



Office of the
Auditor General
of British Columbia

October 2025

Beyond the Bottom Line: Navigating the Province of B.C.'s 2024/25 Audited Financial Statements





Office of the
Auditor General
of British Columbia

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The Honourable Raj Chouhan
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
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Dear Mr. Speaker:

I have the honour to transmit to the Speaker of the Legislative Assembly of British Columbia the report, *Beyond the Bottom Line: Navigating the Province of B.C.'s 2024/25 Audited Financial Statements*.

Under Section 11(1) of the *Auditor General Act*, my office is required to report on whether the province's Summary Financial Statements are presented fairly in accordance with Canadian generally accepted accounting principles. This report, issued under Section 11(8) of the *Auditor General Act*, provides an overview of the province's Summary Financial Statements and our audit of these statements.

Sheila Dodds, CPA, CA, CIA
Acting Auditor General of British Columbia
Victoria, B.C.

October 2025



Contents

Report at a glance	4
Introduction	5
Understanding the Summary Financial Statements	6
Consolidated Statement of Operations	7
Consolidated Statement of Cash Flow	11
Consolidated Statement of Financial Position	13
The Importance of the Audit	19
Audit coverage planning	19
The audit process	20
Results of the 2024/25 Summary Financial Statements audit	22
Conclusion	25



The Office of the Auditor General acknowledges that we are living and working with gratitude and respect on the traditional territories of the First Nations peoples of British Columbia. We specifically acknowledge that our office is located on the traditional territories of the ɫəkwəŋən people of the Songhees and Esquimalt Nations (Victoria).

Report at a glance

Why we did this report

- Annual financial reporting provides the foundation for the transparent, accountable use of public funds.
- Financial statements aren't the most user-friendly documents and they can be challenging for readers who are unfamiliar with accounting practices.
- This report can assist readers of the Province of B.C.'s current and future financial statements. It includes resources to help readers:
 - unlock the wealth of information in financial statements;
 - assess how actual financial results compare to budgeted amounts; and
 - determine the reliability of financial statements.
- The Office of the Auditor General audits the Province's Summary Financial Statements and provides assurance on their reliability.
- This report supports the Office of the Auditor General's accountability to the Legislative Assembly for the audit of government's Summary Financial Statements.

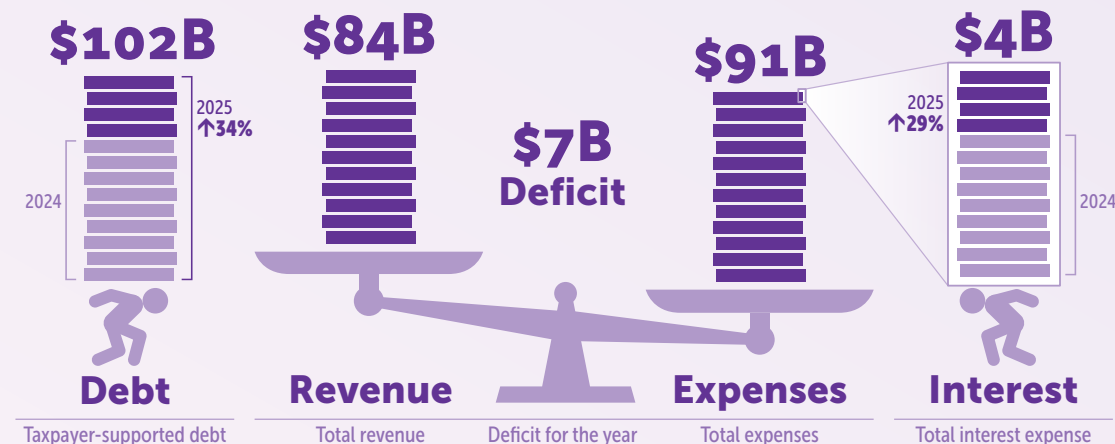
What's in this report

This report uses B.C.'s [2024/25 Public Accounts](#) as a reference, to help readers understand the Province's audited Summary Financial Statements. It provides:

- a guide to understanding the Province's Summary Financial Statements; and
- insight into the value of our audit and what it means for the reliability of the Summary Financial Statements.

This is our second *Beyond the Bottom Line* report. You can find our report on the Province of B.C.'s 2023/24 audited financial statements at oag.bc.ca.

B.C.'s financial health for the fiscal year 2025



Introduction

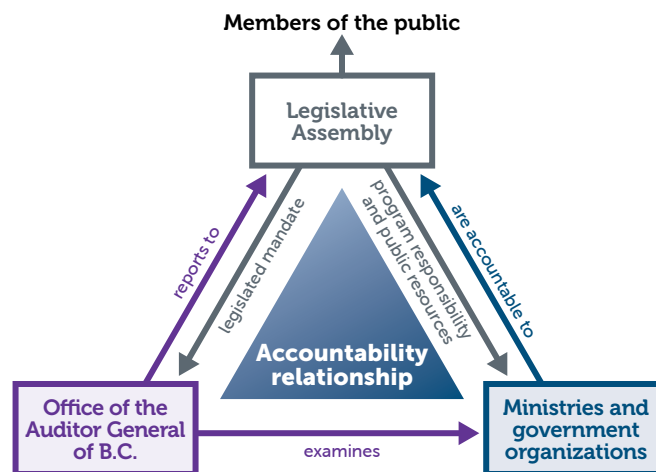
The Public Accounts are fundamental to the Province of B.C.'s annual financial reporting. They support transparency and accountability for the use of public funds authorized through the annual budget. In August 2025, the Province of B.C. published the Public Accounts for the fiscal year that ended on March 31, 2025.

The Public Accounts include the annual Summary Financial Statements that provide a comprehensive overview of government's financial activities for the fiscal year. They're a public record of the Province's revenues (e.g., from taxes, transfers and fees) and expenditures (e.g., program, service, and capital spending) for the year. The Summary Financial Statements present the consolidated financial results for all entities that make up the government reporting entity and compare actual results to the approved budget. The government reporting entity includes central government (e.g., ministries), Crown corporations, universities, colleges, school districts, health authorities and other government organizations that are controlled by and accountable to the provincial government.

