
Provincial Debt Summary (Unaudited)

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

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



Overview of Provincial Debt (Unaudited)

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

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

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

Self-supported Debt—includes the debt of commercial Crown corporations and agencies as well as the Warehouse Borrowing Program. Commercial Crown corporations and agencies generate sufficient revenues to cover interest costs and repay principal and may pay dividends to the province. The British Columbia Hydro and Power Authority is an example of a commercial Crown corporation. The Warehouse Borrowing Program takes advantage of borrowing opportunities in advance of requirements. Eventually, this debt is allocated to the province or Crown corporations and agencies. In the interim, the funds are invested at market rates.

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

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

The total provincial net debt as at March 31, 2012 was \$50,193 million, which consists of \$50,954 million in the Summary Financial Statements in addition to \$687 million of non-guaranteed debt and \$43 million of guaranteed debt less \$1,491 million of sinking fund investments.

Provincial Debt as at March 31, 2012 (Unaudited)

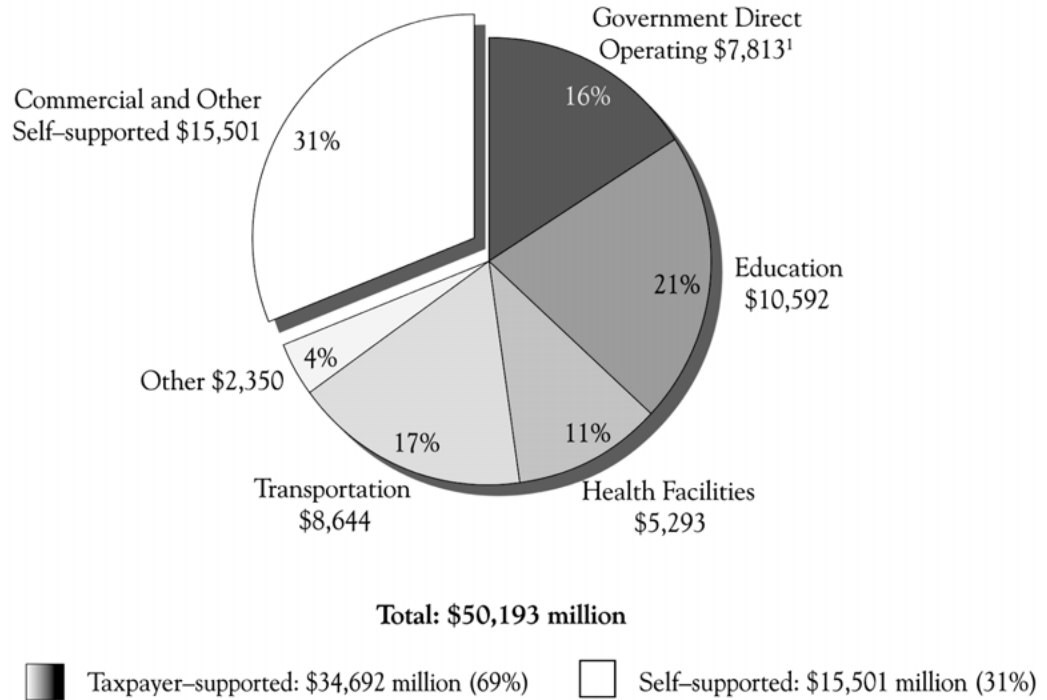
The accumulated provincial net debt of \$50,193 million has been incurred for various purposes as shown in Chart 1 below. Over the years, the proceeds from borrowing have contributed to economic development in the province and have provided resources to deliver health, education and social programs, and transportation infrastructure.

At March 31, 2012 taxpayer-supported net debt totalled \$34,692 million including debt incurred for government operating purposes (\$7,813 million), educational facilities (\$10,592 million), health facilities (\$5,293 million), transportation infrastructure (\$8,644 million), and other debt (\$2,350 million). Other debt is comprised mainly of debt related to social housing, provincial government general capital expenditures, service delivery agencies and various loan guarantee programs.

At March 31, 2012, self-supported debt totalled \$15,501 million including debt of commercial Crown corporations and agencies: British Columbia Hydro and Power Authority (\$12,978 million), the Transportation Investment Corporation (\$1,779 million), Columbia River power projects (\$481 million), British Columbia Lottery Corporation (\$90 million) and debt of commercial subsidiaries of certain post-secondary institutions (\$173 million).

