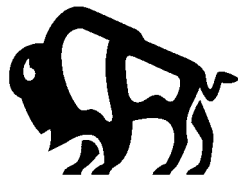


PROVINCE OF MANITOBA



ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2001

Includes:

- **The Year in Review**
- **Economic Report**
- **Financial Indicators**
- **Volume 1 - Public Accounts**

HIS HONOUR PETER LIBA
Lieutenant-Governor of the Province of Manitoba

May It Please Your Honour:

I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Province of Manitoba for the year ended March 31, 2001. This new document presentation completes the government's accountability reporting for the year. The Report includes a review of this year's results relative to the government's budget. It also contains economic statistics and indicators of the financial health of the Province.

Also included in this Annual Report is Volume 1 of the Public Accounts. The Public Accounts have been restructured to reflect the intent to focus more attention on the summary results of the government reporting entity while still reporting on the government's stewardship over the Consolidated Fund that is comprised of the Operating and Special Funds. It contains the summary financial statements of the reporting entity in section 1 and special purpose financial statements of the Operating Fund in section 2.

Section 6 of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act requires the Minister of Finance to report on compliance with the Act in the audited financial statements of the Operating Fund for each fiscal year. The Combined Statement of Revenue and Expense shows a surplus of \$41 million in the Operating Fund. The Government is therefore in compliance with the Act. In accordance with the Balanced Budget legislation, this surplus will be transferred to the Province's Fiscal Stabilization Fund to ensure a provision exists for unforeseen future revenue reductions or abnormal expense pressures.

Honourable Greg Selinger
Minister of Finance

Office of the Minister of Finance
September, 2001

SON HONNEUR PETER LIBA
Lieutenant-gouverneur de la province du Manitoba

Votre Honneur,

J'ai le privilège de vous présenter, à titre informatif, le Rapport annuel de la province du Manitoba pour l'exercice financier qui s'est terminé le 31 mars 2001. Cette nouvelle présentation du document complète le compte rendu des activités du gouvernement pour l'exercice. Le Rapport comprend une récapitulation des résultats de l'exercice par rapport au budget du gouvernement. Il contient également des statistiques économiques et des indicateurs de la santé financière de la province.

Ce rapport annuel comprend également le Volume 1 des comptes publics. Les comptes publics ont été restructurés de façon à exprimer l'intention du gouvernement de consacrer plus d'attention aux résultats sommaires de l'entité comptable du gouvernement tout en continuant de rendre des comptes sur la gestion par le gouvernement du fonds consolidé, lequel est composé du fonds de fonctionnement ainsi que du fonds spécial. La section 1 contient les états financiers sommaires de l'entité comptable et la section 2 renferme les états financiers à vocation spéciale relatifs au fonds de fonctionnement.

En vertu de l'article 6 de la *Loi sur le budget équilibré, le remboursement de la dette et l'obligation de rendre compte aux contribuables*, le ministre des Finances est tenu de faire rapport sur le respect de la *Loi* dans les états financiers vérifiés du fonds de fonctionnement pour chaque exercice financier. L'état des résultats et des bénéfices non répartis indique un excédent de 41 millions de dollars dans le fonds de fonctionnement. Le gouvernement s'est donc conformé à la *Loi*. En vertu de la *Loi sur le budget équilibré*, l'excédent sera transféré au Fonds de stabilisation des recettes de la province dans le but de faire en sorte que des provisions soient disponibles en cas d'une éventuelle diminution imprévue des recettes ou de demandes de ressources anormales.

Monsieur Greg Selinger
Ministre des Finances

Bureau du Ministre des Finances
Septembre 2001

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THE YEAR IN REVIEW

BILAN DE L'ANNÉE

MINISTER'S MESSAGE

MESSAGE DU MINISTRE

I am pleased to present the Public Accounts of Manitoba for the fiscal year ended March 31, 2001 and, for the first time, this review of achievements during the year

Je suis heureux de présenter les comptes publics du Manitoba pour l'exercice financier se terminant le 31 mars 2001 et de vous offrir, pour la première fois, une récapitulation des réalisations financières des 12 derniers mois.

The 2000 report of Deloitte & Touche LLP, as well as the Provincial Auditor, provided our Government with recommendations to improve the presentation of the Public Accounts. This annual review is a direct response to one of those recommendations. I am pleased to report that this and other important initiatives have significantly improved the transparency of our Public Accounts. Our accountability to Manitobans is thereby greatly enhanced.



Le rapport préparé par Deloitte et Touche SRL pour l'année 2000, ainsi que le vérificateur provincial, a fourni à notre gouvernement des recommandations visant à améliorer la présentation des comptes publics. Cet examen annuel constitue une réaction directe à une de ces recommandations. Je suis heureux de pouvoir annoncer que cette importante initiative, une parmi tant d'autres, a permis d'améliorer de façon significative la transparence de nos comptes publics, ainsi que notre responsabilisation envers les citoyens du Manitoba.

Our Government's Budget, tabled May 10, 2000, promised a positive result of \$10 million for this fiscal year on the operation of central Government. I am pleased to report that we have achieved a positive result of \$41 million, without using the \$90 million budgeted draw from the Fiscal Stabilization Fund. I refer the readers to pages 63 through 93 of this report for details of the Operating Fund and budgetary performance.

Le budget de notre gouvernement, déposé le 10 mai 2000, promettait un bilan positif de 10 millions de dollars pour le présent exercice financier en ce qui concerne le fonctionnement du gouvernement central. Je suis heureux de vous informer que nous avons réalisé un bilan positif de 41 millions de dollars sans avoir eu recours au retrait prévu de 90 millions de dollars du Fonds de stabilisation des recettes. J'aimerais renvoyer les lecteurs aux pages 63 à 93 du présent rapport pour des renseignements détaillés sur le fonds de fonctionnement ainsi que sur l'exécution du budget.

In our plan for 2000-01, announced in the 2000 Manitoba Budget, we delivered on the key commitments we made to Manitobans and their families.

Dans notre plan budgétaire pour l'exercice 2000-01, annoncé dans le Budget du Manitoba de l'an 2000, nous avons réussi à respecter les principaux engagements que nous avons pris envers les Manitobains et leurs familles.

1. Moving Ahead on Health Care

During 2000-01, expenditure of Health Care increased by \$198 million, or 8.6%.

This increase reflects our continuing efforts to improve healthcare. Our Government's plan for healthcare renewal has been acknowledged by the Canadian Institution for Health Information as the best in the country. Expansions to home care, better co-ordination of hospital resources and the largest flu vaccination program in the province's history helped reduce the number of patients in hallways in 2000.

Training more nurses is an important element of our plan to strengthen health care in Manitoba. We re-instated the Diploma Nursing Program in 2000-01. Enrollment in nursing programs increased substantially, with more students enrolled this year in nursing than during most of the last decade.

Significant investments were made in medical equipment and in enhancing the capacity to increase important medical procedures, thereby increasing service capacity for Manitobans.

2. New Hope for Manitoba's Young People

A key element of our Government's vision is to make our province a great place to live and raise a family. Our Government is committed to creating new hope for young people by ensuring that educational resources are in place to provide a more secure future for young Manitobans right here in our province.

Total resources devoted to Education, Training and Youth increased by \$65 million, or 6.7% in 2000-01. We also attempted to reverse years of neglect of post-secondary education by significantly boosting our commitment to universities and colleges. Tuition fees for universities and colleges were decreased by

1. Progrès réalisés dans le domaine des soins de santé

Au cours de l'exercice 2000-01, les dépenses consacrées aux soins de santé ont augmenté de 198 millions de dollars, soit de 8,6 %.

Cette augmentation s'inscrit dans le cadre de nos efforts continus pour améliorer les soins de santé. Le plan de notre gouvernement quant au renouvellement des soins de santé a été reconnu par l'Institut canadien d'information sur la santé comme étant le meilleur au pays. L'élargissement des soins à domicile, la coordination améliorée des ressources des établissements hospitaliers et le plus important programme de vaccination contre la grippe dans l'histoire de la province nous ont permis de diminuer le nombre de patients dans les couloirs au cours de l'année 2000.

La formation d'un plus grand nombre d'infirmières constitue un élément important de notre plan visant à améliorer les soins de santé au Manitoba. En 2000-01, nous avons rétabli le Programme d'études en sciences infirmières menant à un diplôme. Le taux d'inscription aux programmes de sciences infirmières a augmenté considérablement; d'ailleurs, les inscriptions aux programmes de sciences infirmières cette année est supérieur à celui de la plupart des dix dernières années.

Nous avons investi d'importantes sommes dans l'achat d'équipement médical et dans l'amélioration de notre capacité à procéder à des interventions médicales importantes, améliorant ainsi les services dont bénéficient les résidents du Manitoba.

2. Un nouvel espoir pour les jeunes du Manitoba

Un élément essentiel de la vision d'avenir de notre gouvernement est de faire de notre province un excellent endroit pour vivre et élever une famille. Notre gouvernement s'engage à créer un nouvel espoir pour les jeunes en veillant à ce que des ressources en matière d'enseignement soient en place pour assurer un avenir plus sûr aux jeunes Manitobaines et Manitobains, ici même dans notre province.

Au total, les ressources affectées au ministère de l'Éducation, de la Formation professionnelle et de la Jeunesse ont augmenté de 65 millions de dollars, soit de 6,7 %, pendant l'exercice 2000-01. Nous avons également tenté de renverser la tendance

10%, a value of almost \$9 million for our student population. While the Province began expanding the capacity of its community college system, we also began to address the neglect of post-secondary infrastructure with substantial new resources for university and college investments.

consistant à négliger l'enseignement postsecondaire en augmentant de façon significative notre engagement financier envers les universités et les collèges. Les frais de scolarité pour fréquenter ces établissements ont diminué de 10 %, ce qui représente une épargne de presque 9 millions de dollars pour notre population étudiante. Pendant que la Province commençait à augmenter la capacité de son système de collèges communautaires, nous nous sommes également attaqué aux carences en matière d'infrastructure dans les établissements d'enseignement postsecondaire en investissant des sommes considérables dans les universités et les collèges.

3. Building a Partnership Between Business and Labour and Keeping Manitoba Hydro

3. Créer un partenariat entre le milieu des affaires et le monde du travail, et conserver Manitoba Hydro

Our vision for Manitoba is based on a strong partnership between business and labour in our province. A strong partnership helps to build a strong economy and establishes a solid foundation for future economic growth and development. The recommendations of the 2000 Manitoba Century Summit continue to provide a consensus-based approach to building our economy together.

Notre vision d'avenir pour le Manitoba se fonde sur un partenariat ferme entre le milieu des affaires et le monde du travail. Un tel partenariat favorise une économie dynamique et pose les jalons d'une croissance et d'un développement économiques solides pour l'avenir. Les recommandations formulées à l'occasion du Sommet du siècle de l'an 2000 du Manitoba demeurent un modèle basé sur la concertation et offre une approche visant à construire ensemble notre économie.

Manitoba's economy remained strong through 2000. Last year, Manitoba posted 2.2% employment growth, the strongest annual employment growth since 1986. Unemployment fell to 4.9%, the lowest in Canada.

L'économie du Manitoba est demeurée solide en 2000. L'an dernier, le Manitoba affichait un taux de croissance d'emploi de 2,2 %, soit la plus grande croissance annuelle depuis 1986. Le taux de chômage a chuté à 4,9 %, soit le plus bas niveau au Canada.

Strong labour markets helped push up total personal disposable income by 5.6%, the best increase in 11 years.

La solidité du marché du travail a permis de hausser le revenu net des particuliers de 5,6 %, soit la plus grande augmentation depuis 11 ans.

Higher incomes helped boost retail sales, which grew 4.1% in 2000, the strongest increase since 1997.

Les revenus plus élevés ont permis d'accroître les ventes au détail, qui ont connu une augmentation de 4,1 % en 2000, la plus importante depuis 1997.

Overall, real Gross Domestic Product increased 3.5% in Manitoba, up from 2.6% growth in 1999.

Sur l'ensemble, le produit intérieur brut réel a augmenté de 3,5 % au Manitoba, soit une hausse plus importante que celle de 2,6 % en 1999.

Manitobans have also made it clear that they want a strong, competitive Manitoba Hydro electrical utility. We will continue to manage Manitoba Hydro for the benefit of all Manitobans.

Les résidents du Manitoba ont aussi exprimé clairement qu'ils désirent un service public d'électricité solide et concurrentiel. À cette fin, nous continuerons d'assumer la gestion de Manitoba Hydro dans l'intérêt de tous nos citoyens.

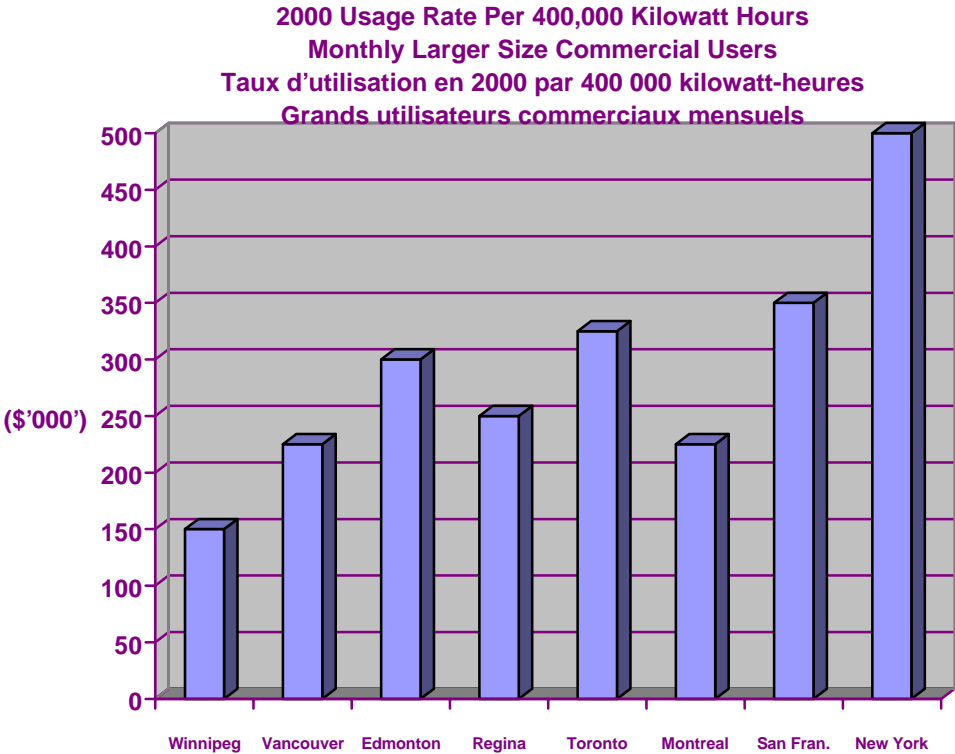
The end of our fiscal year marked Manitoba Hydro's 50th anniversary. Through the foresight of our past leaders, Manitobans enjoy among

the lowest electricity rates in the world. Manitoba Hydro also provides these services with a high degree of reliability and in a manner that is both environmentally and socially responsible.

Financially, Manitoba Hydro experienced its best year ever, breaking records for a strong level of earnings and for unsurpassed export sales.

La fin de l'exercice financier 2001 marquait le 50e anniversaire de Manitoba Hydro. Grâce à la clairvoyance de nos dirigeants antérieurs, les utilisateurs du Manitoba bénéficient des tarifs de l'électricité parmi les moins élevés au monde. Manitoba Hydro accompagne également ces services d'un haut degré de fiabilité et les offre d'une façon qui respecte à la fois l'environnement et les normes sociales.

Sur le plan financier, Manitoba Hydro a connu la meilleure année de son histoire, brisant des records en ce qui concerne les profits et le taux des ventes à l'exportation.



4. Healthy Families and Safer Communities

Providing hope to our children is a key element of our plan for Manitoba's future. In our Budget, we introduced a number of measures that would help ensure that our province was a safe and healthy place for children and their families to live, learn, work and play.

Our Government increased the commitment to Family Services and Housing by \$33 million, or

4. Familles et sécurité des communautés

Offrir de l'espoir à nos enfants constitue un élément clé de notre plan d'avenir pour le Manitoba. Dans notre budget, nous avons mis en place un certain nombre de mesures qui permettront de faire en sorte que notre province soit un endroit sain et sûr où les enfants et leurs parents pourront vivre, apprendre, travailler et jouer.

4.6%, in 2000-01.

Funding for the Healthy Child Initiative increased by \$3 million, or 35.3%. This important program provided resources for services such as parent-child centres, pre-natal and early childhood nutrition and nurses in schools. We also funded Neighbourhoods Alive!, a community renewal program targeting some of the older neighbourhoods in Winnipeg, Thompson and Brandon.

In 2000-01, we took our first steps toward establishing a framework for progress in many social issues. We will continue to strengthen our programs in support of healthy families and safe communities going forward.