The Comptroller General prepares the Public Accounts and the Minister of Finance delivers the Public Accounts to the Legislative Assembly.

It's important for people to have confidence in the reliability of the Summary Financial Statements. The *Auditor General Act* requires the auditor general to audit the Summary Financial Statements and report to the Legislative Assembly on whether the financial statements are fairly presented. The independent auditor's report on the Province's Summary Financial Statements is prepared for the Legislative Assembly and published by the Minister of Finance in the Public Accounts.

Figure: The accountability relationship



The first section of this report helps readers navigate the Province's annual Summary Financial Statements to examine how public funds are managed, understand how the audited year-end results compare to budgeted amounts, and assess the Province's financial health.

The second section explains the value of our audit of the Summary Financial Statements.

Understanding the Summary Financial Statements

The Summary Financial Statements compile and present the consolidated financial results of all ministries and government-controlled organizations. These annual financial statements provide essential financial data for decision making within government and by external stakeholders. Understanding of the Province of B.C.'s financial health helps to inform budgeting, resource allocation, investment strategies, and debt management.

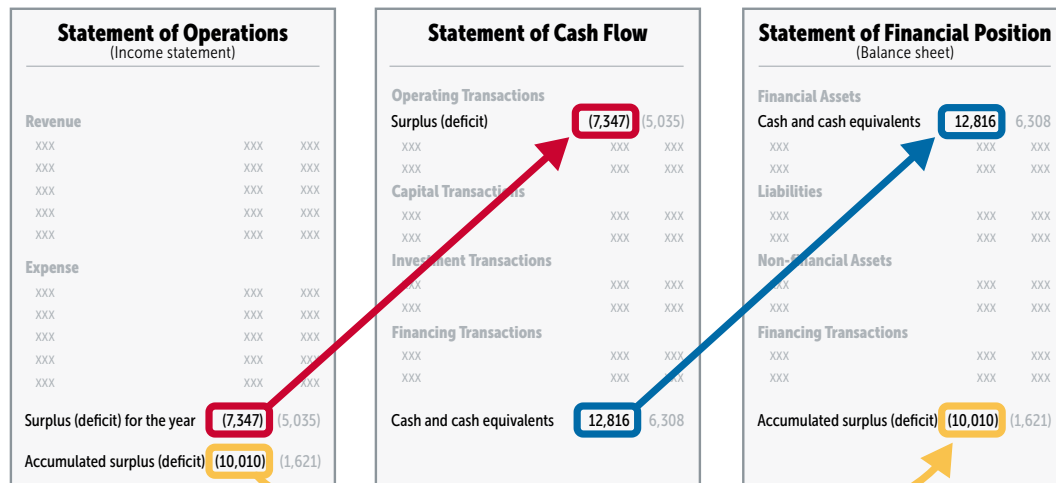
Audited financial information, such as the Summary Financial Statements, supports accountability and ensures the accuracy and reliability of financial data. When the Province seeks to raise capital by issuing bonds, audited financial information helps external investors and lenders assess the Province's financial credibility and influences their decisions on providing funding.

However, government economic activities can be highly complex, involving a wide range of operations, diverse revenue sources, and the allocation of public funds across multiple projects, programs, and organizations. The resulting financial statements are complex.

This section looks at how financial information is interconnected throughout the financial statements and related notes. Readers may find it helpful to have a copy of the 2024/25 Public Accounts on hand as they review this section.

Think of financial statements as health trackers. Just as health trackers monitor physical well-being, financial statements show the financial well-being of an organization. The next few sections discuss key financial statements and what they reveal about the Province's financial health.

Figure: Relationship between the three financial statements



Consolidated Statement of Operations

The Consolidated Statement of Operations is like a sleep tracker for finances. Revenue represents hours of sleep. Expenses represent waking hours. When revenue exceeds expenses, you have a surplus and are well-rested. But if expenses outpace revenue, a deficit occurs, leaving you tired.

For the 2024/25 fiscal year (FY25), the Province of B.C. reported a deficit of \$7.3 billion in its Consolidated Statement of Operations. This statement provides information on the current year budget, current year actuals, prior year actuals, and references to additional information in the related notes to the financial statements.

Here are some take-aways from the Consolidated Statement of Operations (page 42 of the Public Accounts):

Annual deficit (expenses outpacing revenue)

- The Province spent more money than it earned, leading to a \$7.3 billion deficit in FY25, compared to a \$5 billion deficit in 2023/24 (FY24). The FY25 deficit was 46% (\$2.3 billion) higher than the prior year's deficit, but 7% (\$564 million) lower than the budgeted deficit of \$7.9 billion.

Revenue

- The Province's total revenue of \$84 billion in FY25 was 6% (\$4.4 billion) higher than FY24 and 3% (\$2.5 billion) higher than budgeted. Taxation remains the largest source of revenue, accounting for 59% (\$49 billion) of the total revenue. It was 7% (\$3.2 billion) higher than FY24 and 0.5% (\$232 million) higher than budgeted. All revenues have increased from FY24, except for Natural Resource Revenue. It was 23% (\$727 million) lower than FY24.
- The notes to the financial statements explain the "how" and "why" behind some of the revenue numbers in the financial statements.
 - Note 29 – Taxation Revenue (page 84) shows a 4% (\$583 million) increase in personal income tax compared to the prior year. The most significant change was in corporate income tax, which increased by 36% (\$2.2 billion) compared to FY24. The amounts reported for personal and corporate income tax revenues include significant estimates and assumptions due to the timing of when tax revenues are known.
 - Note 2 – Measurement Uncertainty (page 53) highlights the areas that involve the most significant estimation uncertainty (i.e. corporate and personal income tax revenues). It helps users of the financial statements understand where management's judgments and assumptions have the largest impact on the reported numbers.
 - Note 30 – Natural Resource Revenue (page 85) shows petroleum and natural gas revenue dropped by 23% (\$340 million) from the prior year. In FY24, petroleum and natural gas revenue fell 54% as compared to the previous year. Note 30 also shows how various costs and programs affected total natural resource revenue.

