

ESTIMATES ACCOUNTING POLICIES AND PRESENTATION CHANGES

Estimates Accounting Policies

1. **Basis of Accounting** — The accounting policies followed in the Estimated Statement of Financial Position and the Estimated Statement of Operations in the *2004/05 Estimates* comply, in all material respects, with Generally Accepted Accounting Principles (GAAP) for senior governments as prescribed by the Public Sector Accounting Board (PSAB).
2. **Reporting Entity** — Beginning in 2004/05, the government reporting entity has been expanded to include school districts, universities, colleges, university colleges and institutes, regional health authorities and hospital societies (the SUCH sector). For comparative purposes, the 2003/04 Estimates and Updated Forecast have been restated to reflect the inclusion of these entities. The impact of including these entities on the 2003/04 Estimates and Updated Forecast is an estimated \$66 million reduction in the deficit and a \$4.5 billion reduction in the opening accumulated deficit.
3. **Consolidation** — The *2004/05 Estimates* fully consolidate the Consolidated Revenue Fund, which consists of the General Fund (voted appropriations and all Special Accounts), with the individual assets, liabilities, revenues and expenses of taxpayer-supported organizations on a line-by-line basis. Taxpayer-supported organizations include taxpayer-supported Crown corporations/agencies, the SUCH sector and Children and Family Development regional authorities. Self-supported Crown corporation results are consolidated using the modified equity basis, which reports net assets as an investment and net income/loss as revenue.

Significant Presentation Changes in the *2004/05 Estimates*

In order to improve disclosure and better match the Estimates with the Public Accounts, the following significant presentation changes have been incorporated into the *2004/05 Estimates*.

1. **Restatement of 2003/04 Estimates** — The 2003/04 Estimates and Updated Forecast have been restated to be consistent with the *2004/05 Estimates* presentation. These restatements reflect the inclusion of the SUCH sector, a change in the accounting presentation of sinking funds, the recognition of an unfunded liability associated with the Healthcare Benefits Trust, as well as a number of inter-ministry transfers and/or changes. Schedule A presents a detailed reconciliation of Consolidated Revenue Fund operating expenses, capital expenditures and FTEs.
2. **Sinking Funds** — In accordance with GAAP, the Estimated Statement of Financial Position and the Estimated Statement of Operations in the *2004/05 Estimates* have been changed to present sinking fund investments and the related sinking fund earnings on a gross basis. In prior years, the provincial government reported public debt net of sinking fund assets and annual interest expense net of sinking fund earnings. In the *2004/05 Estimates*, the impact of this change is an increase to both assets and liabilities (public debt) of \$3.5 billion and an increase to both revenues and expenses of \$275 million. There is no impact on the bottom line as a result of this change. For comparative purposes, the 2003/04 Estimates and Updated Forecast have been restated to reflect this change.
3. **Healthcare Benefits Trust** — As at March 31, 2004, the Healthcare Benefits Trust, established to provide health and welfare benefits to certain health sector and social service sector employees, is expected to have an estimated \$260 million unfunded liability. The 2003/04 Estimates and Updated Forecast have been restated to include a \$63 million expense (\$51 million for the regional health authorities and \$12 million for ministries/offices of the Consolidated Revenue Fund) that reflects the current year (2003/04) portion of the liability. The remaining liability (\$197 million) has been treated as a prior year adjustment.
4. **Federal Health Accord Funding** — In February 2003, the federal government announced an intention to provide additional health funding arising from a commitment made at the First Ministers' Accord on Health Care Renewal (Health Accord). British Columbia's share of the funding is \$1.3 billion. The funding is intended to assist provinces over a three-year period, however the provinces are able to access the funds in whole or in part at their discretion. Several provinces, including British Columbia, are recognizing the revenue over the period for which it is intended. The Auditor General of British Columbia concurs with this treatment.

ESTIMATES ACCOUNTING POLICIES AND PRESENTATION CHANGES (Continued)

In May 2003, the Legislative Assembly, through a *Supply Act*, approved a Supplementary Estimate for additional health funding in the amount of \$319 million. This amount represented that portion of federal Health Accord funding forecast to be expensed in 2003/04. The remaining funding was planned for revenue and expenditure in 2004/05 and 2005/06. The 2003/04 Estimates and Updated Forecast have been restated to include the Supplementary Estimate amount. The 2004/05 Estimates do not include any provision for the Province's estimated \$260 million share of the additional \$2 billion in federal Health Accord funding announced on January 30, 2004. A Supplementary Estimate will be presented to the Legislative Assembly once details of the federal funding are finalized.

5. **Summary Information** — A number of tables in the Summary Information section of the 2004/05 Estimates have been changed to incorporate the SUCH sector. In the Estimated Surplus/(Deficit) Overview, the reference to taxpayer-supported programs and agencies has been expanded to include the SUCH sector. The Estimated Revenue by Source table incorporates SUCH sector own-source revenues and includes additional revenue categories to address sector specific activities. The Estimated Expense by Organization table includes SUCH sector spending and further detail on grants and internal transfers specific to the SUCH sector entities.
6. **Schedules** — A number of schedules in the 2004/05 Estimates have been changed to incorporate the SUCH sector. Schedule D (Financing Transactions Capital Expenditures) now includes information for the Consolidated Revenue Fund only. Schedule D1 (Financing Transactions - Capital Expenditures - Taxpayer Supported Organizations) includes annual capital expenditures on a functional basis for all taxpayer-supported organizations including those in Schedule D. The presentation format in Schedule K (Taxpayer-supported Crown Corporations and Agencies - Estimated Revenues and Expenses) has been revised to include revenue and expense details for material Crown corporations and agencies only. This change is consistent with section 5(2)(d) of the *Budget Transparency and Accountability Act*. Schedule L (SUCH Sector and Regional Authorities Estimated Revenues and Expenses), Schedule M (Estimated Revenue By Source) and Schedule N (Estimated Expense By Function) have been expanded to include the SUCH sector.