Chart 1 – Provincial debt as at March 31, 2012

In Millions/Percent of Total



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

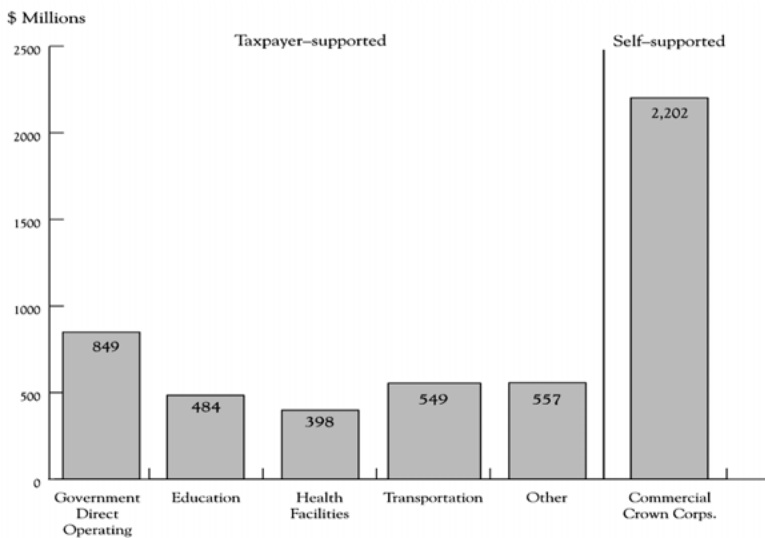
Change in Provincial Debt¹ (Unaudited)

Provincial debt increased by \$5,039 million in 2011/12 when compared to the prior year. This includes an increase in taxpayer-supported debt of \$2,837 million and an increase in self-supported debt of \$2,202 million. Warehouse Program debt was zero at fiscal year-end. Chart 2 below shows the change in provincial debt for the year ended March 31, 2012.

Taxpayer-supported Debt— Increased by \$2,837 million due to an \$849 million increase to government direct operating debt, and new capital financing requirements of \$484 million in the education sector, \$398 million in the health sector, \$549 million in the transportation sector, and \$557 million for other taxpayer-supported entities which included \$238 million attributed to provincial government general capital.

Self-supported Debt—Increased by \$2,202 million due to new capital financing requirements of \$1,268 million by BC Hydro and Power Authority, \$631 million by Transportation Investment Corporation, \$298 million by Columbia River Projects and \$5 million by British Columbia Lottery Corporation.

Chart 2 – Change in provincial debt for the year ended March 31, 2012



¹Includes gross new borrowings plus changes in sinking fund balances less debt maturities.

**Reconciliation of Summary Financial Statements' Deficit (Surplus)
to Change in Taxpayer-supported Debt and Total Debt
for the Fiscal Year Ended March 31, 2012
(Unaudited)**

	In Millions	
	2012	2011 ¹
	\$	\$
Deficit for the year.....	1,840	249
Non-cash expenses included in (surplus).....	(2,298)	(2,240)
Accounts receivable, accounts payable and other working capital net changes.....	(775)	(277)
	<u>(3,073)</u>	<u>(2,517)</u>
Taxpayer-supported debt increased by:		
Self-supported Crown corporation and agency earnings in excess of contributions to the Consolidated Revenue Fund.....	620	(314)
Tangible capital asset net acquisitions.....	3,448	4,031
Net increases in loans, advances and investments.....	2	385
	<u>4,070</u>	<u>4,102</u>
Net increase in taxpayer-supported debt.....	2,837	1,834
Taxpayer-supported debt—beginning of year.....	31,855	30,021
Taxpayer-supported debt—end of year.....	34,692	31,855
Self-supported debt.....	15,501	13,299
Total debt².....	<u>50,193</u>	<u>45,154</u>

**Reconciliation of Total Debt to Summary Financial Statements' Debt
as at March 31, 2012
(Unaudited)**

	In Millions	
	2012	2011
	\$	\$
Total debt.....	50,193	45,154
Debt included as part of equity in self-supported Crown corporations and agencies.....	(687)	(389)
Contingent liabilities for debt of individuals and organizations that have been guaranteed by the province.....	(43)	(66)
Sinking fund investments.....	1,491	1,410
Summary Financial Statements' debt.....	<u>50,954</u>	<u>46,109</u>
Comprised of:		
Taxpayer-supported debt.....	36,012	33,079
Self-supported debt.....	14,942	13,030
Summary Financial Statements' debt.....	<u>50,954</u>	<u>46,109</u>

¹Comparative figures for the previous year have been restated.