Page 42

PROVINCE OF BRITISH COLUMBIA
PUBLIC ACCOUNTS 2024/25

Summary Financial Statements
Consolidated Statement of Operations
for the Fiscal Year Ended March 31, 2025

In Millions
2025 2024
Estimates Actual Actual
(Note 34)



Revenue	\$	\$	\$	
Taxation (Note 29).....	49,214	49,446	46,296	+7%
Contributions from the federal government.....	14,446	14,307	13,734	
Fees and licences.....	5,468	5,468	5,267	
Miscellaneous.....	4,508	5,460	4,988	
Net earnings of self-supported Crown corporations and agencies (Note 7).....	3,313	4,790	4,477	
Natural resources (Note 30).....	3,150	2,416	3,143	-23%
Investment income.....	1,424	2,159	1,718	
	81,523	84,046	79,623	+6%



Expense (Note 31)

Health	35,944	38,182	34,863
Education	19,479	19,609	18,479
Social services.....	10,473	10,922	9,284
Other.....	7,592	4,022	4,215
Natural resources and economic development	4,441	6,165	6,704
Interest.....	4,105	4,245	3,292
Transportation	2,775	2,933	2,379
Protection of persons and property.....	2,557	3,183	3,101
General government.....	2,068	2,132	2,341
	89,434	91,393	84,658



Surplus (deficit) for the year.....	(7,911)	(7,347)	(5,035)	+46%
Accumulated surplus (deficit)—beginning of year (Note 26).....		(1,213)	3,822	
Net remeasurement gains (losses).....		(1,450)	(408)	
Accumulated surplus (deficit)—end of year.....		(10,010)	(1,621)	

**Notes to Consolidated
Summary Financial
Statements**

Page 84

29. Taxation Revenue

	2025 \$	2024 \$	
Personal income.....	17,026	16,443	+4%
Provincial sales.....	10,363	10,330	
Corporate income.....	8,262	6,085	+36%
Property.....	3,837	3,605	
Employer health.....	3,056	2,886	
Carbon.....	2,606	2,642	
Property transfer.....	2,005	1,993	
Fuel.....	979	982	
Tobacco.....	412	477	
Other.....	900	853	
	49,446	46,296	

Page 85

30. Natural Resource Revenue

	2025 \$	2024 \$	
Petroleum, natural gas and minerals	1,162	1,502	-23%
Forests.....	514	657	
Water and other.....	740	984	
	2,416	3,143	

Expenses

- In FY25, the Province's total expenses (\$91 billion) increased by 8% (\$6.7 billion) compared to FY24 and by 4% (\$2 billion) over budget (page 42).
- Health-related expenses (\$38.2 billion) were 42% of the total, followed by education (\$19.6 billion) at 21%.
- Health expenses in FY25 were 10% (\$3.3 billion) higher than the previous year and 6% (\$2.2 billion) higher than budgeted, while education expenses were 6% (\$1.1 billion) above last year's figures and 1% (\$130 million) more than budgeted.
- Note 31 – Expense (page 85) categorizes total expenses by type, showing the funds used for specific activities or purposes. Salaries and benefits (\$35.6 billion) were 39% of the total. Government transfers of \$26.4 billion (funds given by the Province to individuals, organizations, or other governments without expecting goods, services, repayment, or financial return) were 29% of the total, and operating costs (\$20.6 billion) were 23%.
- Compared to the prior year, salaries and benefits rose 9% (\$3 billion), representing the most significant portion of the \$6.7 billion increase in expenditures. Government transfers and operating costs also rose, 7% (\$1.7 billion) and 4% (\$875 million), respectively, compared to the prior year.
- A growing portion of the government's revenue was spent on servicing debt in FY25, with the interest expense increasing by 29% (\$1 billion) from the prior year. Taxpayer-supported interest expense was 4% of total FY25 revenue (net of earnings from self-supported Crown corporations and agencies), compared to 3% in FY24. This means for every dollar earned by the Province, four cents (compared to three cents last year) went towards paying interest on debt, leaving less available for programs and services.



Page 42

PROVINCE OF BRITISH COLUMBIA
PUBLIC ACCOUNTS 2024/25

Summary Financial Statements
Consolidated Statement of Operations
for the Fiscal Year Ended March 31, 2025

In Millions
2025 2024
Estimates Actual Actual
(Note 34)

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	<u>81,523</u>	<u>84,046</u>	<u>79,623</u>

Expense (Note 31)

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Education	19,479	19,609	18,479	+6%
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Interest.....	4,105	4,245	3,292	
Transportation	2,775	2,933	2,379	
Protection of persons and property.....	2,557	3,183	3,101	
General government.....	2,068	2,132	2,341	
	<u>89,434</u>	<u>91,393</u>	<u>84,658</u>	+8%

Surplus (deficit) for the year.....	<u>(7,911)</u>	<u>(7,347)</u>	<u>(5,035)</u>
Accumulated surplus (deficit)—beginning of year (Note 26).....		(1,213)	3,822
Net remeasurement gains (losses)		(1,450)	(408)
Accumulated surplus (deficit)—end of year.....	<u>(10,010)</u>	<u>(1,621)</u>	

**Notes to Consolidated
Summary Financial Statements
for the Fiscal Year Ended
March 31, 2025—Continued**

Page 85

31. Expense

	2025	2024	
	\$	\$	
Salaries and benefits.....	35,602	32,611	+9%
Government transfers.....	26,394	24,657	+7%
Operating costs.....	20,629	19,754	+4%
Interest ¹	4,245	3,292	+29%
Amortization.....	3,176	2,947	
Other.....	1,347	1,397	
	<u>91,393</u>	<u>84,658</u>	

Consolidated Statement of Cash Flow

The Consolidated Statement of Cash Flow is like a hydration tracker. If you drink more water than you sweat out, you'll be hydrated or, in financial terms, "liquid." If you lose more water than you take in, you'll become dehydrated, which may signal a potential "liquidity risk." The cash flow statement categorizes cash flows into operating, capital, investing, and financing activities.

The cash flow statement shows the movement of cash during the fiscal year. On March 31, 2025, the Province's cash balance was \$12.8 billion. The difference between the current year and prior year is typically due to factors such as the timing of cash inflows and outflows, changes in investment and financing strategies, or significant operational shifts.