Notre gouvernement a augmenté sa contribution au ministère des Services à la famille et du Logement de 33 millions de dollars, soit de 4,6 %, en 2000-01.

Le financement accordé au projet « Enfants en santé » a augmenté de 3 millions de dollars, soit de 35,3 %. Cet important projet permet de financer des services tels que les centres parents-enfants, les programmes de nutrition pour les femmes enceintes et les jeunes enfants, ainsi que les programmes d'infirmières dans les écoles. Nous avons aussi financé le projet Quartiers vivants, programme de renouvellement communautaire visant certains vieux quartiers de Winnipeg, Thompson et Brandon.

En 2000-01, nous avons pris des démarches préliminaires en vue de mettre en place une infrastructure axée sur le progrès dans divers enjeux sociaux. Nous nous engageons également à renforcer nos programmes destinés à promouvoir la santé des familles et la sécurité des communautés.

5. A Balanced Budget and Lower Property Taxes

In 2000-01, we kept our commitment to secure a balanced budget and to enhance financial responsibility.

As well as achieving a balanced budget, our Government introduced a plan to pay down the long-term debt of the Province and address the Province's unfunded pension liability.

In doing so, we honoured these commitments while increasing Manitoba's Fiscal Stabilization Fund for the first time since 1996/97.

In 2000-01, we kept our commitment to increase the Property Tax Credit. On average, this increase in the Credit provided a \$75, or 3.3%, reduction to Manitoba property taxpayers.

5. Loi d'équilibre budgétaire et diminution de l'impôt foncier

En 2000-01, nous avons respecté notre engagement consistant à assurer un budget équilibré et à accroître notre responsabilité financière.

En plus d'avoir réalisé un budget équilibré, notre gouvernement a élaboré un plan visant à rembourser la dette à long terme de la province et de s'attaquer aux obligations non capitalisées découlant des régimes de retraite

Ce faisant, nous avons respecté nos engagements tout en augmentant le niveau du Fonds de stabilisation des recettes du Manitoba pour la première fois depuis l'exercice 1996-1997.

Au cours de l'exercice 2000-01, nous avons respecté notre promesse d'augmenter le taux du régime de crédit d'impôt foncier. En moyenne, cette hausse a permis aux contribuables d'impôt foncier du Manitoba de profiter d'une réduction de 75 \$, soit de 3,3 %.

6. Changes to the Income Tax System

By addressing these important commitments, our Government established a foundation for further growth and development. Moreover, we succeeded in furthering our progress in a balanced and fiscally responsible manner. An important example of this balanced approach is the changes our Government introduced to Manitoba's tax system.

Changes introduced in 2000 (and fully implemented with the 2001 tax year) have made Manitoba's income tax system simpler and more transparent. These changes, together with reductions in taxes that are leaving Manitobans with more disposable income, are keeping our tax system competitive. The new system does away with the old three-tax system (a basic Income Tax, a Net Income Tax and a Net Income Surtax) and replaces it with a single set of brackets and rates. In total, personal income tax rate reductions saved taxpayers approximately \$66.5 million in 2000-01.

The fiscal year ended March 31, 2001, included a number of important achievements for our Government and for the people of Manitoba.

Going forward, the Province of Manitoba's finances remain on a sound and sustainable track. Our balanced approach to budgeting will continue to provide resources for priority progress, tax reductions, and debt repayment.

6. Modifications au régime fiscal

Tout en réagissant à ces enjeux importants, notre gouvernement a jeté les bases d'une croissance et d'un développement accrus. De plus, nous avons réussi à poursuivre notre progrès en ce qui concerne la gestion de nos affaires de façon équilibrée et équitable sur le plan financier. Les modifications apportées par le gouvernement du Manitoba à son régime fiscal sont un exemple important de cette approche équilibrée.

Les modifications amorcées en 2000 (et mises en application intégralement au cours de l'exercice financier 2001) ont permis de simplifier le régime fiscal du Manitoba et de le rendre plus transparent. Ces modifications, ainsi que les réductions d'impôt qui permettent aux contribuables du Manitoba de disposer d'un revenu disponible accru, aident à garder notre régime fiscal concurrentiel. Le nouveau régime élimine l'ancien régime composé de trois taxes (l'impôt de base sur le revenu, l'impôt net sur le revenu et la surtaxe sur le revenu net) en le remplaçant par un jeu unique de tranches et de taux d'imposition. Au total, les réductions du taux d'impôt sur le revenu des particuliers ont permis aux contribuables d'économiser environ 66.5 millions de dollars en 2000-01.

L'exercice financier qui s'est terminé le 31 mars 2001 comprend un bon nombre de grandes réalisations tant pour les citoyens que pour le gouvernement du Manitoba.

Les états financiers du gouvernement du Manitoba, en plein essor, demeurent sur une voie positive et durable. L'approche équilibrée que nous avons adoptée en matière de budgétisation continuera de nous fournir des ressources financières nécessaires pour assurer le financement de projets prioritaires, de réduire les impôts et de rembourser la dette.

ECONOMIC REPORT

Manitoba's economy is one of the most diversified in Canada. This diversity is an ongoing source of strength and stability.

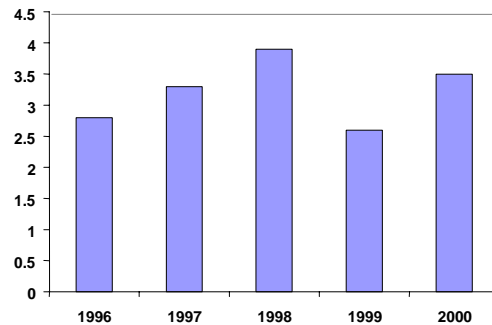
Manitoba's economy enjoyed broadly based economic growth in 2000. All major industries saw gains in production. Among goods producing industries, manufacturing, agriculture and mining all posted good results. The service sector, which accounts for 79% of the total economy, also grew briskly. Service industries were led by strong growth in communications, finance and insurance.

Strong labour market performance continued last year, with good growth in employment, earnings and incomes. Manitoba's unemployment rate remained the lowest in Canada for the third consecutive year.

Gross Domestic Product

In 2000, Manitoba recorded its eighth consecutive year of economic growth, as Gross Domestic Product (GDP) rose to an estimated \$33.0 billion, an increase of \$1.8 billion or 5.7% from 1999. In real terms, GDP grew by 3.5%.

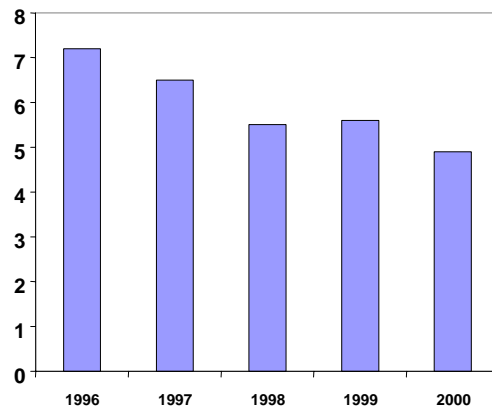
Real GDP Growth (Percent Change)



Employment and Income

Total employment in Manitoba averaged 554,400 in 2000, an increase of 11,700 or 2.2% from 1999. This represents the strongest employment growth since 1986. The unemployment rate dropped to 4.9%, well below the national average of 6.8%, and the lowest since 1976.

Unemployment Rates (Percent)



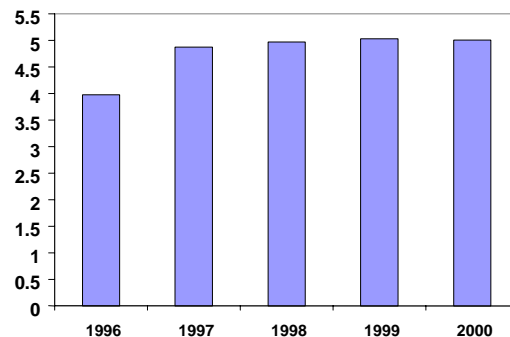
Manitoba's population was an estimated 1,147,900 persons in 2000, up 5,300 or 0.5% from 1999.

In 2000, personal income increased 5.8% to \$28,446 million. Average weekly earnings were \$585.90, an increase of 3.5% over 1999, and higher than the national increase of 2.3%. The Consumer Price Index (CPI) increased 2.5%.

Investment

In 2000, capital investment was down 0.5% at \$5,007 million, the second highest on record. Leading growth industries were professional, scientific and technical services (103.7%); mining, oil and gas (89.6%); retail trade (53.9%); and information and cultural industries (25.9%). Residential investment declined 1.3% from a record level in 1999.

Capital Investment (Billions of Dollars)



ECONOMIC REPORT

Sectoral Developments

Manufacturing shipments increased 6.5% to \$11,344 million in 2000. Food processing, the largest manufacturing industry in the province, increased 13.9% to \$2,812 million. Wood products (35.6%), electrical products (31.0%), furniture and fixtures (13.5%) and chemicals (11.5%) were other industries displaying significant growth.

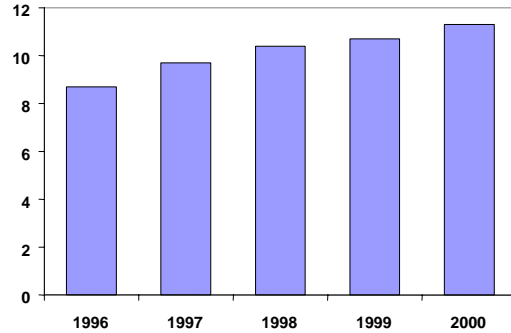
Farm Cash Receipts increased 5.3% to a record \$3,113 million despite significant weakness in the crop sector. Although wheat and oilseed cash receipts declined 10.2% and 14.2% respectively, the past diversification in Manitoba's agricultural sector showed positive results in 2000. Hog receipts increased 39.5% to \$673 million, becoming the leading agricultural commodity for the first time. Specialty and forage receipts increased 11.2%, and cattle and calves rose 7.5%.

The value of mineral production rose 40.8% to pass a ten-year high of \$1,260 million. Nickel production more than doubled to \$570 million, and production of fuels increased 75.7% to \$170 million.

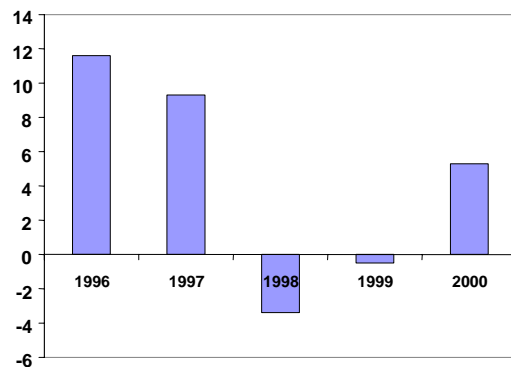
The value of hydro-electric sales increased 9.8% to \$1,295 million despite modest growth of 3.1% in domestic sales. Export sales to the United States, Ontario and Saskatchewan increased 24.9% to \$454 million, equal to 35.0% of total hydro revenues.

Retail sales experienced its strongest growth in three years with a 4.1% increase to \$9,396 million, with growth occurring across all consumer categories except for motor vehicle sales.

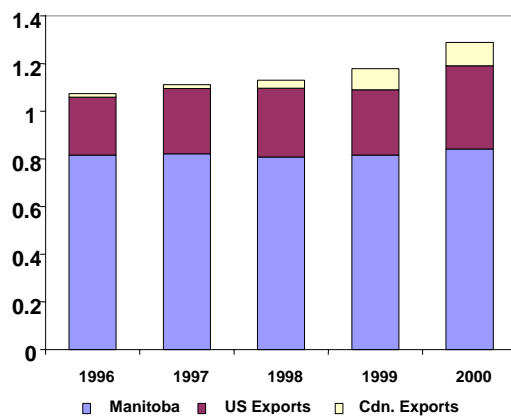
Value of Manufacturing Shipments
(Billions of Dollars)



Growth in Farm Cash Receipts
(Percentage Change)



Hydro-Electricity Sales
(Billions of Dollars)



FINANCIAL INDICATORS

SUMMARY FINANCIAL STATEMENTS

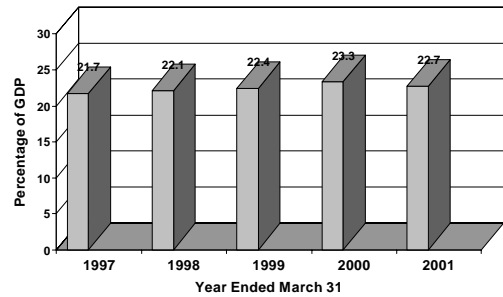
The Summary Financial Statements report on the entire government reporting entity. This includes all Crown organizations and government business enterprises which are owned or directly controlled by the government. The Manitoba Hydro-Electric Board and the Manitoba Crop Insurance Corporation are two examples of these. A detailed listing of all organizations comprising the reporting entity can be found on Schedule 8 of the statements.

Expenses and Revenue

Total expenses in 2000/01 amounted to \$7,496 million, an increase of \$209 million or 2.9% over the 1999/2000 fiscal year. Program expenses, that is, total expenses less public debt costs, increased \$174 million or 2.6% from 1999/2000. Program expenses amounted to 21% of Gross Domestic Product in 2000/2001.

Total revenue in 2000/2001 amounted to \$7,610 million, an increase of \$408 million or 5.7% over 1999/2000. Federal transfers were \$18 million higher than 1999/2000. Corporate income taxes were \$137 million higher, and personal income taxes were \$146 million higher than 1999/2000.

Total Expenses as a Percentage of GDP

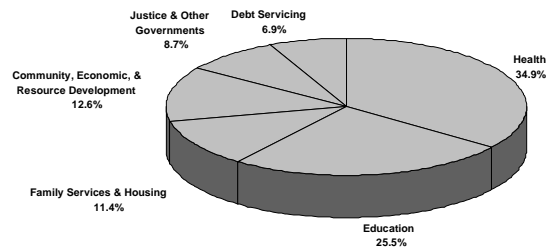


Source: Public Accounts of Manitoba

Debt Service Charges

In 2000/01, the cost of servicing debt issued for the purpose of general government programs reached a level of \$514 million, representing approximately 6.9% of provincial expenses.

Major Expense Categories

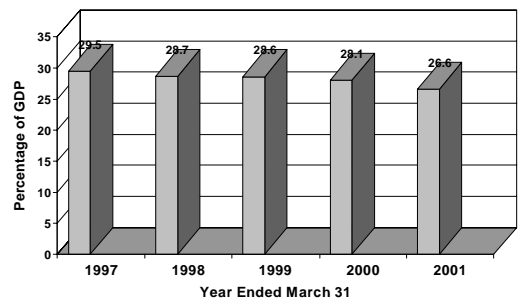


Source: Public Accounts of Manitoba

Net Debt to Provincial GDP

A measurement of debt growth in relation to economic growth, the Province's ratio of net debt to GDP decreased for the fifth consecutive year, reflecting a consistent improvement in the Province's financial position.

Net Debt as a Percentage of GDP



Source: Public Accounts of Manitoba

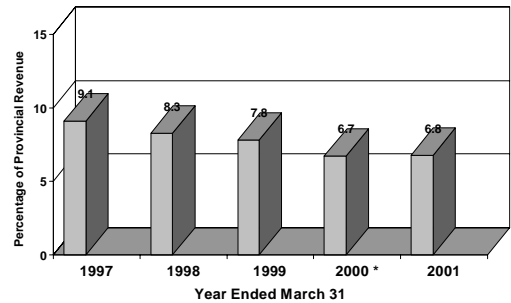
FINANCIAL INDICATORS

SUMMARY FINANCIAL STATEMENTS

Debt Costs to Revenue

A measurement of debt costs to revenue indicates whether the Province has more to spend on public programs as opposed to debt servicing costs. In 2000/2001, debt costs increased slightly to 6.8% from 6.7% in 1999/2000, however this is still a significant decrease from 9.1% in 1997.

Debt Servicing Costs as a Percentage of Provincial Revenue

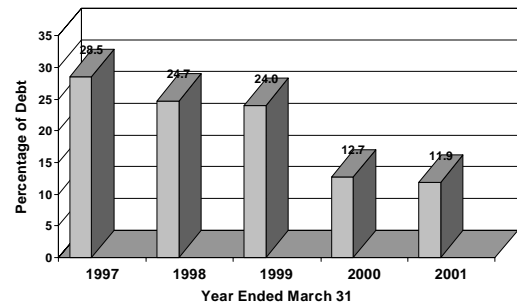


* Excludes 1997 and 1999 Flood Recoveries
Source: Public Accounts of Manitoba

Foreign Debt to Net Debt

Decreasing the ratio of foreign currency debt to net government debt mitigates the risk of debt costs rising due to changes in foreign currency rates, and further improves the Province's financial position. In 2000/01, the ratio of foreign debt to net debt decreased for the fifth consecutive year, from 28.5% in 1997 to 11.9% currently.