²See Summary of Provincial Debt, page 135.

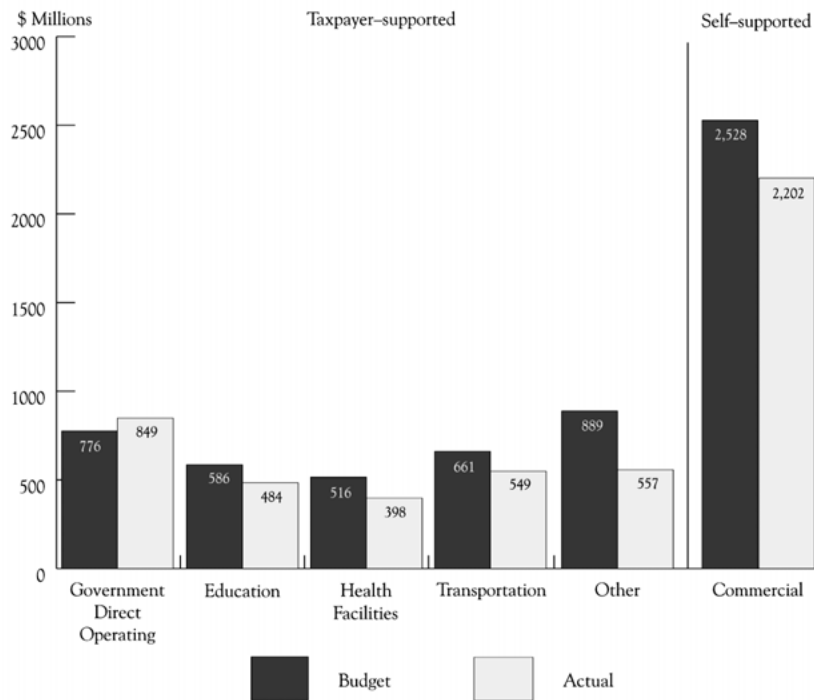
Change in Provincial Debt, Comparison to Budget (Unaudited)

Provincial debt increased by \$5,039 million compared to a budgeted increase of \$6,156 million resulting in a \$917 million improvement over budget net of the \$200 million increase in the forecast allowance. Chart 3 below shows the difference between the actual change in provincial debt and the budgeted change by major category.

Taxpayer-supported debt increased by \$2,837 million compared to a budgeted increase of \$3,428 million. The \$591 million improvement over budget is due to lower than forecasted borrowing for education (\$102 million), health facilities (\$118 million), transportation (\$112 million) and other capital investments (\$332 million) offset by higher than forecasted borrowing for government operating purposes (\$73 million).

Self-supported debt increased by \$2,202 million compared to a budgeted increase of \$2,528 million. The \$326 million improvement over budget is due to lower than forecasted borrowing for British Columbia Hydro and Power Authority (\$622 million) and British Columbia Lottery Corporation (\$16 million) offset by higher than forecasted borrowing for Columbia River power projects (\$304 million) and Transportation Investment Corporation (\$8 million).

Chart 3 – Change in provincial debt¹ (actual vs budget) for the year ended March 31, 2012