Here are some take-aways from the Consolidated Statement of Cash Flow (page 45):

- The cash used for operations in FY25 was \$5.8 billion (i.e., negative operating cash flow – more cash used than generated from annual operations), a \$1.7 billion improvement in operating cash flows in comparison to FY24.
- Government's reporting of cash flows from operating transactions begins with the surplus or deficit from the Statement of Operations (page 42), which was a \$7.3 billion deficit in FY25 (discussed in the previous section).
- The surplus or deficit is adjusted for non-cash items. For example, amortization is added back because it's not actual cash spent. Amortization is an accounting method used to reflect the cost of long-term assets over time. Another example is accruals for amounts owing but not yet paid.
- Cash flows from government operating activities is a key indicator as to whether government's operations are funded and the extent to which sufficient cash flows have been generated to sustain government operations without having to borrow. FY25's negative operating cash flow indicates that government didn't collect enough cash from its revenue sources to fund its operating expenses.
- Capital transactions focus exclusively on cash flows associated with the purchase or disposal of capital assets. Cash used for the purchase and construction of capital assets increased by 19% (\$1.7 billion) compared to the prior year.
- FY25 capital transactions saw a net cash outflow of \$10.35 billion, with \$10.38 billion spent to acquire capital assets (i.e., assets with long-term service potential). This spending on capital purchases is a historic record in B.C. In FY24, \$8.8 billion was spent on capital acquisitions. Capital asset additions are shown in the Consolidated Statement of Tangible Capital Assets (page 106). Buildings represent 52% (\$5.4 billion) of the \$10.38 billion capital asset additions in FY25.
- Capital spending included prefabricated school additions in multiple school districts, new hospitals and health facilities, transportation improvements, and other projects. Information on planned spending for major capital projects can be found in the [BC Budget and Fiscal Plan 2024/25–2026/27](#).
- The other categories in the Consolidated Statement of Cash Flow focus on cash movements related to investments and debt activities. They show a continuing trend toward significant public debt borrowing. FY25 saw \$26 billion in cash inflow, indicating that more debt was issued to the Province than repaid – a 46% (\$8.3 billion) increase compared to FY24. This trend is consistent with other sections of the financial statements which reflect a significant rise in debt and borrowing costs.



Summary Financial Statements
Consolidated Statement of Cash Flow
for the Fiscal Year Ended March 31, 2025

	In Millions			2024 Net as restated
	Receipts	Disbursements	Net	
Operating Transactions	\$	\$	\$	\$
Surplus (deficit) for the year ¹			(7,347)	(5,035)
Non-cash items included in surplus (deficit):				
Amortization of tangible capital assets.....			3,176	2,947
Amortization of public debt deferred revenue and deferred charges.....			(104)	67
Concessionary loan adjustments increase.....			55	60
(Gain) or loss on sale of tangible capital assets.....			3	(28)
Valuation adjustment.....			443	344
Net earnings of self-supported Crown corporations and agencies.....			(4,790)	(4,477)
Temporary investments (increase).....			(72)	(46)
Accounts receivable (increase).....			(580)	(1,008)
Due from other governments (increase).....			(405)	(1,237)
Due from self-supported Crown corporations and agencies decrease (increase).....			57	(136)
Accounts payable and accrued liabilities increase (decrease).....			1,022	(555)
Employee future benefits increase.....			173	334
Due to other governments (decrease).....			(682)	(1,582)
Due to Crown corporations, agencies and funds increase (decrease).....			33	(11)
Deferred revenue and items applicable to future operations increase.....			728	141
Dividends from self-supported Crown corporations and agencies.....			2,509	2,786
Cash (used for) operations.....			(5,781)	(7,436) \$1.7B increase
Capital Transactions				
Tangible capital assets dispositions (acquisitions).....	29	(10,379)	(10,350)	(8,693) 19% increase
Cash (used for) capital.....	29	(10,379)	(10,350)	(8,693)
Investment Transactions				
Investment in self-supported Crown corporations and agencies.....				1
Loans, advances and mortgages receivable (issues).....	440	(998)	(558)	(689)
Other investments—net (increase).....	816	(1,173)	(357)	(71)
Restricted assets—net (increase).....		(110)	(110)	(128)
Sinking fund investments—net (increase) decrease.....	4	(54)	(50)	13
Cash (used for) investments.....	1,260	(2,335)	(1,075)	(874)
Financing Transactions²				
Public debt increases.....	61,323	(34,985)	26,338	18,046 46% increase in borrowing
(Used for) purchase of assets, recoverable from agencies.....	11,474	(14,098)	(2,624)	(2,568)
Cash derived from financing.....	72,797	(49,083)	23,714	15,478
Increase (decrease) in cash and cash equivalents.....			6,508	(1,525)
Cash and cash equivalents—beginning of year.....			6,308	7,833
Cash and cash equivalents—end of year			12,816	6,308
Cash and cash equivalents are made up of:				
Cash.....			11,248	5,351
Cash equivalents.....			1,568	957
			12,816	6,308

Consolidated Statement of Financial Position

The Consolidated Statement of Financial Position provides a snapshot of the Province's overall financial health at a specific point in time. It shows assets (comparable to healthy habits like regular exercise and a balanced diet) and liabilities (e.g., unhealthy habits like junk food consumption).

When liabilities (unhealthy habits) outweigh assets (healthy habits), you likely will gain some financial weight and have some health concerns. When the Province is in a net liability position, it tells us that the Province borrowed to finance its assets and will need to use future revenues to repay those liabilities.

In FY25, the Province reported net liabilities of \$87 billion, reflecting a 23% (\$16 billion) increase from the previous year. While total financial assets rose by 19% (\$14 billion), total liabilities increased at a higher rate, growing by 21% (\$30 billion) from FY24.