Foreign Debt as a Percentage of Net Debt

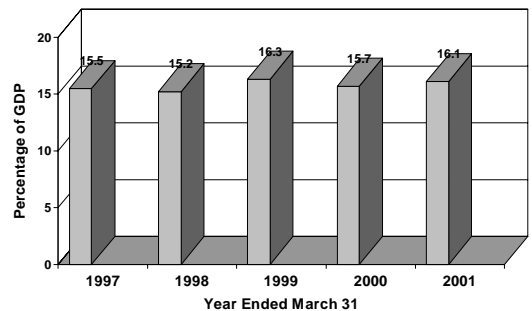


Source: Public Accounts of Manitoba

Own Source Revenue to Provincial GDP

A measurement of own-source revenue to provincial GDP indicates the extent to which a government is removing money from the Province's economy. As the ratio increases, the government's flexibility is decreased. Over the last five years, this ratio has remained relatively stable, within a range of 15 - 16%.

Own-Source Revenue as a Percentage of GDP



Source: Public Accounts of Manitoba

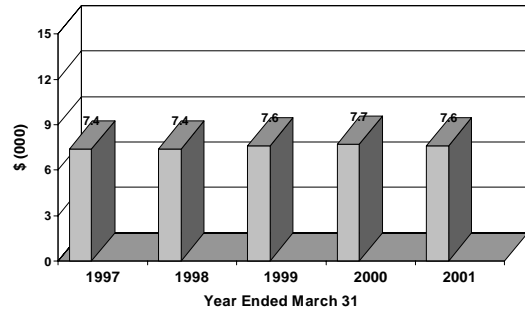
FINANCIAL INDICATORS

SUMMARY FINANCIAL STATEMENTS

Net Debt per Capita

A decrease in the net debt per capita is an indication of a decreasing debt burden on a per person basis. This figure has remained relatively stable for the past five years, with a slight decrease for 2000/2001 to approximately \$7,649.

Net Debt Per Capita

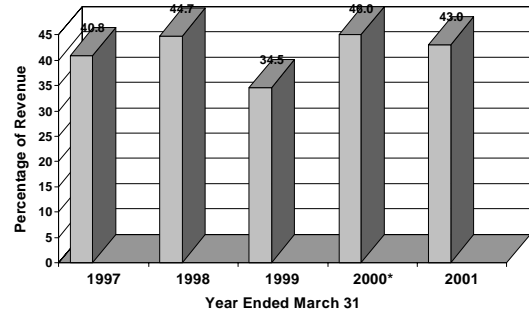


Source: Public Accounts of Manitoba

Federal Transfers to Own-Source Revenue

A measurement of the Province's dependence on revenues from sources which are outside of its control. The 2000/2001 ratio of 43.0% represents a 6.5% decrease in federal transfers from the 1999/2000 ratio of 46.0%.

Federal Transfer Payments as a Percentage of Own-Source Revenue



* Excludes 1997 and 1999 Flood Recoveries

Source: Public Accounts of Manitoba

PROVINCE OF MANITOBA
OPERATING FUND
DISCUSSION AND ANALYSIS
FINANCIAL INDICATORS

OPERATING FUND DISCUSSION AND ANALYSIS

The Operating Fund is the vehicle through which the government manages and controls the operations of government departments and programs, and does not include the results of government enterprises and Crown Organizations except to the extent that they may have received funding from or contributed revenue to the Operating Fund. It is through the Operating Fund that the government reports on its stewardship of Central government operations, including measurement of its results as compared to voted appropriations, and its obligations with respect to the Balanced Budget, Debt Repayment and Taxpayer Accountability Act.

The Operating Fund Statements reflect the following reporting changes announced in the 2000/01 Budget.

- Withdrawals from the Fiscal Stabilization Fund are identified separately and no longer included as revenue in the Operating Fund.
- The Province began a program to finance debt for health capital and the Manitoba Lotteries Corporation to reduce interest costs.
- Debt retirement provisions have been broadened to include pension liabilities as well as general purpose debt, thereby beginning to address the Province's outstanding pension liabilities for our employees and teachers.

The following sections detail how the 2000/01 actual results varied from the 2000/01 Budget and the 1999/2000 results.

The following pages present a brief analysis of the results of the Operating Fund for the year ended 2000-01.

Included are:

- Explanations of variances from budget and from the previous year.
- Financial indicators as they pertain specifically to the Operating Fund.

OPERATING FUND DETAILS OF BUDGETARY PERFORMANCE

Variance Explanations Compared to Budget

The actual positive balance of \$41 million was \$31 million higher than the budget projection of \$10 million. Total revenue was \$338 million, or 5.3% higher than the budget projection, and expenses were \$217 million or 3.4% higher than the budget projection. The net improvement of \$121 million resulted in elimination of the need to transfer the budgeted \$90 million from the fiscal stabilization fund and still resulted in an improvement in the positive balance required in the Operating Fund according to balanced budget legislation.

The increase in revenue primarily results from higher than budgeted receipts for own-source revenue such as Corporation Income Tax (\$111 million) and Individual Income Tax (\$71 million) and higher than budgeted federal transfer revenue, primarily Equalization (\$168 million). A significant portion of the increase relates to adjustments for prior periods and the positive impact of the federal government's decision to lift the ceiling on equalization entitlements for the 1999/2000 fiscal year.

Other notable own-source revenue variances occurred in the following sources: Mining Tax revenue down \$23 million due to lower than anticipated commodity prices, an \$18 million shortfall in Retail Sales Tax from the growth rates assumed in the 2000 Budget and an \$18 million increase in the net proceeds from the Manitoba Lotteries Corporation.

The increase in expenses was largely due to a \$72 million increase in health care to support price and volume increases, a \$48 million increase in support for Manitoba farmers and a \$29 million increase in support for education as well as a \$28 million provision as a result of ending the water power rental agreement with Manitoba Hydro as announced in the 2001 Budget.

Other notable expense variances include a \$5 million decrease in Conservation and an \$8 million decrease in Intergovernmental Affairs primarily as a result of slower than anticipated completion of infrastructure and capital projects supported by provincial grants.

Debt Servicing costs were \$36 million higher than budgeted primarily due to a lower than anticipated value of the Canadian dollar at March 31, 2001.

Variance Explanations Compared to Previous Year

The actual positive balance of \$41 million was \$30 million higher than last year's result of \$11 million.

Total revenue was \$414 million or 6.5% higher than 1999/2000 revenue. Own-source revenue increased \$397 million, or 9.3%, primarily due to a \$145 million increase in Individual Income Tax revenue, a \$137 million increase in Corporation Income Tax revenue and a \$38 million increase in Mining Tax revenue. Federal transfers increased \$17 million largely due to a \$67 million increase in Equalization revenue offset by a \$50 million decline in disaster assistance related revenues from 1999/2000 levels.

Expenses increased \$178 million, or 2.8%, over 1999/2000 levels primarily.

Health care expenses increase by \$198 million, or 8.6% due to price and volume increases.

Education, Training and Youth expenses increased by \$65 million, or 6.7%, as a result of budget initiatives such as bringing education funding in line with economic growth and a \$75.00 increase in the Education Property Tax Credit.

Advanced Education expenses increased \$60 million due to operating grant increases for universities and colleges to support the 10% reduction in tuition fees as well as capital grants for enhancements to universities' and colleges' infrastructure.

Family Services and Housing expenses increased \$34 million as a result of funding increases for community living, child protection and support and child day care providers.

These increases were partly offset by one-time expenses in 1999/2000 related to farm disaster assistance (\$71 million), a capital initiatives program (\$46 million), agriculture income support (\$44 million) and non-recurring loan loss provisions in the Department of Industry, Trade and Mines for past investments (\$42 million).

Debt Servicing costs were \$45 million higher than last year primarily due to a lower value of the Canadian dollar at March 31, 2001 versus March 31, 2000.

FINANCIAL INDICATORS

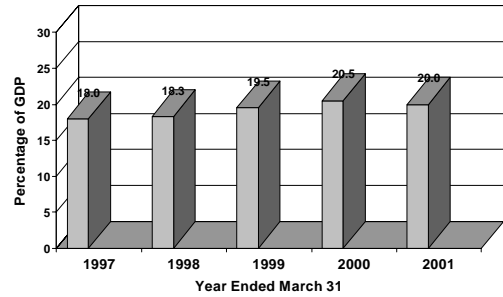
OPERATING FUND

Expenses and Revenue

Total expenses in 2000/01 amounted to \$6,615 million, an increase of \$178 million or 2.8% over the 1999/2000 fiscal year. Program expenses, that is, total expenses less public debt costs, increased \$132 million or 2.2% from 1999/2000. Program expenses amounted to 18.5% of Gross Domestic Product in 2000/2001.

Total revenue in 2000/2001 amounted to \$6,752 million, an increase of \$414 million or 6.5% over 1999/2000. Federal transfers were \$17 million higher than 1999/2000. Corporate income taxes were \$137 million higher, and personal income taxes were \$146 million higher than 1999/2000.

Total Expenses as a Percentage of GDP

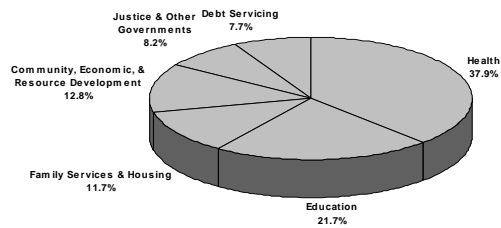


Source: Public Accounts of Manitoba

Debt Service Charges

In 2000/01, the cost of servicing debt issued for the purpose of government programs reached a level of \$511 million, representing approximately 7.7% of provincial operating fund expenses.

Major Expense Categories

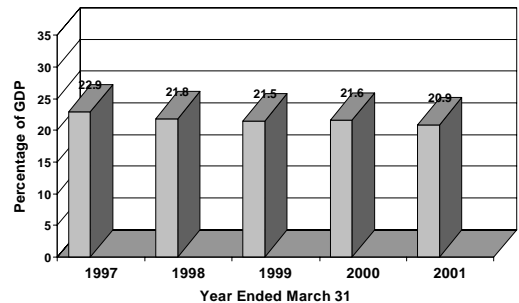


Source: Public Accounts of Manitoba

Net Debt to Provincial GDP

A measurement of debt growth in relation to economic growth, the Province's ratio of net debt to GDP decreased for the fourth time in the last five years, reflecting a consistent improvement in the Province's financial position.

Net Debt as a Percentage of GDP



Source: Public Accounts of Manitoba

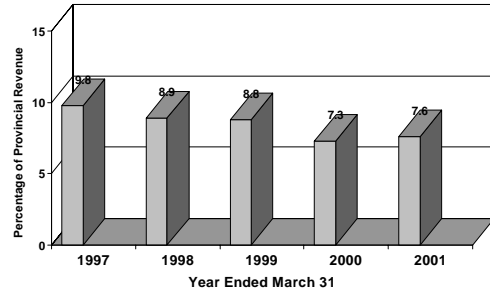
FINANCIAL INDICATORS

OPERATING FUND

Debt Costs to Revenue

A measurement of debt costs to revenue indicates whether the Province has more to spend on public programs as opposed to debt servicing costs. In 2000/2001, debt costs increased slightly to 7.6% from 7.3% in 1999/2000, however this is still a significant decrease from 9.8% in 1997.

Debt Servicing Costs as a Percentage of Provincial Revenue

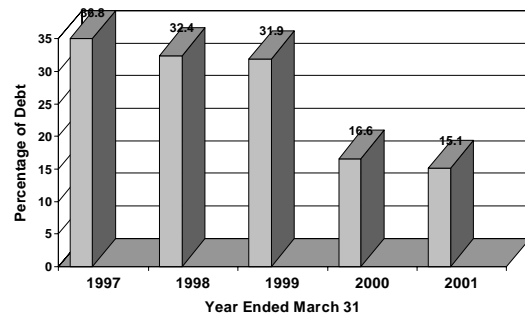


Source: Public Accounts of Manitoba

Foreign Debt to Net Debt

Decreasing the ratio of foreign currency debt to net government debt mitigates the risk of debt costs rising due to changes in foreign currency rates, and further improves the Province's financial position. In 2000/01, the ratio of foreign debt to net debt decreased for the fifth consecutive year, from 36.8% in 1997 to 15.1% currently.

Foreign Debt as a Percentage of Net Debt

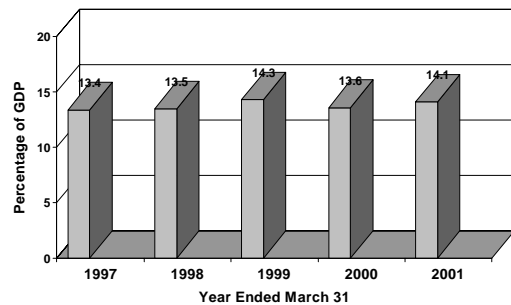


Source: Public Accounts of Manitoba

Own Source Revenue to Provincial GDP

A measurement of own-source revenue to provincial GDP indicates the extent to which a government is removing money from the Province's economy. As the ratio increases, the government's flexibility is decreased. Over the last five years, this ratio has remained relatively stable, within a range of 13 - 14%.

Own-Source Revenue as a Percentage of GDP



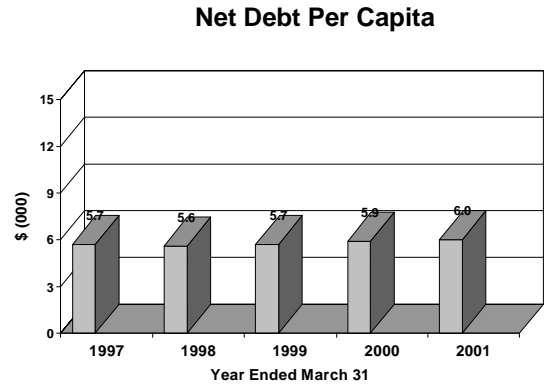
Source: Public Accounts of Manitoba

FINANCIAL INDICATORS

OPERATING FUND

Net Debt per Capita

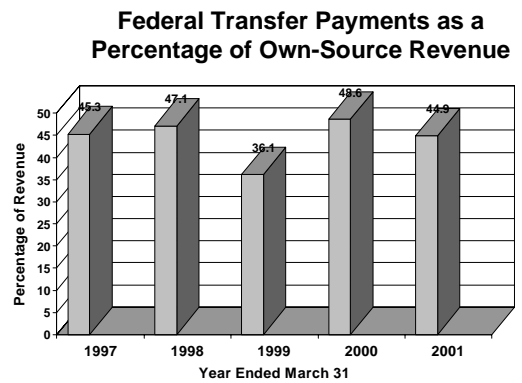
A decrease in the net debt per capita is an indication of a decreasing debt burden on a per person basis. This figure has remained relatively stable for the past five years, with a slight increase for 2000/2001 to approximately \$6,014.



Source: Public Accounts of Manitoba

Federal Transfers to Own-Source Revenue

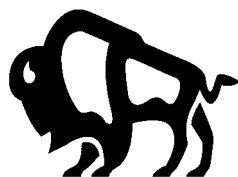
A measurement of the Province's dependence on revenues from sources which are outside of its control. The 2000/2001 ratio of 44.9% represents a 7.6% decrease in federal transfers from the 1999/2000 ratio of 48.6%.



Source: Public Accounts of Manitoba

**PUBLIC ACCOUNTS
VOLUME 1**

**FOR THE YEAR ENDED
MARCH 31, 2001**



MANITOBA FINANCE

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2001 consist of four volumes:

Volume 1

Volume 1 is published as part of the government's Annual Report and has two sections.

- Section 1 - the Summary Financial Statements - reports on the entire government reporting entity. This includes all Crown organizations and government business enterprises which are owned or directly controlled by government. The Manitoba Hydro-Electric Board and the Manitoba Crop Insurance Corporation are two examples of these. A detailed listing of all organizations comprising the reporting entity can be found on Schedule 8 of the statements.
- Section 2 - the Operating and Special Funds Statements - are special purpose financial statements. The Operating Fund is the vehicle through which the government manages and controls the operations of government departments and programs, and does not include the results of government enterprises and Crown organizations except to the extent that they may have received funding from or contributed revenue to the Operating Fund. It is through the Operating Fund that the government reports on its stewardship of central government operations, including measurement of its results as compared to voted appropriations, and its obligations with respect to the Balanced Budget, Debt Retirement and Taxpayer Accountability Act.

NOTE:

Volumes 2, 3 and 4 of the Public Accounts are published separately and are available for review at public libraries or for purchase at the Statutory Publications Branch of the department of Culture, Heritage and Tourism.

Volume 2

- Contains the audited Schedule of Public Sector Compensation Payments of \$50,000 or more as paid through the Operating Fund as well as those paid by Special Operating Agencies.
- Contains details of unaudited Operating Fund and Special Operating Agencies payments in excess of \$5,000 to corporations, firms, individual, other governments and government agencies.

