

Summary Overview

Summary Accounts Surplus (Deficit) for the Fiscal Year Ended March 31, 2000

	In Millions		
	1999/00 Budget	1999/00 Actual	1998/99 Actual
Consolidated Revenue Fund	\$	\$	\$
Revenue	20,155	21,846	20,306
Expense	(21,045)	(22,200)	(20,587)
Consolidated Revenue Fund operating result	(890)	(354)	(281)
Crown Corporations and Agencies			
Taxpayer-supported Crown corporations and agencies	(685)	596	(817)
Self-supported Crown corporations and agencies (net of dividends paid to the Consolidated Revenue Fund)	46	(190)	95
Net Crown corporations and agencies' operating result	(639)	406	(722)
Summary accounts surplus (deficit)	(1,529)	52	(1,003)

Summary Accounts Accumulated Surplus (Deficit) for the Fiscal Year Ended March 31, 2000

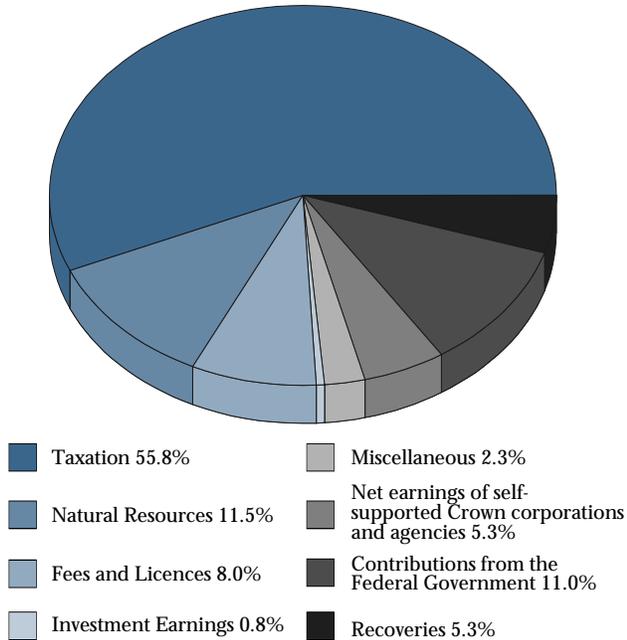
	1999/00 Actual	1998/99 Actual
	\$	\$
Summary accounts accumulated surplus (deficit)—beginning of year	(4,992)	(10,398)
Adjustments ¹		5,772
Summary accounts accumulated surplus (deficit)—beginning of year—as restated.....	(4,992)	(4,626)
Summary accounts surplus (deficit)	52	(1,003)
Prepaid capital advance adjustment.....		637
Summary accounts accumulated surplus (deficit)—end of year.....	(4,940)	(4,992)

¹See Note 24 Net Equity (Deficiency) of the Summary Financial Statements for additional information.

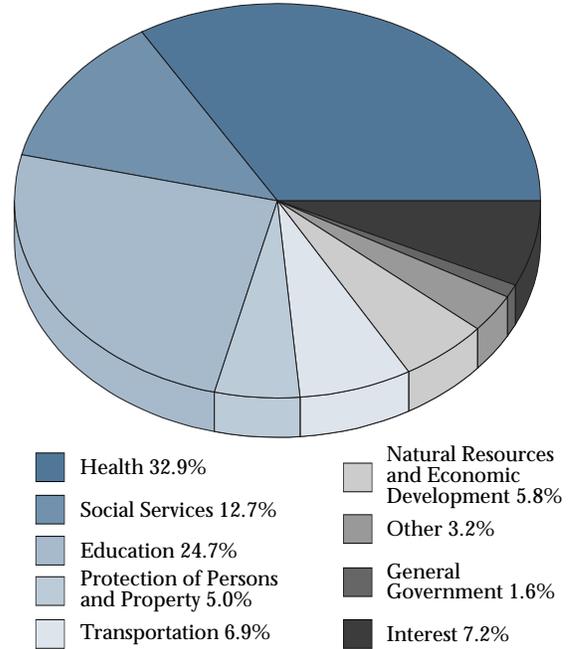
Total revenue in 1999/00 (both core government and Crown corporations) was \$24,594 million or \$1,214 million more than in 1998/99. Increases were mainly in: natural resources (\$806 million); contributions from the federal government (\$459 million); taxation (\$224 million); miscellaneous (\$97 million); and recoveries (\$17 million). These increases were offset by decreases in: net earnings of self-supported Crown corporations and agencies (\$225 million); fees and licences (\$114 million); and investment earnings (\$50 million).