Here are take-aways from the Consolidated Statement of Financial Position (page 41):

- Cash and cash equivalents increased 103% (\$7 billion) over the prior year, contributing to the increase in total financial assets. As discussed in the previous section there was an increase in cash flow from borrowing, which is reflected in cash and cash equivalents.
- The Province lends money to government business enterprises for the purchase of capital assets and expects them to repay the loans. Government business enterprises are government-run organizations that operate independently, sell goods and services to the public, and earn enough revenue to maintain their operations and cover their liabilities without needing additional revenue from government transfers.
- Loans recoverable from government business enterprises made up 38% of total financial assets in FY25, reflecting a 10% (\$3 billion) increase from the previous year.
- Note 11 – Loans for Purchase of Assets, Recoverable from Agencies (page 60) outlines loans recoverable from various government business enterprises. BC Hydro accounted for 96% of the total loan receivable balance, with its balance increasing by 10% (\$3 billion) compared to the prior year.
- Tangible capital assets represent one of the most significant balances on the Statement of Financial Position. In FY25, it increased by 11% (\$7 billion), from \$66 billion to \$73 billion.
- Note 22 – Tangible Capital Assets (page 76) shows that buildings accounted for 52% of the total and grew by 12% (\$4 billion) from FY24. Highway infrastructure and transportation equipment grew by \$1 billion each, representing growth of 7% and 28%, respectively.
- The Consolidated Statement of Tangible Capital Assets (page 106) details the changes in capital assets, including additions, disposals, and amortization.

Page 41

PROVINCE OF BRITISH COLUMBIA
PUBLIC ACCOUNTS 2024/25

Summary Financial Statements
Consolidated Statement of Financial Position
as at March 31, 2025

Note In Millions
2025 2024
as restated



Financial Assets

		\$	\$	
Cash and cash equivalents.....		12,816	6,308	+103%
Temporary investments.....		525	460	
Accounts receivable.....	3	8,340	8,130	
Inventories for resale.....	4	136	148	
Due from other governments.....	5	3,002	2,597	
Due from self-supported Crown corporations and agencies....	6	500	557	
Equity in self-supported Crown corporations and agencies....	7	16,985	14,677	
Loans, advances and mortgages receivable.....	8	5,826	5,359	
Other investments.....	9	5,058	4,568	
Sinking fund investments.....	10	562	491	
Derivative financial instruments.....	20	1,209	698	
Loans for purchase of assets, recoverable from agencies.....	11	33,577	30,572	+10%
		88,536	74,565	+19%



Liabilities

Accounts payable and accrued liabilities.....	12	17,828	16,806	
Employee future benefits.....	13	3,741	3,568	
Due to other governments.....	14	844	1,526	
Due to Crown corporations, agencies and trust funds.....	15	665	632	
Deferred revenue.....	16	16,213	15,082	
Taxpayer-supported debt.....	18	101,529	76,002	
Self-supported debt.....	19	33,705	30,969	
Derivative financial instruments.....	20	1,317	1,237	
		175,842	145,822	+21%
Net assets (liabilities).....	21	(87,306)	(71,257)	+23%

Non-financial Assets

Tangible capital assets.....	22	72,736	65,583	+11%
Restricted assets.....	23	2,464	2,352	
Prepaid program costs.....	24	1,396	1,233	
Other assets.....	25	700	468	
		77,296	69,636	

Accumulated surplus (deficit)..... 26 (10,010) (1,621)

**Notes to Consolidated Summary
Financial Statements for the Fiscal
Year Ended March 31, 2025—
Continued**

Page 60

**11. Loans for Purchase of Assets,
Recoverable from Agencies**

	2025	2024	
	\$	\$	
British Columbia Hydro and Power Authority.....	32,256	29,248	+10%
Columbia Basin Trust joint ventures ¹	930	945	
Columbia Power Corporation.....	259	266	
British Columbia Lottery Corporation.....	130	110	
Improvement districts.....	2	3	
	33,577	30,572	

Page 76

22. Tangible Capital Assets

	2025	2024	
	\$	\$	
Land and land improvements.....	7,408	6,951	
Buildings (including tenant improvements).....	37,601	33,545	+12%
Highway infrastructure.....	17,204	16,098	+7%
Transportation equipment.....	5,018	3,926	+28%
Computer hardware and software.....	2,559	2,464	
Other.....	2,946	2,599	
	72,736	65,583	

- Debt increased by 26% (\$29 billion) compared to FY24. This is consistent with several financial indicators discussed earlier in this report, including rising interest expenses, increasing capital investments, and negative operating cash flow.
- The total debt increase consists of a 34% (\$26 billion) increase in taxpayer-supported debt and a 9% (\$3 billion) increase in self-supported debt. The \$3 billion increase in self-supported debt can be attributed to BC Hydro which generates its own revenues to cover debt and interest payments.

Total Debt (in billions)

	FY25 (\$)	FY24 (\$)	Increase \$	%
Taxpayer-supported debt	102	76	26	34%
Self-supported debt	34	31	3	9%
Total debt	136	107	29	26%

Interest expense on self-supported debt

Government business enterprises (GBEs) are self-supporting organizations that operate independently and earn enough revenue to maintain operations. When these self-supporting GBEs borrow through the government's fiscal agency loan program, the debt is reported in the Province's Summary Financial Statements as self-supported debt (as opposed to taxpayer-supported debt).

The Summary Financial Statements consolidate the financial results of all organizations within the government reporting entity. Taxpayer supported entities, including ministries, school districts and health organizations, are consolidated on a line-by-line basis. Self-supporting entities are not consolidated on a line-by-line basis. Rather, the value of each government business enterprise is recorded as an equity investment amount. This means that individual revenues and expenses, assets and liabilities, are not captured.

BC Hydro is an example of a GBE that has borrowed through the government's fiscal agency loan program. For FY25, BC Hydro's borrowings accounted for 94% (\$32 billion) of the \$34 billion self-supported debt reported on the Summary Financial Statements. However, the interest expense incurred by BC Hydro on this debt isn't included in the \$4.3 billion interest expense reported in the Province's Statement of Operations.

To understand the cost of the debt held by BC Hydro, readers need to look at BC Hydro's own financial statements. According to Note 6 of [BC Hydro's 2024/25 financial statements](#), the interest on this debt was \$1.1 billion in FY25.