Volume 3

- Contains the details of the Operating Fund Financial Statements.
- Contains the details of the Operating Fund borrowings and guarantees.
- Contains the details of the Operating Fund revenue and expense.
- Contains information provided under Statutory Requirement.
- Contains information concerning certain Operating Fund financial indicators.
- Contains glossary information.

These statements are all unaudited with the exception of the following:

- The Report of Amounts Paid to Members of the Assembly; and
- The Northern Affairs Fund

Volume 4

- Contains the audited financial statements of funds, organizations, agencies and enterprises included in the Government Reporting Entity.

SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED

March 31, 2001

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STATEMENT OF RESPONSIBILITY

The Summary Financial Statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the government reporting entity and include consolidated statements of financial position, revenue and expense, accumulated deficit, changes in cash flow and temporary investments, notes and schedules to the statements. Together, they present fairly, in all material respects, the financial condition of the government reporting entity at the fiscal year end and the results of its operations for the year then ended.

The government is responsible for the integrity and objectivity of the Summary Financial Statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. The government believes such estimates have been based on careful judgements and have been properly reflected in the Summary Financial Statements.

These financial statements are tabled in the Legislature. They are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government

HONOURABLE GREG SELINGER
Minister of Finance
September 21, 2001

AUDITOR'S REPORT

On the Summary Financial Statements for the Government Reporting Entity Province of Manitoba

To the Legislative Assembly of Manitoba

I have audited the consolidated statement of financial position of the Government of the Province of Manitoba as at March 31, 2001 and the consolidated statements of revenue and expense, accumulated deficit and changes in cash flow and temporary investments for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Government, as well as evaluating the overall financial statement presentation.

In my opinion, these Summary Financial Statements for the Government Reporting Entity present fairly, in all material respects, the consolidated financial position of the Government of the Province of Manitoba as at March 31, 2001 and the consolidated results of its operations and changes in its cash flow and temporary investments for the year then ended, in accordance with the accounting policies stated in Note 1 to the financial statements and applied, except as described in Note 4 to these financial statements, on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
September 24, 2001

Jon Singleton, CA, CISA
Provincial Auditor

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2001

SCHEDULE		(\$ millions)	
		2001	2000
ASSETS			
	Cash and temporary investments (Note 2).....	1,275	948
1	Amounts receivable.....	925	802
	Inventories.....	31	24
2	Loans and advances.....	558	555
3	Equity in government enterprises (Note 6).....	1,415	1,098
4	Other long-term investments.....	2	2
	Deferred charge for non-devolved health care facilities (Note 1A).....	138	-
5	Tangible capital assets (Note 3).....	1,799	1,420
	Pension assets (Note 10).....	21	-
	Assets of non-devolved health care facilities (Note 1A).....	694	1,007
	TOTAL ASSETS	<u>6,858</u>	<u>5,856</u>
LIABILITIES			
6	Borrowings.....	20,459	19,878
	Less: Sinking funds (Note 2).....	6,247	6,411
	Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board, Manitoba Lotteries Corporation and Manitoba Telecom Services Inc (Note 14).....	5,840	5,592
		<u>8,372</u>	<u>7,875</u>
	Less: Unamortized foreign currency fluctuation.....	220	215
	Net borrowings	<u>8,152</u>	<u>7,660</u>
7	Accounts payable, accrued charges, provisions and deferrals.....	1,944	1,666
	Pension liability (Note 10).....	3,050	2,906
	Liabilities of non-devolved health care facilities (Note 1A).....	623	914
	TOTAL LIABILITIES	<u>13,769</u>	<u>13,146</u>
	ACCUMULATED DEFICIT	<u>6,911</u>	<u>7,290</u>

Information concerning the Government's Guarantees, Financial Commitments, and Contingencies can be found in Notes 7, 8, and 9.

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

For the Year Ended March 31, 2001

	(\$ millions)	
	2001	2000
REVENUE		
Manitoba Collections:		
Retail sales tax.....	933	918
Fuel taxes.....	224	218
Levy for health and education.....	239	225
Mining tax.....	45	7
Liquor Control Commission.....	158	156
Manitoba Lotteries Corporation.....	239	225
Other taxes.....	376	363
Fees and other revenue.....	907	902
Income taxes:		
Corporation income tax.....	444	307
Individual income tax.....	1,757	1,611
Federal transfers:		
Equalization.....	1,339	1,271
Canada Health and Social Transfer.....	545	509
Federal Health Supplement.....	92	131
Shared cost and other.....	312	359
TOTAL REVENUE.....	7,610	7,202
EXPENSES		
Health.....	2,616	2,354
Education and Training.....	1,915	1,806
Family Services and Housing.....	854	819
Community, Economic and Resource Development.....	942	1,190
Justice and Other Governments.....	655	639
Debt Servicing (Note 13).....	514	479
TOTAL EXPENSES (Schedule 11).....	7,496	7,287
NET REVENUE (EXPENSES).....	114	(85)
INCREASE IN EQUITY IN GOVERNMENT ENTERPRISES (Schedules 3 and 9).....	317	217
CONSOLIDATED NET INCOME (Schedule 9)	431	132

CONSOLIDATED STATEMENT OF ACCUMULATED DEFICIT

For the Year Ended March 31, 2001

	(\$ millions)	
	2001	2000
Balance, beginning of year.	7,383	8,543
Changes in accounting policy (Note 4)		
Amortization of unrealized foreign exchange fluctuations, debt discount and deferred income.....	21	-
Tangible capital assets.....	(21)	(842)
Accrual of future employment benefits.....	81	-
Restatement of net assets to trust liabilities.....	26	-
Regional Health Authorities.....	-	(165)
Inventories.....	-	(15)
Recognition of newly devolved health care facilities (Note 5)		
Devolution of net equity of non-devolved health care facilities.....	(24)	-
Restatement to the accounting policies of the Government Reporting Entity.....	(49)	-
Repurchase of serial debentures (Note 1E).....	(4)	(6)
Consolidated net income for the year.....	<u>(431)</u>	<u>(132)</u>
	<u>6,982</u>	<u>7,383</u>
Equity in non-devolved health care facilities (Note 1C and Note 5)		
Balance, beginning of year.....	(93)	-
Devolution of non-devolved health care facilities.....	24	-
Recognition of non-devolved health care facilities.....	-	(65)
Net income for the year.....	<u>(2)</u>	<u>(28)</u>
	<u>(71)</u>	<u>(93)</u>
Balance, end of year.....	<u><u>6,911</u></u>	<u><u>7,290</u></u>

**CONSOLIDATED STATEMENT OF CHANGES IN CASH FLOW
AND TEMPORARY INVESTMENTS**

For the Year Ended March 31, 2001

	(\$millions)	
	2001	2000
Cash and temporary investments provided by (used in)		
Operating activities:		
Consolidated net income for the year.....	431	132
Changes in non-cash items:		
Amounts receivable.....	(112)	(82)
Valuation allowance.....	3	41
Inventories.....	(1)	(9)
Accounts payable, accrued charges, provisions and deferrals.....	124	249
Pension liability.....	144	140
Amortization of foreign currency fluctuation.....	96	45
Amortization of debt discount.....	12	11
Amortization of investment discounts and premiums.....	(14)	(5)
Amortization of tangible capital assets.....	96	61
	779	583
Changes in equity in government enterprises.....	(317)	(217)
	462	366
Investing activities:		
Made.....	(866)	(1,160)
Realized.....	630	570
Acquisition of tangible capital assets.....	(186)	(186)
	(422)	(776)
Financing activities:		
Debt issued.....	2,386	2,828
Debt redeemed.....	(2,387)	(1,487)
Changes in sinking funds.....	288	(601)
	287	740
Changes in cash and temporary investments.....	327	330
Cash and temporary investments, beginning of year.....	948	618
Cash and temporary investments, end of year.....	1,275	948

**NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001**

1. SIGNIFICANT ACCOUNTING POLICIES

A. General Basis of Accounting

The Summary Financial Statements have been prepared in accordance with generally accepted accounting principles for senior governments as recommended by the Canadian Institute of Chartered Accountants (CICA), with the following exceptions:

- 1) Material adjustments may result from changes in accounting policy or from the correction of an error which are attributable to and identifiable with prior periods. It is the government's practice to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are not restated.
- 2) The process of establishing the completeness and reasonableness of the estimated historical cost of the tangible capital assets is ongoing. During the year, the government completed the development of an historical cost database for land. Reporting policies are currently being developed and information is being gathered for other expenditures which include infrastructure such as highways, bridges, and land acquired for public use as well as certain works of art and historical treasures.
- 3) The CICA recommends that when a government reports expenses and tangible capital assets in its financial statements, tangible capital assets should be reported as a component of the accumulated deficit. In addition, the Consolidated Statement of Revenue and Expense should provide a reconciliation of the expense-based surplus or deficit to the change in the accumulated deficit. The government reports tangible capital assets directly on its Consolidated Statement of Financial Position; they are included in total assets in calculating the accumulated deficit. The Consolidated Statement of Revenue and Expense is prepared on the expense basis, but is not returned to the expenditure basis of accounting to provide a reconciliation of the change in the accumulated deficit. Consolidated Net Debt (Schedule 12) provides a reconciliation from the accumulated deficit to net debt.
- 4) The government has adopted a policy of including the assets, liabilities and equity of health care facilities, which have not devolved their ownership to Regional Health Authorities in its financial statements on a combined basis. However, the annual net income (deficit) is recorded in the Consolidated Statement of Accumulated Deficit instead of the Consolidated Statement of Revenue and Expense. The assets and liabilities are not adjusted on a basis to be consistent with the accounting policies of the government reporting entity.
- 5) Prior to the 2000/01 fiscal year, individual health care facilities issued long-term debt in their own name to finance major capital acquisitions. In 2000/01, the Province began a program to finance such debt directly, taking advantage of its superior borrowing power and rates, and lowering the cost of health related borrowings for Manitoba. This debt is included as part of the Province's general purpose borrowings. The related asset for non-devolved health care facilities is recorded as a deferred charge and amortized over the same period as the term of the debt issue.

These accounting policies have been developed and are applied in accordance with the provisions of the Financial Administration Act of the Province of Manitoba.

B. The Reporting Entity

Various funds, Crown organizations and government enterprises comprising the government reporting entity are listed in Schedule 8.

The Operating Fund and Special Funds financial statements report amounts recorded as government revenue, expense on government programs, the lending and investment of government funds and the borrowing and repayment of debt.

To be considered a part of the government reporting entity, an organization must be accountable for the administration of its financial affairs and resources to a minister of the government, or directly to the Legislature, and must be owned and/or controlled by the government, as determined by legislative provisions or by a majority holding of voting share capital.

All educational institutions receive most of their financial resources from voted appropriations which are recorded as expenses. Some of these institutions are separately incorporated, not owned or controlled by the government and are required to report separately on their stewardship. Accordingly, they are not consolidated in these financial statements. Those educational institutions that are consolidated in these financial statements are listed in Schedule 8.

C. Basis of Consolidation

Crown organizations are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the government reporting entity. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education. Where the fiscal year end dates of Crown organizations are not the same as that of the government reporting entity and their transactions significantly affect the financial statements, their financial results are updated to March 31.

Government enterprises, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They derive the majority of their revenue from sources outside the government reporting entity. They are reported in these Summary Financial Statements using the modified equity method of accounting without adjusting their accounting policies to a basis consistent with that of the government reporting entity. The financial results of enterprises are not updated to March 31 where their fiscal year end is not the same as that of the government reporting entity. Inter-entity accounts and transactions with government enterprises are not eliminated, nor are normal operating inter-entity transactions disclosed separately. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule 3.

All health care facilities are included in the summary financial statements. Certain facilities that were previously owned and operated by health corporations have transferred their ownership and operating control to Regional Health Authorities. These devolved facilities are consolidated on the same basis as Crown organizations. The assets, liabilities and equity of non-devolved health care facilities have not been consolidated herein but are disclosed on a combined basis.

D. Basis of Specific Accounting Policies

Revenue

All revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Government transfers are recognized as revenue in the period during which the transaction is authorized and any eligibility criteria are met. Entitlements from the Government of Canada are recorded on a cash basis except for accruals of prior year adjustments determined before June 30 each year. Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense.

Expenses

All expenses incurred for goods or services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the government's use that are reflected as expenses when incurred.

Expenses include provisional amounts recorded in anticipation of future costs which are quantifiable and have been identified as obligations. Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met.

Gross Accounting Concept

Revenues and expenses are recorded in gross amounts with the following exceptions.

- 1) The municipal share of individual and corporation income taxes, which is collected through the Government of Canada and remitted by the Province of Manitoba to municipalities in accordance with the Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expense.
- 2) Refunds of revenue are treated as reductions of current year revenue.
- 3) Decreases in valuation allowances previously provided are treated as reductions to expense.
- 4) Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense.

Liabilities and Assets

- 1) All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered for settlement after the fiscal year end. Discounts or premiums, and commissions incurred at the time of the issue of debt are amortized monthly to debt servicing expense over the term of the debt.
- 2) The amount of the pension liability is based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustments needed are amortized over the expected average remaining service life of the employee groups.
- 3) The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account, and amortized monthly to debt servicing expense over the remaining term of the debt. The unamortized portion of foreign currency fluctuation reflects the gains or losses on the conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call.
- 4) Loans, advances and long-term investments are recorded at cost less valuation allowances. A valuation allowance is provided to reduce the value of the assets to their estimated realizable value or to reflect the impact of significant concessionary terms on outstanding loans. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized annually to debt servicing expense over the term of the related debt issue.
- 5) Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used. The year end investment translation adjustments reflecting the foreign exchange fluctuation between year ends are amortized monthly to debt servicing expense over the remaining life of the investment. Expenses and other transaction charges incurred on the purchase of investments during the year are charged to debt servicing expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.
- 6) Inventories held for resale are recorded at the lower of cost and net realizable value.
- 7) Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	25 to 40 years
Vehicles	5 years
Aircraft and vessels	
- Aircraft frames	24 years
- Aircraft motors	5 years
- Vessels	24 years
Machinery, equipment and furniture	10 years
Road construction and maintenance equipment	15 years
Computer hardware and software	4 to 15 years
Leasehold improvements	Life of lease

SUMMARY FINANCIAL STATEMENTS

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal where the portion of useful life remaining exceeds six months.

- 8) A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as a deferred contribution which is amortized to revenue on the same basis as the asset is amortized. Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are deducted from the cost of the related asset with any amortization calculated on the net amount.
- 9) During the year, the federal government created a Health Equipment and Infrastructure Fund for investment in new medical equipment. The Province's share of this fund was \$37 million as at March 31, 2001. Funding from the Health Equipment and Infrastructure Fund has been treated as deferred revenue and will be brought into revenue based on actual purchases of equipment according to a defined schedule.
- 10) Guarantees of the government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the government's best estimate of future payments less recoveries.

E. Serial Debentures of School Divisions and Districts

The accumulated deficit of the government reporting entity includes amounts related to serial debentures of school divisions and districts, acquired by the government in prior years. The government is primarily responsible for funding the redemption of these debentures; accordingly these amounts are not reflected as assets. As the funding for annual redemptions flow from the appropriations of the government to the school divisions and districts, and then back to the Province, the accumulated deficit of the government reporting entity is reduced by the amount of such redemptions.

F. Use of Estimates

In the preparation of these financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. These estimates have been based on management's best judgements applied to available information.

2. TEMPORARY INVESTMENTS AND SINKING FUNDS

Temporary investments and sinking funds are recorded at the lower of cost and market value. As at March 31, 2001, the cost of cash and temporary investments was \$1,275 million with a market value \$1,287 million. Sinking funds had a cost of \$6,247 million and a market value of \$6,711 million at March 31, 2001.

3. TANGIBLE CAPITAL ASSETS

	(\$ millions)			
	2001		2000	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land – see note 1.A.2	49	-	49	25
Buildings – brick, mortar and steel	1,650	568	1,082	894
Vehicles	65	34	31	28
Aircraft and vessels	44	23	21	22
Machinery, equipment and furniture	546	392	154	100
Road construction and maintenance equipment	51	35	16	14
Computer hardware and software	290	129	161	157
Assets under construction	279	-	279	174
Leasehold Improvements	<u>12</u>	<u>6</u>	<u>6</u>	<u>6</u>
	<u>2,986</u>	<u>1,187</u>	<u>1,799</u>	<u>1,420</u>

4. CHANGES IN ACCOUNTING POLICY

A. Amortization of Unrealized Foreign Currency Fluctuations, Debt Discount and Deferred Income

Effective April 1, 2000, the government made an accounting policy change to the methodology of amortizing unrealized foreign currency fluctuations, debt discount and deferred income. This new methodology allocates amortization based on the number of months to maturity, from the date of inception to the date of maturity. The effect of this accounting policy change resulted in an increase to the accumulated deficit of \$21 million, and a similar increase to the outstanding liabilities. The impact of this accounting policy change on the current year is a \$19 million increase in expenses.