Total operating expenses, including interest, were \$24,542 million, an increase of \$159 million over

Revenue



Expense



1998/99. The expense increase was due primarily to increases in: health (\$554 million); education (\$175 million); and protection of persons and property (\$156 million). The increases in expenses were offset by decreases in expenses for: transportation (\$358 million); interest (\$201 million); natural resources and economic development (\$97 million); general government (\$33 million); social services (\$32 million); and other (\$5 million).

Provincial Financial Reporting Overview

The province publishes financial statements, showing its financial position, in terms of assets and liabilities; the results of operations, in terms of revenues and expenses; and the change in financial position, in terms of the sources and uses of financial resources. These are general purpose statements that serve, to the extent possible, the needs of a variety of users. The statements are audited and issued annually. Although addressed to the Legislature, they are available to all interested parties.

The Public Accounts in which these financial statements are published provide information at various levels of responsibility.

Prior to fiscal 1999/00, the Consolidated Revenue Fund (CRF) Financial Statements were considered the focus of the province's Public Accounts. New legislation in the form of the *Budget Transparency and Accountability Act* (Bill 2) changed the focus of the government's financial reporting from the CRF to the Summary Financial Statements. The Summary Financial Statements are intended to provide a broad overview on the financial position and responsibilities of the government and its Crown entities. Budgeting has been prepared on a summary basis beginning fiscal 2000/01.

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

PRINCIPLES OF CONSOLIDATION

Crown entities are ultimately classified as taxpayer-supported or self-supported. The method used to consolidate their results with the rest of government is determined by that classification.

A taxpayer-supported entity is defined as a government organization that is accountable for the administration of its financial affairs and resources either to a minister of the government or directly to the Legislature, and is owned or controlled by the government with certain specified exceptions (*see* Reporting Entity definition on page 27).

A self-supported entity is a government enterprise that sells goods and/or services to persons outside the government entity and can, in the normal course of its business, maintain its operations and meet its liabilities from revenue derived from sources outside the government reporting entity.

The methods of consolidation used to prepare the Summary Financial Statements are either "full consolidation" or "modified equity consolidation." Full consolidation is used for taxpayer-supported Crown corporations and agencies while modified equity consolidation is used for self-supported Crown corporations and agencies.

For full consolidation, the government adjusts the accounts of taxpayer-supported Crown corporations and agencies to be consistent with the accounting policies of the CRF. Operating and financial results are combined on a "line-by-line" basis. Gross revenue and expense of the Summary Financial Statements, therefore, include the total amounts of the CRF and the taxpayer-supported Crown corporations and agencies as well as their assets and liabilities. Amounts transferred or owed between these entities are eliminated from the statement totals.

For modified equity consolidation, there is no adjustment to conform to the government's accounting policies. The only eliminations are the profit element in inter-entity transactions and certain increases in contributed surplus. Otherwise, the original investment of the government is included at cost and adjusted annually to include the net earnings/losses and other net equity changes of the enterprises.

Pages 54 and 55 list the individual Crown corporations and agencies that are fully consolidated, by sector, and those recorded on the modified equity basis.

On the next page is a reconciliation of the Consolidated Revenue Fund and Estimates for 1999/00 to the Summary Financial Statements.