- The taxpayer-supported debt-to-revenue ratio in FY25 was 128%, a notable increase from the FY24 ratio of 101%. In FY25, the government's accumulated taxpayer-supported debt was equivalent to 1.28 years of its annual revenue (net of earnings from self-supported Crown corporations and agencies). This increase indicates a reduction in the government's capacity to pay off its debt using its revenue.

	FY25 (billions)	FY24 (billions)
Taxpayer-supported debt	102	76
Annual revenue (net of earnings from self-supported Crown corporations and agencies)	80	75
Debt-to-revenue ratio	128%	101%

Page 41

PROVINCE OF BRITISH COLUMBIA
PUBLIC ACCOUNTS 2024/25

Summary Financial Statements
Consolidated Statement of Financial Position
as at March 31, 2025

Note **In Millions**
2025 2024
as restated



Financial Assets

		\$	\$
Cash and cash equivalents.....		12,816	6,308
Temporary investments.....		525	460
Accounts receivable.....	3	8,340	8,130
Inventories for resale.....	4	136	148
Due from other governments.....	5	3,002	2,597
Due from self-supported Crown corporations and agencies....	6	500	557
Equity in self-supported Crown corporations and agencies....	7	16,985	14,677
Loans, advances and mortgages receivable.....	8	5,826	5,359
Other investments.....	9	5,058	4,568
Sinking fund investments.....	10	562	491
Derivative financial instruments.....	20	1,209	698
Loans for purchase of assets, recoverable from agencies.....	11	33,577	30,572
		<u>88,536</u>	<u>74,565</u>



Liabilities

Accounts payable and accrued liabilities.....	12	17,828	16,806	
Employee future benefits.....	13	3,741	3,568	
Due to other governments.....	14	844	1,526	
Due to Crown corporations, agencies and trust funds.....	15	665	632	
Deferred revenue.....	16	16,213	15,082	
Taxpayer-supported debt.....	18	101,529	76,002	
Self-supported debt.....	19	33,705	30,969	+26%
Derivative financial instruments.....	20	1,317	1,237	
		<u>175,842</u>	<u>145,822</u>	
Net assets (liabilities).....	21	<u>(87,306)</u>	<u>(71,257)</u>	

Non-financial Assets

Tangible capital assets.....	22	72,736	65,583
Restricted assets.....	23	2,464	2,352
Prepaid program costs.....	24	1,396	1,233
Other assets.....	25	700	468
		<u>77,296</u>	<u>69,636</u>

Accumulated surplus (deficit)..... 26 **(10,010)** (1,621)

- Note 18 – Taxpayer-supported Debt and Note 19 – Self-supported Debt (pages 67–71) provide further details on the Province’s debt:
 - Debt composition across various currencies highlights the associated foreign exchange risk.
 - In FY25, 69% of the total debt was in Canadian dollars, with the remaining 31% in foreign currencies. This represents a shift from FY24, where 76% of the debt was in Canadian dollars and 24% was in foreign currencies. A higher proportion of borrowing in foreign currencies adds exposure to fluctuations in exchange rates.
 - The “year of maturity” highlights the impact on both short-term and long-term cash needs for debt repayment. Note 18 shows a significant portion of the debt is set to mature between 2031 and 2035.
 - To mitigate risks associated with borrowing, such as foreign exchange and interest rate fluctuations, the Province uses derivative instruments. These instruments are highly complex and may be of particular interest to advanced users.
 - Note 20 – Risk Management and Derivative Financial Instruments (pages 71-75) offers detailed information on the risks and how government manages them.



**Notes to Consolidated Summary Financial Statements
for the Fiscal Year Ended March 31, 2025—Continued**

18. Taxpayer-supported Debt¹

		In Millions			2025	2024
Year of maturity	Canadian dollar	U.S. dollar ²	Other currencies ²			
	\$	\$	\$	\$	\$	\$
Short-term promissory notes.....	2025			0	7,337	
	2026	7,228	3,784	11,012	0	
Notes, bonds and debentures.....	2025			0	3,909	
	2026	3,570		350	3,920	4,191
	2027	1,129	4,110	169	5,408	5,375
	2028	2,835	5,027		7,862	2,088
	2029	876	2,757		3,633	3,631
	2030	2,756	3,452	876	7,084	2,775
	2031–2035	15,532	7,930	4,912	28,374	21,226
	2036–2040	6,368		2,886	9,254	4,791
	2041–2045	5,670		648	6,318	6,318
	2046–2050	2,222		1,752	3,974	3,895
	2051–2055	8,875		117	8,992	9,776
	2056–2060	3,230			3,230	130
	2061–2065	181			181	181
Capital leases.....	2025–2047	158			158	165
Total debt issued.....		60,630	27,060	11,710	99,400	75,788
Unamortized premium (discount).....					(129)	(222)
Unrealized foreign exchange (gain) loss ³					2,258	436
Total taxpayer-supported debt.....					101,529	76,002

19. Self-supported Debt¹

		In Millions			2025	2024
Year of maturity	Canadian dollar	U.S. dollar ²	Other currencies ²			
	\$	\$	\$	\$	\$	\$
Short-term promissory notes.....	2025			0	4,881	
	2026	2,694	685		3,379	0
Notes, bonds and debentures.....	2025			0	0	
	2026	900	652	391	1,943	1,942
	2027	850			850	850
	2028	1,000			1,000	1,000
	2029	1,500			1,500	1,500
	2030	500			500	500
	2031–2035	6,275		200	6,475	5,160
	2036–2040		378		378	378
	2041–2045	6,173			6,173	6,173
	2046–2050	3,695			3,695	3,695
	2051–2055	6,646			6,646	4,861
	2056–2060	1,160			1,160	60
	2061–2065	50			50	50
Total debt issued at face value.....		31,443	1,715	591	33,749	31,050
Unamortized premium (discount).....					(220)	(139)
Unrealized foreign exchange (gain) loss ³					176	58
Total self-supported debt.....					33,705	30,969

The Importance of the Audit

Under the *Auditor General Act*, the auditor general is the auditor of the government reporting entity and must report annually to the Legislative Assembly, in accordance with Canadian generally accepted auditing standards, on the Summary Financial Statements of the Province of B.C.

