b><u>7,206</u></b>	<b><u>7,201</u></b>
<b>Total provincial debt.....</b>	<b><u>38,014</u></b>	<b><u>34,637</u></b>	<b><u>33,439</u></b>	<b><u>34,457</u></b>	<b><u>35,869</u></b>

<sup>1</sup>Debt is after deductions of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable.

<sup>2</sup>Effective July 19, 2004, the provincial government assumed responsibility for the fiscal agency loans of the British Columbia Rail 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 provincial direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

<sup>5</sup>During fiscal 2006/07, the University of Victoria and the 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. Restatements related to this debt reclassification include: an increase to taxpayer-supported post-secondary institutions' debt of \$12 million for fiscal 2004/05, and \$13 million for fiscal 2005/06; and, an increase to self-supported post-secondary institutions' subsidiaries debt of \$4 million for fiscal 2004/05 and \$6 million for fiscal 2005/06. Self-supported post-secondary institutions' subsidiaries debt was also restated to include Simon Fraser University Community Trust debt of \$2 million for fiscal 2004/05, \$7 million for fiscal 2005/06, \$5 million for fiscal 2006/07, and \$7 million for fiscal 2007/08.

<sup>6</sup>Restated figures for public-private partnership obligations increased by \$32 million in 2005/06.

<sup>7</sup>Includes the debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

<sup>8</sup>Figure for fiscal 2007/08 restated to reflect an additional \$4 million of debt guarantees.

<sup>9</sup>Includes the 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, guarantees under economic development and home mortgage assistance programs, and Columbia Basin Trust joint venture debt guarantees.

<sup>10</sup>Figures for prior years restated to include Columbia Basin Trust debt guarantees of \$5 million for fiscal 2004/05, \$9 million for fiscal 2005/06, \$8 million for fiscal 2006/07, and \$6 million for fiscal 2007/08.

<sup>11</sup>Figures for prior years restated to remove capital lease obligations to BC Hydro of \$7 million for fiscal years 2005/06, 2006/07 and 2007/08.

<sup>12</sup>Debt related to joint ventures of the Columbia Power Corporation and the Columbia Basin Trust.

<sup>13</sup>The program borrows money in advance of requirements. Funds are invested until required. Debt is allocated to the provincial government or its Crown corporations and agencies.

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

	2009		2008	2007	2006	2005
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Debt to Revenue (percent)</b>						
Total provincial.....	75.1	77.9	69.3	69.1	74.8	85.1
Taxpayer-supported.....	74.6	71.9	69.5	69.7	77.8	88.5
<b>Debt per Capita (\$)<sup>2</sup></b>						
Total provincial.....	8,500	8,676	8,036	7,880	8,210	8,632
Taxpayer-supported.....	6,248	6,036	6,169	6,119	6,493	6,899
<b>Debt to GDP (percent)<sup>3</sup></b>						
Total provincial.....	19.0	19.1	18.0	18.3	20.4	22.7
Taxpayer-supported.....	14.0	13.3	13.8	14.2	16.1	18.2
<b>Interest Bite (cents per dollar of revenue)<sup>4</sup></b>						
Total provincial.....	4.5	4.4	4.0	4.3	4.4	4.7
Taxpayer-supported.....	4.5	4.2	3.9	4.2	4.4	5.1
<b>Interest Costs (\$ millions)</b>						
Total provincial.....	2,250	2,123	2,012	2,074	2,012	2,000
Taxpayer-supported.....	1,659	1,555	1,490	1,575	1,547	1,636
<b>Interest Rate (percent)<sup>5</sup></b>						
Taxpayer-supported.....	6.1	5.9	5.7	5.9	5.5	5.6
<b>Background Information:</b>						
<b>Revenue (\$ millions)</b>						
Total provincial <sup>6</sup> .....	50,259	48,790	50,002	48,389	46,080	42,136
Taxpayer-supported <sup>7</sup> .....	37,205	36,770	38,256	37,253	35,013	32,386

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

	2009		2008	2007	2006	2005
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
<b>Total Debt (\$ millions)</b>						
Total provincial.....	37,741	38,014	34,637	33,439	34,457	35,869
Taxpayer-supported <sup>8</sup> .....	27,741	26,446	26,589	25,968	27,251	28,668
<b>Provincial GDP (\$ millions)<sup>9</sup>.....</b>	198,329	199,214	192,528	182,743	169,308	157,675
<b>Population (thousands at July 1)<sup>10</sup>.....</b>	4,440	4,382	4,310	4,244	4,197	4,155

<sup>1</sup>Figures for prior years and the 2008/09 budget have been restated to conform with the presentation used for 2009 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, 2009 divided by population at July 1, 2008).

<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, 2009 divided by 2008 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 2008 is used for the fiscal year ending March 31, 2009).

<sup>10</sup>Population at July 1st within the fiscal year (e.g., population at July 1, 2008 is used for the fiscal year ending March 31, 2009).

## Summary of Performance Measures<sup>1</sup> for the Fiscal Year Ended March 31, 2009

	2009	2009	2008
	Target	Actual	Actual
Provincial credit rating <sup>2</sup> .....	Aaa	Aaa	Aaa
Taxpayer-supported debt to GDP ratio <sup>2</sup> .....	Declining trend	13.5%	13.3%
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 *Budget 2008*.

<sup>2</sup>As per Moody's Investors Service Inc., ratios are based on March 2009 estimates. The debt to gross domestic product (GDP) and debt service costs as a percentage of revenue performance measures represent inter-provincial 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)

ABCP	Asset-backed commercial paper
APAC	Accounting Policy Advisory Committee
AiP	Agreements in Principle
BC Hydro	British Columbia Hydro and Power Authority
BCHMC	British Columbia Housing Management Commission
BCRC	British Columbia Railway Corporation
BCRP	BCR Properties Ltd.
BCT	British Columbia Transit
BCTS	British Columbia Timber Sales
BTAA	<i>Budget Transparency and Accountability Act</i>
CBA	Community Bargaining Association
CHST	Canada Health and Social Transfer
CICA	Canadian Institute of Chartered Accountants
CMHC	Canada Mortgage and Housing Corporation
CN	Canadian National Railway Company
CRF	Consolidated Revenue Fund
FAA	<i>Financial Administration Act</i>
FBA	Facilities Bargaining Association
FERC	U.S. Federal Energy Regulatory Commission
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)
GDP	Gross domestic product
GRE	Government reporting entity
GVTA	Greater Vancouver Transportation Authority
Health Accord	February 2003 First Ministers' Accord on Health Care Renewal
HSPBA	Health Science Professionals Bargaining Association
ICBC	Insurance Corporation of British Columbia
IOC	International Olympic Committee
MLA	Members of the Legislative Assembly
Moody's	Moody's Investors Service
MPA	Multi-Party Agreement

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

NBA	Nurses' Bargaining Association
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
PHSA	Provincial Health Services Authority
PSAB	Public Sector Accounting Board
RCMP	Royal Canadian Mounted Police
RTP	Rapid Transit Project 2000 Ltd.
SCBCTA	South Coast British Columbia Transportation Authority
SUCH	School districts, universities, colleges, institutes and health organizations
TCA	Tangible capital assets
the Games	2010 Olympic and Paralympic Winter Games
UBC	University of British Columbia
VANOC	Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games