Detailed Summary Accounts Surplus (Deficit) for Fiscal Years Ended March 31

	In Millions				
	1999/00 Budget ¹	1999/00 Actual	1998/99 Actual	1997/98 Actual ²	1996/97 Actual ²
Consolidated Revenue Fund	\$	\$	\$	\$	\$
Operating result.....	(890)	(354)	(281)	(151)	(337)
Taxpayer-supported Crown Corporations and Agencies (See pages 67 to 68):					
BC Transportation Financing Authority	4	22	(114)	52	25
British Columbia Buildings Corporation	75	45	49	39	39
British Columbia Ferry Corporation	(51)	(299)	(114)	(59)	(76)
Forest Renewal BC	(243)	1	(265)	(88)	105
Other	25	(44)	9	40	(21)
	(190)	(275)	(435)	(16)	72
Net transfers from (to) the Consolidated Revenue Fund	(246)	(78)	(14)	(20)	(10)
Other accounting adjustments ³	(249)	949	(368)	(309)	(425)
Total taxpayer-supported Crown corporations and agencies.....	(685)	596	(817)	(345)	(363)
Self-supported Crown Corporations and Agencies (See page 68):					
British Columbia Hydro and Power Authority.	417	416	395	408	339
British Columbia Liquor Distribution Branch.	620	617	616	606	587
British Columbia Lottery Corporation	510	532	456	290	273
British Columbia Railway Company ⁴	32	(582)	24	40	36
Insurance Corporation of British Columbia ...	(7)	96	74	14	(135)
Other	(7)	1	(23)	(24)	(8)
	1,565	1,080	1,542	1,334	1,092
Net transfers from (to) the Consolidated Revenue Fund	(1,433)	(1,376)	(1,348)	(1,260)	(1,138)
Other accounting adjustments ⁵	(86)	106	(99)	(8)	(7)
Total self-supported Crown corporations and agencies	46	(190)	95	66	(53)
Summary accounts surplus (deficit)	(1,529)	52	(1,003)	(430)	(753)

¹Per Budget 2000. For the 1999/00 budget, only aggregate estimates were prepared. Detailed budget estimates are based on forecasts prepared by the Ministry of Finance and Corporate Relations.

²Figures have not been restated to reflect the government's accounting policies in effect March 31, 2000.

³Fiscal 1999/00 includes adjustments made to eliminate: (a) amortization of deferred capital contribution (\$200 million) by BC Transportation Financing Authority; and, (b) Consolidated Revenue Fund expenses resulting from debt forgiven by the province (British Columbia Ferry Corporation \$1.08 billion and Vancouver Trade and Convention Centre Authority \$70 million).

⁴Fiscal 1999/00 includes a \$617 million write-down of British Columbia Railway Company's investment in rail assets.

⁵Fiscal 1999/00 includes transfers of British Columbia Lottery Corporation revenue to charities and local governments, adjustments to the British Columbia Hydro and Power Authority rate stabilization account, and realization of capital gains by the Insurance Corporation of British Columbia in its portfolio investments.

Reconciliation of Summary Accounts Net Revenue / Expense to Gross Revenue / Expense for the Fiscal Year Ended March 31, 2000

	In Millions			
	2000		1999	
	Revenue \$	Expense \$	Net Surplus (Deficit) \$	Net Surplus (Deficit) \$
Consolidated Revenue Fund.....	21,846	22,200	(354)	(281)
Consolidated Revenue Fund recoveries ¹	2,519	2,519		
Gross Consolidated Revenue Fund ²	24,365	24,719	(354)	(281)
Taxpayer-supported Crown corporations and agencies ³	2,549	2,958	(409)	(759)
Self-supported Crown corporations and agencies ⁴	1,295		1,295	1,520
Adjustments to eliminate transfers between organizations and coordinate accounting policies.....	(3,615)	(3,135)	(480)	(1,483)
Summary accounts gross revenue/expense for the year ended March 31, 2000	24,594	24,542	52	(1,003)
Summary accounts gross revenue/expense for the year ended March 31, 1999	23,380	24,383	(1,003)	

¹The Consolidated Revenue Fund (CRF) recoveries represent amounts earned and applied against expenses. Recoveries include costs and amounts recovered from outside the CRF, the offset for commissions paid for revenue collection, and bad debt expense for various revenue accounts.