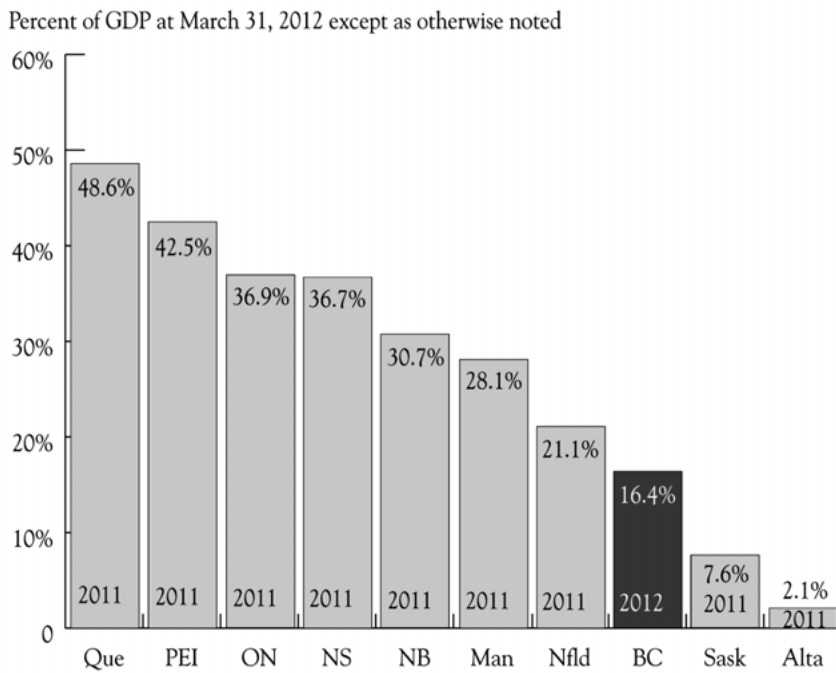


¹The change in forecast allowance is not included in this chart.

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

Chart 4 below shows the ratio of each province's taxpayer-supported debt as a percentage of their gross domestic product (GDP). The ratio of a province's taxpayer-supported debt relative to its GDP highlights the ability of a province to service its debt load. This ratio is often used by investors and credit rating agencies when assessing a province's investment quality. According to the most recent data published by Moody's Investors Service Inc. (Moody's), British Columbia's taxpayer-supported debt ratio is one of the lowest in Canada and this translates into a strong credit rating and relatively low debt servicing costs.

Chart 4 – Interprovincial comparison of taxpayer-supported debt as a percentage of GDP

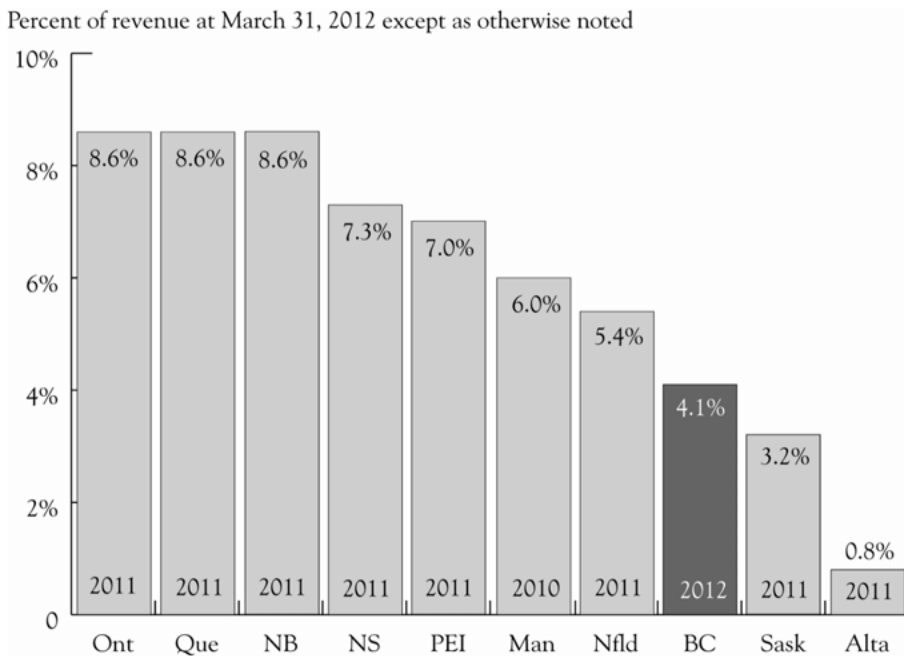


Source: Moody's Investors Service Inc.

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

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

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



Source: Moody's Investors Service Inc.

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.



INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of the Province of British Columbia

Report on the Debt-Related Statements

I have audited the accompanying debt-related statements of the Government of the Province of British Columbia and its subsidiaries, which comprise the summary of provincial debt as at March 31, 2012, the key indicators of provincial debt and the summary of performance measures for the year then ended, and a summary of significant accounting policies.

Through these statements, the government reports to the Legislative Assembly on its debt management by presenting five years of information on provincial debt and debt indicators, and compares its actual results of performance measures to its target measures for the fiscal year ended March 31, 2012.

Government's Responsibility for the Debt-Related Statements

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

Auditor's Responsibility

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

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

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

Opinion

In my opinion, the summary of provincial debt as at March 31, 2012, the key indicators of provincial debt and the summary of performance measures for the year then ended, are prepared, in all material respects, in accordance with the basis of accounting as described in the notes to the debt-related statements.

Basis of Accounting

Without modifying my opinion, I draw attention to the basis of accounting, as described in the notes to the debt-related statements. The debt-related statements are provided to the Legislative Assembly to supplement the debt disclosures provided in the Summary Financial Statements of the Province of British Columbia and, as a result, may not be suitable for another purpose.