The Office of the Auditor General supports the Legislative Assembly, and specifically the Select Standing Committee on Public Accounts, in holding government accountable for its management and use of public resources. One way it does this is through the annual audit of the Summary Financial Statements.

Our audit provides an independent assessment of whether the Summary Financial Statements are true and fair. This enhances the credibility of the financial statements, which is important for the various readers who rely on the Summary Financial Statements to make informed decisions.

Members of the Legislative Assembly are important users of the Summary Financial Statements. Other users may be institutional investors, credit rating agencies, other governments, or interested members of the public. Each user has distinct needs. Auditors consider these factors and design an audit that matches the risk tolerance of the various users, including:

- **Taxpayers** seeking transparency that their tax dollars are being managed responsibly.
- **Credit rating agencies** assessing the Province's financial health to determine creditworthiness.
- **Investors** evaluating the statements to make informed investing decisions.
- **General public** relying on the information to understand the Province's financial results and financial health.

Audit coverage planning

Our *Financial Audit Coverage Plan*, published annually after approval by the Select Standing Committee on Public Accounts, outlines which government organizations' financial statements will be audited by our office directly. Government organizations that aren't audited by the Office of the Auditor General are primarily audited by large accounting firms. We work with the firms to ensure their work meets our audit requirements.

The audit of the Summary Financial Statements is what's known as a "group audit" under Canadian Auditing Standards and the auditor general is the "group auditor." In a group audit, different business units (components) are consolidated into a single set of financial statements known as the group financial statements. Auditors who perform audit work on a component are "component auditors."

The group auditor establishes the overall audit strategy and plan. As necessary, the group auditor provides direction to component auditors, reviews their work, and evaluates the audit evidence to form an opinion on the group financial statements.



The group financial statements (the Summary Financial Statements) consolidate the financial information of central government and 138 other government organizations, including Crown corporations, universities, colleges, school districts, health authorities, and similar entities controlled by the provincial government.

Our coordination and communication with component auditors play an important role in informing our risk assessment as part of our overall audit planning. We maintain regular contact with accounting firm representatives to share identified risks and plan additional audit work when necessary to address risks affecting the group audit.

We issue letters of instruction to all component auditors with directions on financial statement information and possible further audit procedures we may require for our group audit. The letters also indicate the timing required for group audit reporting, which may be slightly different from what they need to do for their individual audits.

The audit process

We conduct our audit in accordance with the Canadian Auditing Standards. The standards set a risk-based approach, meaning we do more extensive audit procedures – and gather more and better-quality audit evidence – in the areas with the highest risk of being materially misstated (See text box).

Materiality

Materiality refers to the significance or value of an omission or misstatement in the financial statements. We ask, how could it influence the decision making of users who rely on financial statements?

The concept of materiality applies to planning and performing the audit. It's also used to evaluate the effect of identified misstatements on the financial statements. Materiality guides:

- the nature and extent of our audit procedures;
- how we assess the sufficiency of the audit evidence we gather; and
- our evaluation of any misstatements we find during the audit.

Materiality is a matter of professional judgment and it's influenced by the needs of the users of the financial statements. An error or omission is considered material when it could mislead users of the financial statements.

Under Canadian Auditing Standards, risks of material misstatement due to fraud are automatically considered significant risks. The standards require all auditors to design procedures and gather evidence to address two such fraud-related risks.

The first of these is the risk of fraud resulting from management override of controls. All financial statements have a significant risk of material misstatement because management, through their position and influence, can manipulate financial results. They can influence estimates and accounting policy changes to achieve favourable financial reporting outcomes in the current year or in the future. Auditors are required to design and carry out tailored procedures and gather evidence to address this risk.

The second risk is fraud related to revenue recognition. Revenue accounts are the accounts most commonly affected by internal and external fraud. Auditors need to remain alert to this significant risk and to carry out procedures to address it.

The areas of audit focus change from year to year depending on economic trends, new accounting standards, the complexity of transactions and other factors.

The amounts reported for personal and corporate income tax revenues must be estimated by government because final tax returns aren't known until about two years after the financial statements are finalized. These estimates are complex and rely on a variety of inputs and assumptions. Because of the complexity in estimating personal and corporate income tax revenues, they are always an area of focus for our audit of the Summary Financial Statements.

Corporate income tax revenue – An area of audit focus

As we discussed in the first section, income tax revenues are areas of significant measurement uncertainty due to the complexity of the estimates involved. Users of the financial statements should be aware that the reported income tax revenues can be subject to notable adjustments in subsequent years.

To test the reasonability of government's income tax estimates, we develop our own range of estimates using information that we obtain from government. In FY24, government's reported corporate income tax revenue, based on their estimate, fell approximately \$225 million below our estimated range. This meant that government's estimate for corporate income tax revenue was understated based on our audit work. We discussed this issue with government, but they chose not to adjust their estimate. Because the understatement of corporate income tax that we estimated was below our materiality threshold, we did not qualify our audit report for this understatement.

A year later, based on more up-to-date information, government determined that the reported corporate income tax revenue of \$6.1 billion for FY24 had been understated by \$1.2 billion. This revised estimate (\$6.1 plus \$1.2) landed on the high end of our previously estimated range. Estimates of corporate income tax revenues are complex, involve significant judgement and can have a significant impact when estimates are revised. This is why we consider income tax estimates to be areas of significance in our audit.

Changes in estimates are not recorded retroactively. Instead, they are recorded as they become known. Meaning that the FY25 corporate tax revenues include \$1.2 billion that is attributable to FY24. Note 29 – Taxation Revenue (page 84) reports corporate income tax revenues of \$8.3 billion in FY25, compared to \$6.1 billion in FY24. Had this \$1.2 billion adjustment been part of the FY24 estimate, corporate income tax revenues would have been \$7.1 billion for FY25 and \$7.3 billion in FY24.

Results of the 2024/25 Summary Financial Statements audit

We completed our audit of the Summary Financial Statements on August 1, 2025, delivering on our commitments as communicated in the approved *Financial Audit Coverage Plan* for FY25. This included completing our direct audits of several government organizations, overseeing many audits performed by component auditors and auditing the consolidation of financial results into the Summary Financial Statements.