B. Tangible Capital Assets

Effective April 1, 1999, the government made an accounting policy change to introduce the capitalization of tangible capital assets. Commencing April 1, 2000, the government expanded the scope of the policy change to include land. This resulted in an increase in net tangible capital assets of \$19 million and a corresponding decrease in the accumulated deficit of the same amount. During the current year, additional assets valued at \$2.0 million were identified and recorded.

C. Employee Future Benefits

Effective April 1, 2000, certain health care facilities and the University of Manitoba applied the new accounting recommendations for employee future benefits. As a result, the government has recorded an \$100 million liability, with an \$81 million increase in the accumulated deficit. The current year's expenses increased \$4 million, and the assets in non-devolved health care facilities increased \$15 million.

D. Trust Liabilities

Effective April 1, 2000, as a result of a change in the designation of a special purpose fund held by the University of Manitoba, net assets of the fund in the amount of \$26 million were restated as trust liabilities. Accordingly, the accumulated deficit was also increased by \$26 million.

5. EQUITY IN HEALTH CARE FACILITIES

The equity of the non-devolved health care facilities has been disclosed as a decrease to the accumulated deficit for March 31, 2001 of \$71 million (2000 - \$93 million). The change in net equity for the year resulted from the devolution of the Health Sciences Centre and the Urban Shared Services Corporation net assets of \$24 million and net income for the year ended March 31, 2001 of \$2 million (2000 - \$28 million). Net income has not been reflected in the Consolidated Statement of Revenue and Expense.

Effective April 1, 2000, previous non-devolved health care facilities, the Health Sciences Centre and Urban Shared Services Corporation transferred all of their operations to the Winnipeg Regional Health Authority. This addition to the government reporting entity resulted in a decrease to the accumulated deficit of \$73 million and an increase in the consolidated net income for the year ended March 31, 2001 of \$1 million.

6. EQUITY IN GOVERNMENT ENTERPRISES

The category definitions are as follows:

Utility:

An enterprise which provides public utility services for a fee.

Insurance:

An enterprise which provides insurance coverage services to the public for a fee.

Finance:

Enterprises which provide regulatory control and are revenue generating, or enterprises which use economy of scale to deliver goods and services to non-government clients.

Resource Development:

Enterprises charged with the development of various industries and/or the delivery of various goods and services which will assist the provincial economy.

Included in the equity in government enterprises are equities which are restricted for use by provincial legislation and thereby not available to discharge government liabilities or to finance other government programs.

SUMMARY FINANCIAL STATEMENTS

Equity in government enterprises is comprised of:

	(\$ millions)	
	2001	2000
Restricted Equity in Government Enterprises:		
Manitoba Hydro-Electric Board	1,088	818
Manitoba Public Insurance Corporation	227	181
Workers Compensation Board	<u>78</u>	<u>77</u>
	<u>1,393</u>	<u>1,076</u>
Unrestricted Equity in Government Enterprises:		
Leaf Rapids Town Properties Ltd	2	2
Manitoba Hazardous Waste Management Corporation	5	5
Manitoba Lotteries Corporation	5	5
Manitoba Product Stewardship Corporation	7	7
Manitoba Public Insurance Corporation	<u>3</u>	<u>3</u>
	<u>22</u>	<u>22</u>
Equity in Government Enterprises	<u>1,415</u>	<u>1,098</u>

7. GUARANTEES

The government reporting entity has guaranteed the repayment of promissory notes, bank loans, lines of credit, mortgages and other securities. The outstanding guarantees are as follows:

	(\$ millions)	
	2001	2000
Promissory notes, bank loans, lines of credit and other	63	106
Manitoba Grow Bonds	<u>9</u>	<u>9</u>
Total guarantees outstanding	<u>72</u>	<u>115</u>

8. FINANCIAL COMMITMENTS

The government reporting entity has approved long-term financial arrangements of various entities wherein indebtedness has been issued that is not guaranteed by the government, but funding assistance is provided annually from appropriations of the Operating Fund. The government reporting entity has also made future commitments against appropriations under long-term contracts that cover the rental or acquisition of tangible capital assets. These financial commitments as at March 31 are as follows.

	(\$ millions)			
			2001	2000
Financial arrangements for completed projects:				
Public Schools			<u>387</u>	<u>367</u>
Future commitments:	Government Enterprises	Other		
Tangible capital assets, infrastructure and capital grants	186	247	433	371
Rental of tangible capital assets	40	131	171	147
Housing construction and approved mortgages	<u>-</u>	<u>21</u>	<u>21</u>	<u>20</u>
	<u>226</u>	<u>399</u>	<u>625</u>	<u>538</u>
			<u>1,012</u>	<u>905</u>

The government reporting entity has commitments which are not capital in nature, related primarily to future loans and grants and the maintenance of desktop equipment totalling \$82 million (2000- \$104 million). In addition, a commitment exists to provide a one-time discount on basic compulsory motor vehicle premiums written for the period April 1, 2001 to February 28, 2002 estimated at \$69 million.

9. CONTINGENCIES

The government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2001 in the accounts as the final results are uncertain.

A. Canadian National Railways (CNR)

The CNR has requested a declaration that The Retail Sales Tax Act does not apply to a major part of its costs related to railway rolling stock. CNR is requesting a refund of sales tax it has paid in that respect.

B. Flood Costs

A provision has been made at March 31, 2001, for claims related to the floods that occurred in 1997 and 1999 and the disaster financial assistance in 2000. The final amount of the government's share of these costs in the future is uncertain at the date these financial statements were issued.

C. Northern Development Projects

The government may be contingently liable for any future unsettled claims associated with northern development projects.

10. PENSION LIABILITY

The government of the Province of Manitoba supports six separate pension plans. These include the Civil Service Plan (CSP), the Teachers' Plan (TP), the Members of the Legislative Assembly Plan (MLAP), the University of Manitoba Pension Plan, the Healthcare Employees Pension Plan (HEPP) and the Brandon University Retirement Plan. HEPP offers retirement benefits to employees of health care facilities. The pension plans for the universities of Manitoba and Brandon and HEPP are fully funded. There is no unfunded liability reported by the actuaries of the university pension plans and HEPP.

The government is required, under the amended provisions of the Balance Budget, Debt Repayment and Taxpayer Accountability Act, to set aside funds beginning in 2000/01, to address the government's unfunded pension liability. The minimum annual contribution must be sufficient to equal the contributions made by employees and teachers hired on or after April 1, 2000. While the minimum contribution was \$4 million for the year ended March 31, 2001, the government set aside \$21 million in the Pension Assets trust account. These funds are separately invested and maintained in trust accounts of the government and are increased by interest earned.

Actuarial valuations for funding purposes are performed on the CSP and the TP triennially. The most recent dates for these valuations were December 31, 1998 and January 1, 1998 respectively. An actuarial valuation of the MLAP was performed as at March 31, 2000.

The actuarial valuations were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality.

Long-term inflation anticipated by the actuary is provided for information purposes. Inflation can affect the level of salaries and the level of interest rates as well as escalate the indexation rate used. In calculating future contributions, actuarial projections in respect of the rate of increases for inflation used an annual rate of increase equal to 3.0% (CSP), 3.0% (MLAP) and 2.0% (TP) for three years and 3.25% thereafter with a rate of return on investments of 7.5% (CSP), 7.0% (MLAP) and 7.0% (TP). Projected salary increases range from 2.25% to 4.5%.

During the year, certain amendments were made to the CSP. These are discussed in the subsection below. No amendments were made to the TP and the MLAP.

SUMMARY FINANCIAL STATEMENTS

The components of the unfunded pension liability and expense are as follows:

	(\$ millions)		
	Pension Expense 2001	Pension Liability 2001	Pension Liability 2000
Operating Fund			
Civil Service Superannuation Fund			
Unamortized Experience Gain		122	132
Pension Liability	112	1,194	1,116
Members of the Legislative Assembly			
Unamortized Experience Gain		4	-
Pension Liability	2	28	31
Teacher's Retirement Allowances Fund	157	1,687	1,607
Crown organizations	<u>18</u>	<u>15</u>	<u>20</u>
	<u>289</u>	<u>3,050</u>	<u>2,906</u>

The pension liabilities of government enterprises are disclosed in Schedule 3 with the exception of the Manitoba Liquor Control Commission which is part of the Civil Service Superannuation Fund amount noted above.

A. Civil Service Plan

The Civil Service Superannuation Act (CSSA) established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the government through the Civil Service Superannuation Fund (CSSF).

As at March 31, 2001, the CSP had approximately 37,100 (2000 - 36,600) participants including active members, retired employees and former employees with entitlements.

Certain amendments to the CSSA were made in 1992 which required that the CSSF establish and fund a separate account in an amount sufficient to cover the government's share of pension costs attributable to the 1992 amendments to the CSSA. The CSSF account maintained on behalf of the government at March 31, 2001 was \$28 million (2000 - \$24 million).

Effective December 15, 2000, the CSP was amended to include improved benefits. The cost of the plan amendments is fully funded from actuarially determined employee surpluses with no additional cost to the employer. The following describes the current terms of the CSP, with the previous terms indicated within brackets.

The lifetime pension calculation equals 2% of a member's best five years average yearly pensionable earnings multiplied by pensionable service, minus 0.4% (previously 0.6%) of the average Canada Pension Plan (CPP) earnings for the same period multiplied by pensionable service since January 1, 1966. The CSSA requires that employees contribute 6.0% (previously 5.1%) on pensionable earnings up to the CPP maximum earnings, and 7.0% of pensionable earnings above the maximum. 89.8% of contributions are used to fund basic benefits and 10.2% of contributions are allocated for indexing benefits. Contributions continue until the employee's retirement or other termination from service. Employee contributions for the year ended March 31, 2001 amounted to \$55 million (2000 - \$51 million).

Indexing benefits are not guaranteed and are paid only to the extent that the indexing adjustment account in CSSF can finance one-half of cost-of-living increases granted. The maximum annual adjustment is limited by legislation to two-thirds of the increase in the consumer price index for Canada.

The government does not make contributions to the CSSF during employees' service. By legislation, however, it is required to pay 50% of the pension disbursements made from the CSSF. For the year ended March 31, 2001, payments of \$70 million (2000 - \$67 million) were made to the CSSF.

An actuarial valuation report of the government's liability to the employees included in the CSSF was completed as of December 31, 1998. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,194 million as at March 31, 2001 (2000 - \$1,116 million). The CSSA indicates that the calculation shall provide for annual indexing on the condition that the adjustment does not result in an unfunded pension liability in the CSSF.

The report disclosed an experience gain of \$152 million which will be amortized over the 15 year expected average remaining service life of the employee groups. The 2000/2001 amortization was \$10 million.

B. Teachers' Plan

The Teachers' Pension Act (TPA) established a defined benefit plan to provide pension benefits to teachers who have taught in public schools in Manitoba.

As at March 31, 2001, the Teachers' Retirement Allowances Fund (TRAF) had approximately 29,000 (2000 - 28,200) participants including active members, retired teachers and former teachers with entitlements.

The lifetime pension calculation is based upon the lesser of A or B:

- A) The years of service prior to July 1, 1980, multiplied by 2% and the average salary of the best 7 of the final 12 years of service and years of service after July 1, 1980, multiplied by 2% and the average salary of the best 5 of the final 12 years of service;

less

The years of service from January 1, 1966, to July 1, 1980, multiplied by .6% and the average annual salary up to the yearly maximum pensionable earnings for the same period and years of service after July 1, 1980, multiplied by .6% and the annual salary up to the yearly maximum pensionable earnings for the same period.

- B) 70% of the weighted average annual salary of the member in the 7 and 5 year periods used above.

The TPA requires that teachers contribute 5.7% on pensionable earnings up to the CPP maximum earnings, and 7.3% on pensionable earnings above the maximum. 83.6% of contributions are used to fund basic benefits and 16.4% of contributions are allocated for indexing benefits. Contributions continue until the teacher's retirement or other termination from service. Teacher contributions for the year ended March 31, 2001, amounted to \$46 million (2000 - \$45 million).

Indexing benefits are not guaranteed and are paid only to the extent that one half of the pension adjustment does not result in an unfunded pension liability in TRAF.

The government does not make contributions to TRAF during teachers' service. By legislation, however, it is required to pay 50% of the pension disbursements and other disbursements made by TRAF as provided for in the TPA. For the year ended March 31, 2001, payments of \$76 million (2000 - \$69 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 1998, which determined the government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,687 million at March 31, 2001 (2000 - \$1,607 million).

C. Members of the Legislative Assembly Plan

The pension plan for Members of the Legislative Assembly (MLAs) is established and governed by the Legislative Assembly Act (LAA). For MLAs elected prior to the dissolution of the Assembly of the 35th Legislature, the LAA provides for defined pension benefits based on years of service. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2001, there are 123 (2000 - 139) plan members who are entitled to receive future pension benefits in accordance with the LAA.

The calculation for defined pension benefits is equal to 3% of the average annual indemnities for the last five years served as a member or all the years served if less than five multiplied by the number of years of pensionable service up to April 1995. These entitlements are fully indexed to cost of living increases.

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An actuarial valuation report of the government's liability to the MLAs included in the pension plan was completed as of March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$28 million as at March 31, 2001 (2000 - \$31 million). The report disclosed an experience gain of \$4 million which will be amortized over the 10 year expected average remaining service life of the MLAs.

Under the matching contributions provisions, MLAs may contribute up to 7% of their remuneration toward a Registered Retirement Savings Plan (RRSP) of their choice. The government matches the member's contributions on a current basis, consequently, there is no liability for past service benefits under this component of the plan. In the event that a member withdraws money from the RRSP while an active member of the Legislative Assembly, the government's contribution would be refundable.

11. AMOUNTS HELD IN TRUST

The government held certain fiduciary trusts for investment or administration at March 31, 2001, totalling \$475 million (2000 - \$339 million). Such deposits are pooled with other available funds of the government for investment purposes and are accorded a market rate of interest.

The government also provides a safekeeping service for various departments, agencies, boards and commissions. In this capacity, it held custodial trust funds in the form of bonds and other securities at March 31, 2001 totalling \$147 million (2000 - \$164 million).

The Civil Service Superannuation Fund, University of Manitoba Pension Plans and Brandon University Retirement Plan have been established by legislation to administer various pension and insurance trust funds to which the government reporting entity contributes but over which the government reporting entity has no power of appropriation. The total assets as at December 31st are as follows:

	(\$ millions)	
	2000	1999
Civil Service Superannuation Fund	2,253	2,070
University of Manitoba Pension Plans	814	745
Brandon University Retirement Plan	<u>79</u>	<u>73</u>
	<u>3,146</u>	<u>2,888</u>

12. PROVINCIAL MUNICIPAL TAX SHARING ACT

The municipal share of individual and corporation income taxes, which is collected through the Government of Canada and remitted by the Province of Manitoba to municipalities in accordance with The Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expense. This amounted to \$78 million for the year ended March 31, 2001 (2000 - \$71 million).

13. DEBT SERVICING

Debt servicing costs are net of cost recoveries and interest income of \$1,222 million for the year ended March 31, 2001 (2000 - \$1,049 million).

14. FINANCING OF LONG-TERM DEBT

In 2000/01 the Province began to finance new long-term debt of the Manitoba Lotteries Corporation directly, taking advantage of its superior borrowing power and rates, and lowering the cost of such borrowings for Manitoba.

15. COMPARATIVE FIGURES

Certain of the 2000 financial statement figures have been reclassified to be consistent with the 2001 presentation.