Victoria, British Columbia
June 29, 2012



John Doyle, MAcc, CA
Auditor General

Summary of Provincial Debt¹ as at March 31

	In Millions				
	2012	2011	2010	2009	2008
	\$	\$	\$	\$	\$
Taxpayer-supported Debt					
Provincial government direct operating					
Provincial government operating.....	5,117	4,268	4,663	3,048	5,330
Provincial government general capital ²	2,696	2,696	2,696	2,696	2,274
	<u>7,813</u>	<u>6,964</u>	<u>7,359</u>	<u>5,744</u>	<u>7,604</u>
Education ³					
Schools.....	6,407	6,016	5,777	5,522	5,216
Post-secondary institutions.....	4,185	4,092	3,843	3,626	3,437
	<u>10,592</u>	<u>10,108</u>	<u>9,620</u>	<u>9,148</u>	<u>8,653</u>
Health facilities ³	<u>5,293</u>	<u>4,895</u>	<u>4,389</u>	<u>3,936</u>	<u>3,511</u>
Highways, ferries and public transit					
BC Transportation Financing Authority.....	6,287	5,785	5,211	4,586	3,948
British Columbia Transit.....	183	158	140	94	84
Public transit ³	1,000	997	997	997	958
SkyTrain extension ³	1,174	1,155	1,154	1,154	1,153
	<u>8,644</u>	<u>8,095</u>	<u>7,502</u>	<u>6,831</u>	<u>6,143</u>
Other					
BC Pavilion Corporation.....	383	250	49		
Homeowner Protection Office ⁴			144	150	136
Provincial government general capital ²	808	570	294		
Social Housing ⁵	674	511	305	286	218
Other ⁶	485	462	359	351	324
	<u>2,350</u>	<u>1,793</u>	<u>1,151</u>	<u>787</u>	<u>678</u>
Total taxpayer-supported debt.....	<u>34,692</u>	<u>31,855</u>	<u>30,021</u>	<u>26,446</u>	<u>26,589</u>

Summary of Provincial Debt¹—Continued as at March 31

	In Millions				
	2012	2011	2010	2009	2008
	\$	\$	\$	\$	\$
Self-supported Debt					
Commercial Crown corporations and agencies					
British Columbia Hydro and Power Authority ⁷	12,978	11,710	10,862	9,124	7,712
British Columbia Liquor Distribution Branch.....			1	1	2
British Columbia Lottery Corporation.....	90	85	60		
Columbia River power projects ⁸	481	183	196	208	219
Post-secondary institutions' subsidiaries.....	173	173	201	134	115
Transportation Investment Corporation.....	1,779	1,148	544	20	
	<u>15,501</u>	<u>13,299</u>	<u>11,864</u>	<u>9,487</u>	<u>8,048</u>
Warehouse Borrowing Program ⁹				2,081	
Total self-supported debt.....	<u>15,501</u>	<u>13,299</u>	<u>11,864</u>	<u>11,568</u>	<u>8,048</u>
Total provincial debt.....	<u>50,193</u>	<u>45,154</u>	<u>41,885</u>	<u>38,014</u>	<u>34,637</u>

¹Debt 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.

²Separate disclosures of borrowing for ministries' capital spending are applied prospectively beginning in fiscal 2009/10. Figures for prior years have been restated.

³Represents government direct debt incurred for capital financing of education and health facilities and public transit infrastructure.

⁴Effective April 1, 2010, the provincial government assumed responsibility for the fiscal agency loans and loan guarantees of the Homeowner Protection Office (\$144 million).

⁵Includes the debt of the British Columbia Housing Management Commission and the Provincial Rental Housing Corporation.

⁶Includes debt of other taxpayer-supported Crown corporations and agencies and the fiscal agency loans to local governments. Also includes reconstruction loan program guarantees, student loan guarantees, loan guarantees to agricultural producers, guarantees under economic development and home mortgage assistance programs, and Columbia Basin Trust joint venture debt guarantees.

⁷Effective July 5, 2010, the British Columbia Hydro and Power Authority assumed responsibility for the fiscal agency loans of the British Columbia Transmission Corporation (\$70 million). Figures for prior years have been restated.

⁸Debt related to joint ventures of the Columbia Power Corporation and the Columbia Basin Trust.