Misstatements

Each year, through the audits of individual government organizations and our audit of the Summary Financial Statements, misstatements in financial statements are identified. When this occurs, the misstatements are brought to the attention of management with a request that they be corrected. Very often, misstatements we detect during our audits are corrected before the financial statements are published.

When corrections aren't made, we assess the cumulative impact of the uncorrected misstatements on the financial statements. If they are material and could affect a user's ability to rely on the financial statements, we will adjust our auditor's report to explain the impact.

We report identified misstatements in the Summary Financial Statements to the Minister of Finance at the end of the audit and indicate which misstatements were corrected and which were not. We also provide ministries and the Office of the Comptroller General with recommendations to improve weaknesses in internal controls and reporting processes when they are identified during the audit. The goal is to help ministries enhance their financial reporting and internal control environment.

When misstatements that are material to the financial statements are not corrected, we are required under Canadian Auditing Standards to qualify our audit report. The existence of qualifications in the independent auditor's report may reduce user's confidence in the accuracy of the financial statements.

Our audit identified three such material misstatements (set out as qualifications in our independent auditor's report) which were not corrected by government. Two of the qualifications carried forward from the prior year relate to deferral of revenues and incomplete contractual obligations disclosures. For FY25, there was a new qualification related to the accounting treatment for a tobacco settlement.

Tobacco settlement accounting treatment (new in 2024/25)

On March 6, 2025, the Ontario Superior Court of Justice approved the *Companies' Creditors Arrangement Act* Plans of Arrangement in relation to historic lawsuits filed against major Canadian tobacco companies. As part of the court-approved resolution, over the next 20 years, the Government of B.C. will receive compensation of \$3.5 billion to recover a portion of incurred smoking-related health care costs.

As of March 31, 2025, the settlement arrangement was binding on all parties and could no longer be appealed. This court approved settlement awarded the Province the rights to a stream of payments from the tobacco companies amounting to \$3.5 billion.

Since it's expected to provide future economic benefits, the tobacco settlement meets the definition of an asset and should have been recorded in the FY25 financial statements. However, government did not record the asset. Rather, they disclosed a \$3.5 billion contingent asset in the notes to the financial statements. As a result, both revenue and assets are understated in FY25. Further, this will result in an overstatement of revenue in future years when the settlement is eventually recorded.

At the time of our audit, an initial estimated payment of \$900 million was expected in fiscal year 2025/26 (government in fact began receiving a portion of its settlement amount on Aug. 29, 2025), with the remaining balance to be paid to the government over an estimated 20 years.

Given the long-term nature of the settlement payments, government will need to make an estimate as to the value of this settlement. At the date of our audit, this estimate had not yet been made. Because there was no amount recorded, we determined this was a material misstatement and reported it as a qualification in our independent auditor's report.

Deferral of revenues (since 2012/13)

Our audit identified a material misstatement related to government's accounting treatment for government transfers originally received for restricted purposes, for example federal funds received for building transportation infrastructure such as a bridge.

These funds are recorded as liabilities when first received because government has a responsibility to spend the funds for a restricted purpose. We found government has not been removing these liabilities when the funds have been used for the intended purpose and no further obligations exist. Government's accounting doesn't conform with Canadian generally accepted accounting principles for senior governments, as stated in the Canadian public sector accounting standards.

Our audits have reported this type of misstatement since the inception of the public sector accounting standard for government transfers, which applies to periods beginning on or after April 1, 2012. As a result, the magnitude of this misstatement has grown. As of March 31, 2025, liabilities were overstated by \$9.85 billion. Contributions from the federal government, recorded as revenues for the year ended March 31, 2025, were understated by \$2.18 billion but cumulatively understated by \$9.85 billion.

Incomplete contractual obligations disclosure (since 2021/22)

Under Canadian generally accepted accounting principles, contractual obligations that commit the government to certain expenditures for a considerable period into the future must be disclosed in the financial statements. An example would be multi-year contracts for the delivery of services or the construction of assets. This is so financial statement users will be able to understand the nature and extent to which the government's resources are already committed in future years.

Government makes such disclosures in Note 28 – Contingent Liabilities and Contractual Obligations. However, our audit identified contracts (e.g. physician contracts) that weren't included in the disclosures. The magnitude of the omissions resulted in a material misstatement. The table (Understatement of contractual obligations) outlines the estimated effect of this misstatement on Note 28 in the financial statements.

Understatement of contractual obligations	In millions						
	2026 \$	2027 \$	2028 \$	2029 \$	2030 \$	2031 and beyond \$	Total \$
Consolidated Revenue Fund and Taxpayer- supported Crown corporations and agencies	1,571	1,060	707	652	590	2,153	6,733

Conclusion

This report was prepared as a guide for users of the Province of B.C.'s Summary Financial Statements and points to what the statements reveal about the Province's financial health. Annual financial statements provide transparency and accountability for the use of public funds, but they include a great deal of information that may be difficult to understand.

The Province of B.C.'s 2024/25 financial statements indicated the Province's financial health has declined after successive annual deficits and an increased reliance on debt. For example:

- The **Consolidated Statement of Operations** for 2024/25 showed that spending outpaced revenue, resulting in an annual deficit of \$7.3 billion.
- The **Consolidated Statement of Cash Flow** showed a heavy reliance on external financing to maintain the Province's operations and manage the annual deficit. Taxpayer-supported debt increased significantly in 2024/25, an increase of 34% (\$26 billion) from the prior year. This debt needs to be repaid from the revenue the Province generates, which makes it important for the Province to increase revenues and/or reduce spending to improve its financial health.
- The **Consolidated Statement of Financial Position** showed that the Province remains in a net liability position, which is consistent with its increased debt borrowing to finance its operations and capital assets. Again, this stresses the importance of generating future revenues and/or reducing future spending to offset liabilities.

With its audit of the Province's Summary Financial Statements, the Office of the Auditor General plays a vital role in supporting the Legislative Assembly in holding government accountable for its management and use of public resources.

Our audit work, and independent auditor's report provide users with assurance that they can rely on the information in the financial statements.



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