SCHEDULE 1

CONSOLIDATED AMOUNTS RECEIVABLE

As at March 31, 2001

	(\$ millions)	
	2001	2000
TAXATION REVENUE:		
Corporation capital tax.....	1	1
Corporation income tax.....	67	51
Gasoline tax.....	14	13
Health and education levy.....	22	21
Individual income tax.....	112	107
Insurance corporation tax.....	10	10
Motive fuel tax.....	7	6
Retail sales tax.....	83	83
Revenue Act, 1964, part 1.....	8	6
Tobacco tax.....	11	10
	<u>335</u>	<u>308</u>
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Canada health and social transfer.....	2	6
Equalization.....	76	17
Municipal corporations.....	61	60
Provincial and territories.....	9	9
Shared cost programs/agreements.....	122	184
Other.....	59	1
	<u>329</u>	<u>277</u>
INTEREST:		
Province of Manitoba sinking fund.....	86	96
Other investments.....	14	12
	<u>100</u>	<u>108</u>
OTHER:		
Crop insurance.....	2	3
Health services.....	43	16
Liquor Control Commission.....	7	3
Manitoba Lotteries Corporation.....	3	-
Water power rentals.....	5	5
Other.....	101	82
	<u>161</u>	<u>109</u>
	<u>925</u>	<u>802</u>

SCHEDULE 2

CONSOLIDATED LOANS AND ADVANCES

As at March 31, 2001

	(\$ millions)	
	2001	2000
GOVERNMENT ENTERPRISES:		
Liquor Control Commission.....	5	5
Manitoba Hydro-Electric Board.....	7,017	6,854
Manitoba Lotteries Corporation.....	170	5
	<u>7,192</u>	<u>6,864</u>
OTHER:		
Canadian Hockey Association - World Junior Hockey Tournament.....	-	1
Hudson Bay Mining and Smelting Co. Ltd.....	26	28
Loans and mortgages.....	612	599
Manitoba Potash Corporation.....	3	3
Manitoba Telecom Services Inc.....	-	25
Regional family services agencies.....	6	6
Rural economic development initiatives program.....	3	3
Treaty Indian fuel tax.....	1	1
	<u>651</u>	<u>666</u>
Less: Valuation allowance.....	98	95
	<u>553</u>	<u>571</u>
	7,745	7,435
Less: Sinking funds provided for repayment of applicable debt.....	1,347	1,288
	<u>6,398</u>	<u>6,147</u>
Less: Debt incurred for and repayable by The Manitoba-Hydro Electric Board, Manitoba Lotteries Corporation and Manitoba Telecom Services Inc.	5,840	5,592
	<u>558</u>	<u>555</u>
NET LOANS AND ADVANCES		

SUMMARY FINANCIAL STATEMENTS

GOVERNMENT ENTERPRISES **SCHEDULE 3**
SUMMARY OF CONSOLIDATED OPERATING RESULTS AND FINANCIAL POSITION
 For the Year Ended March 31, 2001 '
 (\$ millions)

	UTILITY	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 2001	TOTAL 2000
RESULTS OF OPERATIONS						
Revenues from operations	1,777	839	666	1	3,283	2,840
Expenses: From operations	1,087	792	269	1	2,149	1,821
Transfers to the government	-	-	397	-	397	381
Debt servicing	420	-	-	-	420	421
Total expenses	1,507	792	666	1	2,966	2,623
Increase in equity in government enterprises	270	47	-	-	317	217
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	-	79	34	2	115	110
Amounts receivable	481	160	12	-	653	410
Portfolio investments	-	1,781	-	3	1,784	1,671
Capital assets	6,147	39	174	1	6,361	6,175
Pension assets	443	-	-	-	443	425
Other assets	461	108	24	4	597	615
Total assets	7,532	2,167	244	10	9,953	9,406
Liabilities:						
Accounts payable, accrued liabilities and deferred revenue	752	336	57	-	1,145	837
Long-term debt						
-Owing to the government	4,883	-	174	2	5,059	5,011
-Owing to others	423	-	1	-	424	662
Provision for future benefits						
-Pension obligations	386	70	-	-	456	424
-Future cost of existing claims	-	1,453	-	-	1,453	1,373
Total liabilities	6,444	1,859	232	2	8,537	8,307
Net assets	1,088	308	12	8	1,416	1,099
Adjustments required for consolidation **	-	-	-	(1)	(1)	(1)
Equity in government enterprises	1,088	308	12	7	1,415	1,098

* For enterprises whose fiscal year is prior to March 31, the amounts reflected are as at their fiscal year end.

** Adjustments required to reflect the effect of asset valuations and valuation allowances recorded in the Operating Fund.

SCHEDULE 4

CONSOLIDATED LONG-TERM INVESTMENTS

As at March 31, 2001

	(\$ millions)	
	2001	2000
OTHER INVESTMENTS, AT COST		
Common shares -		
Manitoba Potash Corporation - 490,000 shares.....	5	5
Preferred shares -		
Faneuil ISG Inc - 56,000 shares.....	6	6
Special shares -		
Crocus Investment Fund - 2,000,000 shares.....	2	2
Debentures -		
Faneuil ISG Inc.....	10	10
Municipalities.....	2	2
Profit sharing agreement -		
Hudson Bay Mining and Smelting re: Ruttan Mine.....	11	11
Other -		
MCF Capital.....	4	4
	<u>40</u>	<u>40</u>
Less: Valuation allowance.....	<u>38</u>	<u>38</u>
	<u>2</u>	<u>2</u>

CONSOLIDATED TANGIBLE CAPITAL ASSETS**SCHEDULE 5**

For the Year Ended March 31, 2001

(\$ millions)

										Totals	
	Land	Buildings	Vehicles	Aircraft and Vessels	Machinery Equipment and Furniture	Road Construction	Computer Hardware and Software	Leasehold Improvements	Assets Under Construction	2001	2000
Opening Cost	25	1,333	59	43	311	47	256	10	174	2,258	2,048
Add:											
Land capitalization	19	-	-	-	-	-	-	-	-	19	-
April 1, 1999 assets recorded	-	-	-	-	-	-	-	2	-	2	-
RHA transfer of assets (Note 5)	5	283	-	-	210	-	2	1	20	521	-
Net additions (disposals) during the year	-	34	6	1	25	4	32	(1)	85	186	210
Closing Cost	<u>49</u>	<u>1,650</u>	<u>65</u>	<u>44</u>	<u>546</u>	<u>51</u>	<u>290</u>	<u>12</u>	<u>279</u>	<u>2,986</u>	<u>2,258</u>
Accumulated Amortization											
Opening	-	439	31	21	211	33	99	4	-	838	777
Add:											
RHA transfer of Accumulated Amortization (Note 5)	-	97	-	-	154	-	1	1	-	253	-
Net amortization during the year	-	32	3	2	27	2	29	1	-	96	61
Closing Accumulated Amortization	<u>-</u>	<u>568</u>	<u>34</u>	<u>23</u>	<u>392</u>	<u>35</u>	<u>129</u>	<u>6</u>	<u>-</u>	<u>1,187</u>	<u>838</u>
Net Tangible Capital Assets	<u>49</u>	<u>1,082</u>	<u>31</u>	<u>21</u>	<u>154</u>	<u>16</u>	<u>161</u>	<u>6</u>	<u>279</u>	<u>1,799</u>	<u>1,420</u>

CONSOLIDATED BORROWINGS

SCHEDULE 6

As at March 31, 2001

(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan Cdn	Loans and Mortgages Cdn	Treasury Bills Cdn	Totals	
	Cdn	US				2001	2000
2001.....	-	-	-	-	-	-	2,687
2002.....	519	1,104	135	-	346	2,104	1,671
2003.....	1,581	1,162	132	-	-	2,875	2,561
2004.....	1,209	838	126	-	-	2,173	1,738
2005.....	1,100	76	119	-	-	1,295	1,334
2006.....	611	319	126	-	-	1,056	323
2001-2006.....	<u>5,020</u>	<u>3,499</u>	<u>638</u>	<u>-</u>	<u>346</u>	<u>9,503</u>	<u>10,314</u>
2007-2011 Operating Fund.....	3,663	863	565	-	-	5,091	4,619
2012-2021 Operating Fund.....	2,362	947	192	-	-	3,501	3,362
2022-2040 Operating Fund.....	1,386	473	-	-	-	1,859	1,334
2001-2040 Crown Organizations.....	6	-	-	587	-	593	358
2007-2040.....	<u>7,417</u>	<u>2,283</u>	<u>757</u>	<u>587</u>	<u>-</u>	<u>11,044</u>	<u>9,673</u>
Total borrowings.....	<u>12,437</u>	<u>5,782</u>	<u>1,395</u>	<u>587</u>	<u>346</u>	<u>20,547</u>	<u>19,987</u>
Reduced by:							
Unamortized debt issue costs.....	36	8	-	-	1	45	40
Debt of the Province of Manitoba held as government investments.....	<u>43</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>	<u>69</u>
	<u>12,358</u>	<u>5,774</u>	<u>1,395</u>	<u>587</u>	<u>345</u>	<u>20,459</u>	<u>19,878</u>
				March 31/01 Cdn \$ Valuation (See Note)	March 31/00 Cdn \$ Valuation (See Note)		
Borrowings payable in:							
Canadian dollars				12,141	11,473		
Foreign issues swapped to Canadian dollars				2,624	2,853		
U.S. dollars				4,766	5,087		
Foreign issues swapped to U.S. dollars				1,016	574		
Total borrowings				<u>20,547</u>	<u>19,987</u>		

Note 1: The Canadian dollar valuation is calculated using the foreign currency exchange rates in effect at each March 31 adjusted for any foreign currency contracts entered into for settlements after those dates.

Note 2: Interest rates on these borrowings range from approximately 4.75% to 17.51%.

SCHEDULE 7

**CONSOLIDATED ACCOUNTS PAYABLE, ACCRUED CHARGES,
PROVISIONS AND DEFERRALS**

As at March 31, 2001

	(\$ millions)	
	2001	2000
Accounts payable.....	824	588
Accrued charges:		
Interest accrued on borrowings and trust funds.....	303	312
Other accrued liabilities:		
Agriculture Income Disaster Assistance Program.....	56	45
Canada Manitoba Adjustment Program.....	92	100
Community Access Program.....	5	6
Compensation for Victims of Crime.....	19	20
Computer System Development	-	22
Northern Development Project Claims.....	40	14
Flood Costs 1997.....	3	10
Flood Costs 1999.....	1	3
Gross Revenue Insurance Plan.....	18	17
Hepatitis C Assistance.....	11	12
Land Acquisition Claims.....	2	2
Manfor Ltd. Divestiture.....	2	2
Net Income Stabilization.....	3	3
Provision for Housing Renovations.....	20	26
Ruttan Mines Clean-up.....	5	6
Salaries and Benefits.....	247	239
Tripartite Land Assembly Program.....	3	2
Other.....	8	11
	535	540
Provision for future losses on guarantees.....	17	13
Deferrals.....	265	213
	1,944	1,666

SCHEDULE 8

**FUNDS, ORGANIZATIONS AND ENTERPRISES
COMPRISING THE GOVERNMENT REPORTING ENTITY**

**CONSOLIDATED FUND:
OPERATING FUND AND
SPECIAL FUNDS:**

Abandonment Reserve Fund
Debt Retirement Fund
Elk Management Fund
Farm Machinery and Equipment Act Fund
Fiscal Stabilization Fund
Land Titles Assurance Fund
Manitoba Law Reform Commission
Mining Community Reserve
(N) Mining Rehabilitation Reserve
Quarry Rehabilitation Reserve
Veterinary Science Scholarship Fund
Victims Assistance Fund

CROWN ORGANIZATIONS:

Addictions Foundation of Manitoba
Assiniboine Community College
Board of Administration under the Embalmers and Funeral Directors Act
Brandon University
CancerCare Manitoba
Centre culturel franco-manitobain
Child and Family Services of Central Manitoba
Child and Family Services of Western Manitoba
Communities Economic Development Fund
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Council on Post-Secondary Education
Crown Corporations Council
Deer Lodge Centre Inc.
Economic Innovation and Technology Council
(N) Helen Betty Osborne Foundation
Horse Racing Commission
Insurance Council of Manitoba
Keewatin Community College
Legal Aid Services Society of Manitoba

SCHEDULE 8
(cont'd)

Manitoba Adolescent Treatment Centre Inc.
Manitoba Agricultural Credit Corporation
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Centennial Centre Corporation
Manitoba Community Services Council Inc.
Manitoba Crop Insurance Corporation
Manitoba Development Corporation
Manitoba Film and Sound Recording Development Corporation
Manitoba Foundation
Manitoba Gaming Control Commission
Manitoba Habitat Heritage Corporation
Manitoba Health Research Council
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Manitoba Housing and Renewal Corporation
Manitoba Trade and Investment Corporation
Manitoba Water Services Board
Public Schools Finance Board
Red River College
Regional Health Authorities (Devolved Facilities)
 Brandon Regional Health Authority Inc.
 Burntwood Regional Health Authority Inc.
 Churchill RHA Inc.
 Interlake Regional Health Authority
 Marquette Regional Health Authority Inc.
 NOR-MAN Regional Health Authority Inc.
 North Eastman Health Association Inc.
 Parkland Regional Health Authority Inc.
 Regional Health Authority - Central Manitoba Inc.
 South Eastman Health/Santé Sud-Est Inc.
 South Westman Regional Health Authority Inc.
 Winnipeg Regional Health Authority
Rehabilitation Centre for Children Inc.
Special Operating Agencies Financing Authority
 Civil Legal Services
 Companies Office
 Fleet Vehicles Agency
 Food Development Centre
 Industrial Technology Centre

**SCHEDULE 8
(cont'd)**

Land Management Services
Mail Management Agency
Manitoba Education, Research and Learning
 Information Networks (Merlin)
Manitoba Securities Commission
Manitoba Text Book Bureau
Materials Distribution Agency
Office of the Fire Commissioner
Organization and Staff Development
Pineland Forest Nursery
The Property Registry
The Public Trustee
Vital Statistics Agency
University of Manitoba
Venture Manitoba Tours Ltd.
Winnipeg Child and Family Services

GOVERNMENT ENTERPRISES: (Schedule 3) (Note 6)

Utility:

Manitoba Hydro-Electric Board

Insurance:

Manitoba Public Insurance Corporation
Workers Compensation Board

Finance:

Liquor Control Commission
Manitoba Lotteries Corporation
Manitoba Product Stewardship Corporation

Resource Development:

Leaf Rapids Town Properties Ltd.
Manitoba Hazardous Waste Management Corporation

(N) One special fund and one organization were added to the government reporting entity for the year ended March 31, 2001.

SCHEDULE 9

**RECONCILIATION OF OPERATING FUND BUDGETARY SURPLUS
TO CONSOLIDATED NET INCOME**

As at March 31, 2001

	(\$ millions)			
	2000-01 Operations per Entity Financial Statements	Adjustments on Consolidation	2000-01 Consolidated Net Income	1999-00 Consolidated Net Income
OPERATING FUND AND SPECIAL FUNDS				
Operating Fund and Special Funds	153	-	153	(88)
Adjustment for Health Information Services of Manitoba (HISM) Corporation (dissolved)	-	-	-	24
TOTAL OPERATING FUND AND SPECIAL FUNDS	153	-	153	(64)
CROWN ORGANIZATIONS				
Assiniboine Community College	1	-	1	(2)
Brandon University	-	5	5	-
CancerCare Manitoba	-	(2)	(2)	6
Deer Lodge Centre Inc.	-	(1)	(1)	2
Keewatin Community College	1	(1)	-	-
Manitoba Agricultural Credit Corporation	(2)	2	-	-
Manitoba Crop Insurance Corporation	57	-	57	55
Manitoba Gaming Control Commission	1	-	1	-
Manitoba Housing and Renewal Corporation	-	-	-	(1)
Manitoba Trade and Investment Corporation	-	-	-	(1)
Manitoba Water Services Board	(1)	-	(1)	(1)
Public Schools Finance Board	(5)	-	(5)	(3)
Red River College	(1)	4	3	-
Regional Health Authorities	5	(5)	-	14
Special Operating Agencies Financing Authority	15	(13)	2	3
University of Manitoba	103	(58)	45	44
TOTAL CROWN ORGANIZATIONS	174	(69)	105	116
GOVERNMENT ENTERPRISES				
Leaf Rapids Town Properties Ltd.	-	-	-	(1)
Manitoba Hydro - Electric Board	270	-	270	152
Manitoba Lotteries Corporation	-	-	-	5
Manitoba Product Stewardship Corporation	-	-	-	1
Manitoba Public Insurance Corporation	46	-	46	51
Workers Compensation Board	1	-	1	9
TOTAL GOVERNMENT ENTERPRISES	317	-	317	217
PENSION LIABILITY INCREASE	-	(144)	(144)	(137)
TOTAL CONSOLIDATED NET INCOME	644	(213)	431	132

SCHEDULE 10

**RECONCILIATION OF OPERATING FUND ACCUMULATED DEFICIT
TO CONSOLIDATED ACCUMULATED DEFICIT***

As at March 31, 2001

	(\$ millions)			
	Accumulated Surplus (Deficit) March 31,2000	2000-01 Consolidated Net Income	Adjustments to Accumulated Surplus (Deficit)	Accumulated Surplus (Deficit) March 31,2001
OPERATING FUND AND SPECIAL FUNDS	(6,424)	153	(17)	(6,288)
CROWN ORGANIZATIONS				
Addictions Foundation of Manitoba	4	-	-	4
Assiniboine Community College	7	1	-	8
Brandon University	36	5	-	41
CancerCare Manitoba	36	(2)	-	34
Child and Family Services of Western Manitoba	1	-	-	1
Communities Economic Development Fund	1	-	-	1
Deer Lodge Centre Inc.	4	(1)	-	3
Economic Innovation and Technology Council	1	-	-	1
Keewatin Community College	2	-	-	2
Manitoba Adolescent Treatment Centre	2	-	-	2
Manitoba Agricultural Credit Corporation	3	-	-	3
Manitoba Crop Insurance Corporation	251	57	-	308
Manitoba Development Corporation	4	-	-	4
Manitoba Gaming Control Commission	-	1	-	1
Manitoba Habitat Heritage Corporation	1	-	-	1
Manitoba Health Services Insurance Plan	(1)	-	-	(1)
Manitoba Water Services Board	1	(1)	-	-
Public Schools Finance Board	(2)	(5)	-	(7)
Red River College	4	3	-	7
Regional Health Authorities	175	-	28	203
Special Operating Agencies Financing Authority	52	2	-	54
University of Manitoba	265	45	(62)	248
Venture Manitoba Tours	3	-	-	3
Winnipeg Child and Family Services	(1)	-	-	(1)
	<u>849</u>	<u>105</u>	<u>(34)</u>	<u>920</u>
GOVERNMENT ENTERPRISES				
Leaf Rapids Town Properties Ltd.	2	-	-	2
Manitoba Hazardous Waste Management Corporation	6	-	-	6
Manitoba Hydro - Electric Board	818	270	-	1,088
Manitoba Lotteries Corporation	5	-	-	5
Manitoba Product Stewardship Corporation	7	-	-	7
Manitoba Public Insurance Corporation	183	46	-	229
Workers Compensation Board	77	1	-	78
	<u>1,098</u>	<u>317</u>	<u>-</u>	<u>1,415</u>
NON-DEVOLVED HEALTH CARE FACILITIES	<u>93</u>	<u>-</u>	<u>(22)</u>	<u>71</u>
PENSION ASSETS	-	-	21	21
PENSION LIABILITY	<u>(2,906)</u>	<u>(144)</u>	<u>-</u>	<u>(3,050)</u>
TOTAL CONSOLIDATED BALANCES	<u>(7,290)</u>	<u>431</u>	<u>(52)</u>	<u>(6,911)</u>

* Differences may result from rounding.

