

Auditor General Kim MacPherson released her report, Volume IV, Financial Audit, on November 23<sup>rd</sup>, 2017.

This volume details the financial audit of the Province and its Crown agencies for the year ended March 31, 2017.

For the year ended March 31, 2017, Net Debt increased by \$167.4 million to \$13.8 billion.

In the last ten years, Net Debt has increased \$6.7 billion, almost doubling.

The 2017-2018 Main Estimates budgets for a deficit of \$191.9 million and an increase in the Net Debt of \$362.1 million for the year ended March 31, 2018.

Based on the 2017-2018 Main Estimates, Net Debt of the Province could exceed \$14.4 billion for the year ended March 31, 2018.

The cost of servicing the public debt for the year ended March 31, 2017, was \$673.3 million. For the fiscal year 2017-2018, debt service costs are projected to be \$701 million.

There are two categories of debt: Funded Debt and Net Debt.

Funded Debt is the total amount the Province is legally bound to repay.

Net Debt is a calculated number, financial assets less liabilities which include Funded Debt.

Funded Debt hit \$20.891 billion as of March 31, 2017, an increase of \$875.8 million over the previous year, and 60% since 2008. This is a significant increase.

Funded Debt is the portion on which the Province pays interest. It is important to note the increase in Funded Debt because if interest rates rise, debt service costs increase.

In her report, Kim MacPherson said,

“The long-term Net Debt growth is not sustainable and continued action is required to address this problem. It may eventually impact the Province’s ability to meet its existing obligations, both in respect of its service commitments to the public and financial commitments to creditors, employees, and others. We again

this year, in addition to addressing the annual deficit, encourage the Province to set and achieve targets for long-term Net Debt control and reduction.”

The next provincial budget will be tabled in the Legislature in December 2017 or after the new year.