⁹The program borrows money in advance of actual requirements. Funds are invested until required. Debt is allocated to the provincial government or its Crown corporations and agencies.

Summary of Provincial Debt

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

Provincial government general capital

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

Key Indicators of Provincial Debt¹ for the Fiscal Years Ended March 31

	2012		2011	2010	2009	2008
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
Debt to Revenue (percent)						
Total provincial.....	100.9	96.5	89.9	87.5	78.0	69.4
Taxpayer-supported.....	92.0	86.9	80.4	84.0	71.9	69.6
Debt per Capita (\$)²						
Total provincial.....	11,623	10,975	9,968	9,391	8,671	8,037
Taxpayer-supported.....	8,008	7,586	7,033	6,731	6,032	6,170
Debt to GDP (percent)³						
Total provincial.....	25.4	23.7	22.2	21.8	19.1	18.0
Taxpayer-supported.....	17.5	16.4	15.7	15.6	13.3	13.8
Interest Bite (cents per dollar of revenue)⁴						
Total provincial.....	4.6	4.4	4.3	4.6	4.4	4.0
Taxpayer-supported.....	4.5	4.1	4.0	4.3	4.3	3.9
Interest Costs (\$ millions)						
Total provincial.....	2,430	2,291	2,163	2,206	2,138	2,010
Taxpayer-supported.....	1,799	1,625	1,596	1,535	1,570	1,488
Interest Rate (percent)⁵						
Taxpayer-supported.....	5.1	4.9	5.2	5.4	5.9	5.7
Background Information:						
Revenue (\$ millions)						
Total provincial ⁶	52,965	52,018	50,235	47,858	48,761	49,938
Taxpayer-supported ⁷	40,007	39,903	39,639	35,748	36,784	38,192

Key Indicators of Provincial Debt¹ for the Fiscal Years Ended March 31—Continued

	2012		2011	2010	2009	2008
	Budget Estimate	Actual	Actual	Actual	Actual	Actual
Total Debt (\$ millions)						
Total provincial.....	53,437	50,193	45,154	41,885	38,014	34,637
Taxpayer-supported ⁸	36,816	34,692	31,855	30,021	26,446	26,589
Provincial GDP (\$ millions)⁹.....	210,071	211,977	203,147	191,863	199,441	192,117
Population (thousands at July 1)¹⁰.....	4,598	4,573	4,530	4,460	4,384	4,310

¹Figures for prior years and the 2011/12 budget have been restated to conform with the presentation used for 2012 and to include the effects of changes in underlying data and statistics.

²The ratio of debt to population (e.g., debt at March 31, 2012 divided by population at July 1, 2011).

³The 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, 2012 divided by 2011 GDP).

⁴The 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.

⁵Weighted average of all outstanding debt issues.

⁶Includes revenue of the Consolidated Revenue Fund (excluding dividends from enterprises) plus revenue of all government organizations and enterprises.

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

⁸Excludes debt of commercial Crown corporations and agencies and funds held under the province's Warehouse Borrowing Program.

⁹Nominal GDP for the calendar year ending in the fiscal year (e.g., GDP for 2011 is used for the fiscal year ending March 31, 2012). As nominal GDP for the calendar year ending 2011 is not available, the 2011 GDP projected in February 2012 has been used for the fiscal year ended March 31, 2012 for demonstration purposes.

¹⁰Population at July 1st within the fiscal year (e.g., population at July 1, 2011 is used for the fiscal year ending March 31, 2012).

Summary of Performance Measures for the Fiscal Year Ended March 31, 2012

	<u>2012</u> Target	<u>2012</u> Actual	<u>2011</u> Actual
Provincial credit rating ¹	Aaa	Aaa	Aaa
Taxpayer-supported debt to GDP ratio ²	17.5%	16.4%	15.7%
Taxpayer-supported debt service costs as a percentage of revenue ²	4.5%	4.1%	4.0%

¹Performance target presented in the Ministry of Finance 2011/12–2013/14 Service Plan Update, actuals as per Moody's Investors Services Inc.

²These performance measures, among others, are key indicators on which credit rating agencies rely to determine the province's credit rating. In previous Ministry of Finance service plans, these target measures were included but in the 2011/12–2013/14 Service Plan Update, only the province's credit rating is cited as a comprehensive measure of performance. Target ratios are now the Ministry of Finance's budget estimates from the Budget and Fiscal Plan 2011/12–2013/14. Actual performance measures are those reported in the 2011/12 Public Accounts.