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED EXPENSE BY TYPE

SCHEDULE 11

For the Year Ended March 31, 2001

	(\$ millions)	
	2001	2000
Personnel Services.....	2,116	2,041
Grants/Transfer Payments.....	2,853	2,967
Transportation.....	61	64
Communications.....	47	41
Supplies and Services.....	684	634
Social Assistance Related.....	489	462
Other Operating.....	599	509
Debt Servicing - Department of Finance.....	442	396
- Other Departments.....	72	83
Minor Capital.....	37	29
Amortization of Tangible Capital Assets.....	96	61
	<u>7,496</u>	<u>7,287</u>

CONSOLIDATED NET DEBT

SCHEDULE 12

For the Year Ended March 31, 2001

	(\$ millions)	
	2001	2000
Accumulated deficit, end of year.....	6,911	7,290
Tangible capital assets.....	1,799	1,420
Assets of non-devolved health care facilities.....	694	1,007
	<u>9,404</u>	<u>9,717</u>
Less:		
Liabilities of non-devolved health care facilities.....	623	914
CONSOLIDATED NET DEBT	<u>8,781</u>	<u>8,803</u>

PROVINCE OF MANITOBA
SPECIAL PURPOSE
STATEMENTS OF ACCOUNTABILITY
FOR
STEWARDSHIP OF CENTRAL
GOVERNMENT OPERATIONS
AND
BALANCED BUDGET LEGISLATION

SECTION 2

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

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STATEMENT OF RESPONSIBILITY

The Special Purpose Operating Fund and Special Funds financial statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the government and include a combined statement of financial position, a combined statement of revenue and expense, a combined statement of accumulated deficit, a combined statement of changes in cash flow and temporary investments, notes and schedules integral to the statements. Together, they present fairly, in all material respects, the financial condition of the Operating Fund and Special Funds at the fiscal year end and results of their operations for the year then ended.

The government is responsible for the integrity and objectivity of the Operating Fund and Special Funds financial statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. The government believes such estimates have been based on careful judgements and have been properly reflected in the financial statements.

The government maintains a system of internal accounting and administrative controls in order to provide reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records are properly maintained.

These financial statements are tabled in the Legislature. They are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

More detailed information regarding the Operating Fund and Special Funds combined financial position and operating results can be found in Volumes 2 and 3 of the Public Accounts. In addition, explanatory comments with respect to changes in revenue and expense are provided in each government department's annual report.

On behalf of the Government

HONOURABLE GREG SELINGER
Minister of Finance
September 21, 2001

AUDITOR'S REPORT

On the Special Purpose Operating Fund and Special Funds Financial Statements Province of Manitoba

To the Legislative Assembly of Manitoba

In accordance with Section 14 of The Provincial Auditor's Act, I have audited the special purpose statement of financial position of the Operating Fund and Special Funds of the Province of Manitoba as at March 31, 2001 and the special purpose statements of revenue and expense, accumulated deficits (surpluses) and changes in cash flow and temporary investments for the year then ended. These special purpose financial statements are the responsibility of the Government. My responsibility is to express an opinion on these special purpose financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these Special Purpose Financial Statements present fairly the financial assets and liabilities of the Operating Fund and Special Funds as at March 31, 2001 and the results of operations and the changes in cash flow and temporary investments for the year then ended in accordance with the accounting policies stated in Note 1 to the financial statements and applied, except as described in Note 4 to these financial statements, on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
September 24, 2001

Jon Singleton, CA, CISA
Provincial Auditor

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION**

As at March 31, 2001

SCHEDULE		2001	2000
		(\$ millions)	
	ASSETS		
	Cash and Temporary Investments (Note 2).....	479	291
1	Amounts Receivable.....	690	596
2	Loans and Advances.....	738	754
3	Long-Term Investments.....	5	5
	Deferred Charge for Health Care Facilities (Note 1A6).....	236	-
		<u>2,148</u>	<u>1,646</u>
4	Trust Assets (Note 1F)	2,018	1,965
5	Tangible Capital Assets (Note 3)	380	349
	TOTAL ASSETS	<u><u>4,546</u></u>	<u><u>3,960</u></u>
	LIABILITIES		
6	Borrowings.....	19,866	19,521
	Less: Sinking Funds (Note 2).....	(6,189)	(6,411)
	Less: Debt Incurred For and Repayable By The Manitoba Hydro-Electric Board, Manitoba Lotteries Corporation and Manitoba Telecom Services Inc (Note 12).....	<u>(5,840)</u>	<u>(5,592)</u>
		7,837	7,518
	Less: Unamortized Foreign Currency Fluctuation.....	<u>(220)</u>	<u>(215)</u>
	Net Borrowings	7,617	7,303
7	Accounts Payable, Accrued Charges, Provisions and Deferrals.....	<u>1,199</u>	<u>1,116</u>
		8,816	8,419
4	Amounts Held in Trust for Investment or Administration (Note 1F)	<u>2,018</u>	<u>1,965</u>
	TOTAL LIABILITIES	<u><u>10,834</u></u>	<u><u>10,384</u></u>
	ACCUMULATED (DEFICITS) SURPLUSES		
	Operating Fund.....	(6,710)	(6,714)
	Fiscal Stabilization Fund.....	320	264
	Debt Retirement Fund.....	75	-
9	Other Special Funds.....	<u>27</u>	<u>26</u>
	ACCUMULATED DEFICIT	<u><u>(6,288)</u></u>	<u><u>(6,424)</u></u>

Information concerning the Government's Guarantees, Financial Commitments, Contingencies and Pension Liability can be found in Notes 5, 6, 7 and 8.

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF REVENUE AND EXPENSE**

For the Year Ended March 31, 2001

(\$ millions)			(\$ millions)						
Operating Fund	Special Funds	Total 2000		Operating Fund Budget	Operating Fund Actual	Fiscal Stabilization Fund	Debt Retirement Fund	Other Special Funds	Total 2001
OPERATING REVENUE (Schedule 8)									
1,957	4	1,961	Manitoba Collections.....	2,076	2,050	-	-	5	2,055
1,918	-	1,918	Income Taxes.....	2,019	2,201	-	-	-	2,201
2,074	-	2,074	Federal Transfers.....	1,927	2,091	-	-	-	2,091
389	-	389	Crown Corporations.....	392	410	-	-	-	410
-	12	12	Interest Earned.....	-	-	15	-	1	16
<u>6,338</u>	<u>16</u>	<u>6,354</u>		<u>6,414</u>	<u>6,752</u>	<u>15</u>	<u>-</u>	<u>6</u>	<u>6,773</u>
OPERATING EXPENSES (Schedules 8 & 10)									
<u>6,437</u>	<u>5</u>	<u>6,442</u>		<u>6,398</u>	<u>6,615</u>	<u>-</u>	<u>-</u>	<u>5</u>	<u>6,620</u>
<u>(99)</u>	<u>11</u>	<u>(88)</u>	NET REVENUE (EXPENSES)	<u>16</u>	<u>137</u>	<u>15</u>	<u>-</u>	<u>1</u>	<u>153</u>
INTERFUND TRANSFERS									
(75)	75	-	Transfer to Debt Retirement Fund..	(96)	(96)	-	96	-	-
185	(185)	-	Transfer from Fiscal Stabilization Fund.....	90	-	-	-	-	-
<u>110</u>	<u>(110)</u>	<u>-</u>		<u>(6)</u>	<u>(96)</u>	<u>-</u>	<u>96</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER EXPENSES FOR BALANCED BUDGET LEGISLATION									
11	(99)	(88)		10	41	15	96	1	153
INTERFUND TRANSFER									
(11)	11	-	Less: Transfer to Fiscal Stabilization Fund.....	(10)	(41)	41	-	-	-
<u>-</u>	<u>(88)</u>	<u>(88)</u>	NET RESULT FOR THE YEAR	<u>-</u>	<u>-</u>	<u>56</u>	<u>96</u>	<u>1</u>	<u>153</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT
OF ACCUMULATED DEFICITS (SURPLUSES)**

For the Year Ended March 31, 2001

(\$ millions)

	Operating Fund	Fiscal Stabilization Fund	Debt Retirement Fund	Other Special Funds	Total 2001	Total 2000
Balance, Beginning of Year.....	6,714	(264)	-	(26)	6,424	6,495
Changes in Accounting Policy (Note 4)						
Amortization of Unrealized Foreign Exchange						
Fluctuations, Debt Discount and Deferred Income.....	21	-	-	-	21	-
Tangible Capital Assets.....	(21)	-	-	-	(21)	(153)
Transfer for Pension Obligation (Note 10).....	-	-	21	-	21	-
Repurchase of Serial Debentures (Note 1G).....	(4)	-	-	-	(4)	(6)
Net Result for the Year.....	<u>-</u>	<u>(56)</u>	<u>(96)</u>	<u>(1)</u>	<u>(153)</u>	<u>88</u>
Balance, End of Year.....	<u>6,710</u>	<u>(320)</u>	<u>(75)</u>	<u>(27)</u>	<u>6,288</u>	<u>6,424</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CHANGES IN CASH FLOW
AND TEMPORARY INVESTMENTS**

For the Year Ended March 31, 2001

	(\$ millions)	
	2001	2000
Cash and Temporary Investments Provided by (Used in)		
Operating Activities:		
Net Result for the year - Operating Fund.....	-	-
- Special Funds.....	153	(88)
Gain on Disposal of Tangible Capital Assets.....	-	(3)
Changes in non-cash items:		
Amounts Receivable.....	(94)	(20)
Valuation Allowance.....	2	48
Accounts Payable, Accrued Charges, Provisions and Deferrals.....	81	44
Amortization of Foreign Currency Fluctuation.....	96	45
Amortization of Debt Discount.....	12	11
Amortization of Investment Discounts and Premiums.....	(14)	(5)
Amortization of Tangible Capital Assets.....	31	25
	<u>267</u>	<u>57</u>
Investing Activities:		
Made.....	(863)	(1,169)
Realized.....	533	709
Acquisition of Tangible Capital Assets.....	(41)	(228)
Disposal of Tangible Capital Assets.....	-	3
	<u>(371)</u>	<u>(685)</u>
Financing Activities:		
Debt Issued.....	2,391	2,783
Debt Redeemed.....	(2,387)	(1,486)
Changes in Sinking Funds.....	288	(601)
	<u>292</u>	<u>696</u>
Changes in Cash and Temporary Investments.....	188	68
Cash and Temporary Investments, beginning of year.....	<u>291</u>	<u>223</u>
Cash and Temporary Investments, end of year.....	<u><u>479</u></u>	<u><u>291</u></u>

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2001**

1. SIGNIFICANT ACCOUNTING POLICIES

A. General Basis of Accounting

The special purpose financial statements of the Operating Fund and Special Funds have been prepared in accordance with generally accepted accounting principles for senior governments as recommended by the Canadian Institute of Chartered Accountants (CICA), with the following exceptions:

- 1) Liabilities for unfunded pension benefits, while recorded in the Summary Financial Statements, have not been recorded in the Operating Fund Financial Statements.
- 2) The financial statements do not reflect the financial results for all of the government enterprises and Crown organizations comprising the government reporting entity. The financial operations of the latter are reflected only to the extent that their operations were financed from or contributed to the Operating Fund.
- 3) Material adjustments may result from changes in accounting policy or from the correction of an error which are attributable to and identifiable with prior periods. It is the government's practice to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are not restated.
- 4) The process of establishing the completeness and reasonableness of the estimated historical cost of the tangible capital assets is ongoing. During the year, the government completed the development of an historical cost database for land. Reporting policies are currently being developed and information is being gathered for other expenditures which include infrastructure such as highways, bridges, and land acquired for public use as well as certain works of art and historical treasures.
- 5) The CICA recommends that when a government reports expenses and tangible capital assets in its financial statements, tangible capital assets should be reported as a component of accumulated deficit. In addition, the Statement of Revenue and Expense should provide a reconciliation of the expense-based surplus or deficit to the change in accumulated deficit. The government reports tangible capital assets directly on its Statement of Financial Position; they are included in total assets in calculating the accumulated deficit. The Statement of Revenue and Expense is prepared on the expense basis, but is not returned to the expenditure basis of accounting to provide a reconciliation of the change in accumulated deficit. Net Debt (Schedule 11) provides a reconciliation of the accumulated deficit to the net debt.
- 6) Prior to the 2000/01 fiscal year, individual health care facilities issued long-term debt in their own name to finance major capital acquisitions. In 2000/01, the Province began a program to finance such debt directly, taking advantage of its superior borrowing power and rates, and lowering the cost of health related borrowings for Manitoba. This debt is included as part of the Province's general purpose borrowings. The related asset for non-devolved health care facilities is recorded as a deferred charge and amortized over the same period as the term of the debt issue.

These accounting policies have been developed and are applied in accordance with the provisions of the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba.

B. The Reporting Entity

These statements consist of the Operating Fund, the Trust Fund and Special Funds that on a combined basis reflect the transactions and balances of these funds.

The nature and purpose of the funds reflected in these financial statements is as follows:

Operating Fund - The Operating Fund is the vehicle through which the government manages and controls the operations of government departments and programs, and does not include the results of government enterprises and Crown Organizations except to the extent that they may have received funding from the Operating Fund. It is through the Operating Fund that the government reports on its stewardship of Central government operations, including measurement of its results as compared to voted appropriations, and its obligations with respect to the Balanced Budget, Debt Repayment and Taxpayer Accountability Act.

Debt Retirement Fund - This Fund was established on November 3, 1995 under the authority of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. The purpose of the Fund is to assist in the orderly repayment of debt pursuant with section 8(4) of the Act. After March 31, 2000, until the Fund is wound up, the Minister of Finance is required to deposit annually in the Fund a minimum of \$96 million or such greater amount as determined by the Act.

Fiscal Stabilization Fund - This Fund was established at March 31, 1989 under the authority of The Fiscal Stabilization Fund Act. The purpose of the Fund is to assist in stabilizing the fiscal position of the government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Fiscal Stabilization Fund any earnings from investment of the assets of the Fund. All or part of the Fund balance may be transferred to the Operating Fund in accordance with the provisions of the Act.

Section 9(a) of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act requires that, if a surplus exists in a fiscal year in the Operating Fund, the Minister of Finance shall transfer an amount sufficient to bring the Fiscal Stabilization Fund to its target level as set out by The Fiscal Stabilization Fund Act or any greater amount that the Minister considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expense of the Operating Fund.

Mining Community Reserve - This Fund was established to assist with the welfare and employment of people who are directly affected by mine closures in Manitoba. The Lieutenant Governor in Council may transfer to this Fund each year up to 3% of the taxes collected under the Mining Tax Act.

Quarry Rehabilitation Reserve Fund - This Fund was established to assist in the rehabilitation of quarries deemed to be depleted. A levy of 10 cents per metric ton of all aggregate quarry mineral production in Manitoba is paid into the Fund each year.

Other Funds - Other funds included reflect the transactions of the Abandonment Reserve Fund, the Farm Machinery and Equipment Act Fund, the Elk Management Fund, the Land Titles Assurance Fund, Manitoba Law Reform Commission, Veterinary Science Scholarship Fund, Mining Rehabilitation Reserve and Victims Assistance Fund.

The combined financial statements of the Operating Fund and Special Funds are also included in the government's Summary Financial Statements which are presented separately.

C. Gross Accounting Concept

Revenues and expenses are recorded in gross amounts with the following exceptions.