²Represents the CRF total revenue and expense after adding recoveries to show total spending.

³Represents the revenue and expense of taxpayer-supported Crown corporations and agencies fully consolidated into the government reporting entity.

⁴Represents the net revenue (after deducting expenses) of self-supported Crown corporations and agencies brought into the government reporting entity on a modified equity basis.

Summary Accounts Staff Utilization¹ for the Fiscal Year Ended March 31, 2000

Consolidated Revenue Fund (CRF) ²	32,801
Taxpayer-supported Crown corporations and agencies ³	9,527
CRF employees funded by Crown corporations and agencies ⁴	305
Total staff utilization	42,633

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

²See the Consolidated Revenue Fund Schedules at www.fin.gov.bc.ca for details of amounts included in this total.

³See financial statements of Crown corporations and agencies at www.fin.gov.bc.ca for details of amounts included in this total.

⁴This is comprised of 211 employees of the Ministry of Forests, and 94 employees of the Ministry of Environment, Lands and Parks who are funded by Crown corporations and agencies.

GOVERNMENT ACCOUNTING POLICIES

The government continues to amend its accounting policies towards the implementation of full accrual accounting.

Tangible Capital Assets

As part of a long-term plan, most assets held by the government and government organizations have been capitalized (recorded on the Balance Sheet) and are amortized as appropriate to the nature and use of each asset type. The province has capitalized the following asset groups: certain land, vehicles, ferries, highway infrastructure, buildings, tenant improvements, heavy equipment, operating equipment, transportation equipment, mainframe, mini, and micro-computer systems.

The approved process is to capitalize and amortize those classes of assets for which estimated or actual values can be readily ascertained. Decisions on the remaining asset classes under consideration are expected to be made within the next fiscal year in accordance with the process agreed with the Office of the Auditor General.

Until April 1, 1999, the province expensed the costs of highway infrastructure, heavy equipment and operating equipment as acquired. Effective that date, these assets were capitalized and are now being amortized over their useful lives.

Capitalizing tangible capital assets does not impact the amount of debt reported by the province. It is now easier to determine which portion of the debt is attributable to operating deficits and how much was borrowed in order to build or acquire tangible capital assets. As capitalization proceeds, this breakdown will become more accurate. Capitalization provides better program costing since it ensures costs are matched to periods when service is provided.

The audited Summary Financial Statements Note 15 (*see* page 36) and the audited Statement of Tangible Capital Assets (*see* page 61) provide details of the government's current best estimate of its inventory of tangible capital assets.

Pension Expense

The government has changed its method of calculating its pension expense to agree with the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants recommendations. Previously, it has used the cash payments to estimate its pension expense, adjusted by an amortization of the change in unfunded pension liability and the impact of any plan amendments in the fiscal year.

The new method of calculating will include an estimate of the earned employee benefits and the net interest earnings of the pension plan in its calculated expense total rather than the cash payments. The impact

on the 1999/00 fiscal year is a \$352 million (1999: \$187 million) reduction in total expenses.

DEFINITIONS

Summary Accounts—the financial position and operating results of the government reporting entity including the Consolidated Revenue Fund and Crown corporations and agencies; the amounts represented by the Summary Financial Statements of the government.

Consolidated Revenue Fund (CRF)—includes the taxpayer-supported activities of the General Fund and special funds of government through which the government delivers central government programs. It does not include the activities of government operated through Crown corporations.

Taxpayer-supported Crown corporations and agencies (government organizations)—include all organizations outside the Consolidated Revenue Fund that are accountable for the administration of their financial affairs and resources either to a minister of the government or directly to the Legislature, are owned or controlled by the government and do not meet the criteria for being self-supported. This also includes the government's interest in government partnerships that are not government business partnerships.

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.

Self-supported Crown corporations and agencies (government enterprises)—include all Crown corporations or 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 reporting entity as their principal activity and maintain operations and meet liabilities from revenue received outside the reporting entity in the normal course of operations. This also includes the government's interest in a government business partnership.