- 1) The municipal share of individual and corporation income taxes, which is collected through the Government of Canada and remitted by the Province of Manitoba to municipalities in accordance with The Provincial-Municipal Tax Sharing Act, is not recorded as revenue or expense.
- 2) Refunds of revenue are treated as reductions of current year revenue.
- 3) Decreases in valuation allowances previously provided are treated as reductions to expense.
- 4) Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense.

D. Modified Accrual Accounting

The revenues and expenses of the government are recorded on an accrual basis with the following exceptions.

- 1) **Revenue** – All revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Government transfers are recognized as revenue in the period during which the transaction is authorized and any eligibility criteria are met. Entitlements from the Government of Canada are recorded on a cash basis except for accruals of prior year adjustments determined before June 30 each year. Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense.
- 2) **Expenses** – All expenses incurred for goods or services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the government's use that are reflected as expenses when incurred.

Expenses include provisional amounts recorded in anticipation of future costs which are quantifiable and have been identified as obligations. Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met.

- 3) **Pension Benefits** – The annual cost recorded is based on the government's share of pensions paid to retired employees, teachers and Members of the Legislative Assembly, as well as current contributions to Registered Retirement Savings Plan accounts and tax paid trusts on behalf of MLA's and employees who are pensionable outside of the Civil Service Superannuation Fund. The government does not record its liability for the unfunded cost of pension benefits earned by employees, teachers and Members of the Legislative Assembly.

E. Liabilities and Assets

- 1) All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any foreign currency contract entered for settlement after the fiscal year end. Discounts or premiums, and commissions incurred at the time of the issue of debt are amortized monthly to debt servicing expense over the term of the debt.
- 2) The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account, and amortized monthly to debt servicing expense over the remaining term of the debt. The unamortized portion of foreign currency fluctuation reflects the gains or losses on the conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call.
- 3) Loans, advances and long-term investments are recorded at cost less valuation allowances. A valuation allowance is provided to reduce the value of the assets to their estimated realizable value or to reflect the impact of significant concessionary terms on outstanding loans. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized monthly to debt servicing expense over the term of the related debt issue.
- 4) Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward exchange contract fixing the value has been negotiated, in which case that rate or amount is used. The year end investment translation adjustments reflecting the foreign exchange fluctuation between year ends are amortized monthly to debt servicing expense over the remaining life of the investment. Expenses and other transaction charges incurred on the purchase of investments during the year are charged to debt servicing expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

- 5) Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings – brick, mortar and steel	40 years
Buildings – wood frame	25 years
Vehicles	5 years
Aircraft and vessels	
- Aircraft frames	24 years
- Aircraft motors	5 years
- Vessels	24 years
Machinery, equipment and furniture	10 years
Road construction and maintenance equipment	15 years
Computer hardware and software	4 to 15 years
Leasehold improvements	Life of lease

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal where the portion of useful life remaining exceeds six months.

- 6) A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as a deferred contribution which is amortized to revenue on the same basis as the asset is amortized. Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are deducted from the cost of the related asset with any amortization calculated on the net amount.
- 7) During the year, the federal government created a Health Equipment and Infrastructure Fund for investment in new medical equipment. The Province's share of this fund was \$37 million as at March 31, 2001. Funding from the Health Equipment and Infrastructure Fund has been treated as deferred revenue and will be brought into revenue based on actual purchases of equipment according to a defined schedule.
- 8) Guarantees of the government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the government's best estimate of future payments less recoveries.

F. Amounts Held in Trust for Investment or Administration

These amounts primarily represent sinking funds and surplus cash of government enterprises and Crown organizations on deposit with the Minister of Finance for investment. Deposits of surplus cash funds not required to be specifically invested are pooled with other available funds of the Operating Fund for investment purposes and are accorded a market rate of interest. Sinking fund contributions made by government enterprises, Crown organizations and others in respect of their direct debt are deposited with and specifically invested by the Minister of Finance. These investments are recorded at cost.

G. Serial Debentures of School Divisions and Districts

The accumulated deficit of the Operating Fund includes amounts related to serial debentures of school divisions and districts, acquired by the government in prior years. The government is primarily responsible for funding the redemption of these debentures, accordingly these amounts are not reflected as assets. As the funding for annual redemptions flow from the appropriations of the government, to the school divisions and districts, and then back to the Province, the accumulated deficit of the operating fund is reduced by the amount of such redemptions.

H. Use of Estimates

In the preparation of these financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. These estimates have been based on management's best judgements applied to available information.

2. CASH AND TEMPORARY INVESTMENTS AND SINKING FUNDS

Temporary investments and sinking funds are recorded at the lower of cost and market value. As at March 31, 2001, the cost of cash and temporary investments was \$479 million with a market value \$482 million. Sinking funds had a cost of \$6,189 million and a market value of \$6,647 million at March 31, 2001.

3. TANGIBLE CAPITAL ASSETS

	(\$ millions)			
	2001		2000	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land – see note 1.A.4	19	0	19	n/a
Buildings – brick, mortar and steel	238	139	99	101
Buildings – wood frame	28	24	4	4
Vehicles	2	2	0	0
Aircraft and vessels	44	23	21	22
Machinery, equipment and furniture	15	8	7	7
Road construction and maintenance equipment	51	35	16	14
Computer hardware and software	174	43	131	132
Assets under construction	81	0	81	69
Leasehold Improvements	<u>2</u>	<u>0</u>	<u>2</u>	<u>0</u>
	<u>654</u>	<u>274</u>	<u>380</u>	<u>349</u>

4. CHANGES IN ACCOUNTING POLICY

A. Amortization of Unrealized Foreign Currency Fluctuations, Debt Discount and Deferred Income

Effective April 1, 2000, the government made an accounting policy change to the methodology of amortizing unrealized foreign currency fluctuations, debt discount and deferred income. This new methodology allocates amortization based on the number of months to maturity, from the date of inception to the date of maturity. The effect of this accounting policy change resulted in an increase to the accumulated deficit of \$21 million, and a similar increase to the outstanding liabilities. The impact of this accounting policy change on the current year is a \$19 million increase in expenses.

B. Tangible Capital Assets

Effective April 1, 1999, the government made an accounting policy change to introduce the capitalization of tangible capital assets. Commencing April 1, 2000, the government expanded the scope of the policy change to include land. This resulted in an increase in net tangible capital assets of \$19 million and a corresponding decrease in the Operating Fund accumulated deficit of the same amount. During the current year, additional assets valued at \$2.0 million were identified and recorded.

5. GUARANTEES

The government has guaranteed the repayment of debt issued by government enterprises and Crown organizations, promissory notes, bank loans, lines of credit, mortgages and other securities. The outstanding guarantees are as follows:

OPERATING FUND AND SPECIAL FUNDS – SPECIAL PURPOSE FINANCIAL STATEMENTS

	(\$ millions)	
	2001	2000
Promissory notes, bank loans, lines of credit and other	19	78
Debt issued by government enterprises and Crown organizations	407	412
Manitoba Grow Bonds and other	<u>9</u>	<u>9</u>
	435	499
Less: Sinking funds	<u>25</u>	<u>180</u>
Total guarantees outstanding	<u>410</u>	<u>319</u>

6. FINANCIAL COMMITMENTS

The government has approved long-term financial arrangements of various entities wherein indebtedness has been issued that is not guaranteed by the government, but funding assistance is provided annually from appropriations of the Operating Fund. The government has also made future commitments against appropriations under long-term contracts that cover the rental of tangible capital assets. These financial commitments as at March 31 are as follows:

	(\$ millions)	
	2001	2000
Financial arrangements for completed projects:		
Hospitals and personal care homes	575	501
Public schools	387	367
Manitoba Housing and Renewal Corporation	198	201
Brandon University	<u>2</u>	<u>2</u>
	<u>1,162</u>	<u>1,071</u>
Future commitments:		
Infrastructure and capital grants	111	86
Rental of tangible capital assets	<u>101</u>	<u>76</u>
	<u>212</u>	<u>162</u>
	<u>1,374</u>	<u>1,233</u>

In addition to the approved outstanding debt for hospitals and personal care homes, lines of credit up to \$128 million (2000 - \$181 million) have been approved to finance capital projects for hospitals and personal care homes currently in process. On completion of these projects, the borrowings will be converted to other financing arrangements.

7. CONTINGENCIES

The government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2001 in the accounts as the final results are uncertain.

A. Canadian National Railways (CNR)

The CNR has requested a declaration that The Retail Sales Tax Act does not apply to a major part of its costs related to railway rolling stock. CNR is requesting a refund of sales tax it has paid in that respect.

B. Flood Costs

A provision has been made at March 31, 2001 for claims related to the floods that occurred in 1997 and 1999 and the disaster financial assistance in 2000. The final amount of the government's share of these costs in the future is uncertain at the date these financial statements were issued.

C. Northern Development Projects - Water Rental Rate Agreement

Effective April 1, 2001, the government terminated an agreement under which it fixed water power rates in return for Manitoba Hydro assuming the Province's obligations for northern development projects. The termination of this agreement may result in the government being contingently liable for any future unsettled claims.

8. PENSION LIABILITY

The government of the Province of Manitoba supports three separate pension plans. These include the Civil Service Plan (CSP), the Teachers' Plan (TP) and the Members of the Legislative Assembly Plan (MLAP).

The government is required, under the amended provisions of the Balance Budget, Debt Repayment and Taxpayer Accountability Act, to set aside funds beginning in 2000/01, to address the government's unfunded pension liability. The minimum annual contribution must be sufficient to equal the contributions made by employees and teachers hired on or after April 1, 2000. While the minimum contribution was \$4 million for the year ended March 31, 2001, the government set aside \$21 million in the Pension Assets trust account. These funds are separately invested and maintained in trust accounts of the government and are increased by interest earned.

Actuarial valuations for funding purposes are performed on the CSP and the TP triennially. The most recent dates for these valuations were December 31, 1998, and January 1, 1998, respectively. An actuarial valuation of the MLAP was performed as at March 31, 2000.

The actuarial valuations were based on a number of assumptions about future events, such as interest rates, wage and salary increases, inflation rates and rates of employee turnover, disability and mortality.

Long-term inflation anticipated by the actuary is provided for information purposes. Inflation can affect the level of salaries and the level of interest rates as well as escalate the indexation rate used. In calculating future contributions, actuarial projections in respect of the rate of increases for inflation used an annual rate of increase equal to 3.0% (CSP), 3.0% (MLAP) and 2.0% (TP) for three years and 3.25% thereafter with a rate of return on investments of 7.5% (CSP), 7.0% (MLAP) and 7.0% (TP). Projected salary increases range from 2.25% to 4.5%.

During the year, certain amendments were made to the CSP. These are discussed in the subsection below. No amendments were made to the TP and the MLAP.

A. Civil Service Plan

The Civil Service Superannuation Act (CSSA) established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the government through the Civil Service Superannuation Fund (CSSF).

As at March 31, 2001, the CSP had approximately 25,100 (2000 - 24,900) participants including active members, retired employees and former employees with entitlements.

Certain amendments to the CSSA were made in 1992 which required that the CSSF establish and fund a separate account in an amount sufficient to cover the government's share of pension costs attributable to the 1992 amendments to the CSSA. The CSSF account maintained on behalf of the government at March 31, 2001, was \$28 million (2000 - \$24 million).

Effective December 15, 2000, the CSP was amended to include improved benefits. The cost of the plan amendments is fully funded from actuarially determined employee surpluses with no additional cost to the employer. The following describes the current terms of the CSP, with the previous terms indicated within brackets.

The lifetime pension calculation equals 2% of a member's best five years average yearly pensionable earnings multiplied by pensionable service, minus 0.4% (previously 0.6%) of the average Canada Pension Plan (CPP) earnings for the same period multiplied by pensionable service since January 1, 1966.

The CSSA requires that employees contribute 6.0% (previously 5.1%) on pensionable earnings up to the CPP maximum earnings, and 7.0% of pensionable earnings above the maximum. 89.8% of contributions are used to fund basic benefits and 10.2% of contributions are allocated for indexing benefits. Contributions continue until the employee's retirement or other termination from service. Employee contributions for the year ended March 31, 2001 amounted to \$35 million (2000 - \$32 million).

Indexing benefits are not guaranteed and are paid only to the extent that the indexing adjustment account in CSSF can finance one-half of cost-of-living increases granted. The maximum annual adjustment is limited by legislation to two-thirds of the increase in the consumer price index for Canada.

The government does not make contributions to the CSSF during employees' service. By legislation, however, it is required to pay 50% of the pension disbursements made from the CSSF. For the year ended March 31, 2001, payments of \$51 million (2000 - \$48 million) were made to the CSSF.

An actuarial valuation report of the government's liability to the employees included in the CSSF was completed as of December 31, 1998. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,194 million as at March 31, 2001 (2000 - \$1,116 million). The CSSA indicates that the calculation shall provide for annual indexing on the condition that the adjustment does not result in an unfunded pension liability in the CSSF.

B. Teachers' Plan

The Teachers' Pension Act (TPA) established a defined benefit plan to provide pension benefits to teachers who have taught in public schools in Manitoba.

As at March 31, 2001, the Teachers' Retirement Allowances Fund (TRAF) had approximately 29,000 (2000 - 28,200) participants including active members, retired teachers and former teachers with entitlements.

The lifetime pension calculation is based upon the lesser of A or B:

- A) The years of service prior to July 1, 1980, multiplied by 2% and the average salary of the best 7 of the final 12 years of service and years of service after July 1, 1980, multiplied by 2% and the average salary of the best 5 of the final 12 years of service;

less

The years of service from January 1, 1966, to July 1, 1980, multiplied by .6% and the average annual salary up to the yearly maximum pensionable earnings for the same period and years of service after July 1, 1980, multiplied by .6% and the annual salary up to the yearly maximum pensionable earnings for the same period.

- B) 70% of the weighted average annual salary of the member in the 7 and 5 year periods used above.

The TPA requires that teachers contribute 5.7% on pensionable earnings up to the CPP maximum earnings, and 7.3% on pensionable earnings above the maximum. 83.6% of contributions are used to fund basic benefits and 16.4% of contributions are allocated for indexing benefits. Contributions continue until the teacher's retirement or other termination from service. Teacher contributions for the year ended March 31, 2001, amounted to \$46 million (2000 - \$45 million).

Indexing benefits are not guaranteed and are paid only to the extent that one half of the pension adjustment does not result in an unfunded pension liability in TRAF.

The government does not make contributions to TRAF during teachers' service. By legislation, however, it is required to pay 50% of the pension disbursements and other disbursements made by TRAF as provided for in the TPA. For the year ended March 31, 2001, payments of \$76 million (2000 - \$69 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 1998, which determined the government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,687 million at March 31, 2001 (2000 - \$1,607 million).

C. Members of the Legislative Assembly Plan

The pension plan for Members of the Legislative Assembly (MLA's) is established and governed by the Legislative Assembly Act (LAA). For MLA's elected prior to the dissolution of the Assembly of the 35th Legislature, the LAA provides for defined pension benefits based on years of service. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2001, there are 123 (2000 – 139) plan members who are entitled to receive future pension benefits in accordance with the LAA.

The calculation for defined pension benefits is equal to 3% of the average annual indemnities for the last five years served as a member or all the years served if less than five multiplied by the number of years of pensionable service up to April 1995. These entitlements are fully indexed to cost of living increases.

An actuarial valuation report of the government's liability to the MLA's included in the pension plan was completed as of March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$28 million as at March 31, 2001 (2000- \$31 million).

Under the matching contributions provisions, MLA's may contribute up to 7% of their remuneration toward a Registered Retirement Savings Plan (RRSP) of their choice. The government matches the member's contributions on a current basis, consequently, there is no liability for past service benefits under this component of the plan. In the event that a member withdraws money from the RRSP while an active member of the Legislative Assembly, the government's contribution would be refundable.

9. EXPENSES IN EXCESS OF LEGISLATIVE AUTHORITY

The following voted appropriations were over expended as a result of adjustments after March 31, 2001.

	(\$ millions)
Education, Training and Youth Property Tax Credits	4
Enabling Appropriations Internal Reform, Workforce Adjustment and General Salary Increases	23

10. TRANSFER FOR DEBT RETIREMENT AND PENSION OBLIGATIONS

The government transferred \$96 million to the Debt Retirement Fund from the Operating Fund for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Fund. The transfer was made in accordance with subsection 8 (4) of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. The government transferred \$21 million from the Debt Retirement Fund for the specific purpose of reducing pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Fund. This transfer was made in accordance with subsection 8 (6) of the Balanced Budget, Debt Repayment and Taxpayer Accountability Act.

11. BALANCED BUDGET LEGISLATION

Section 6 of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act requires the Minister of Finance to report on compliance with the Act in the audited financial statements of the Operating Fund for each fiscal year. The Statement of Revenue and Expense shows a surplus of \$41 in the Operating Fund. The government is therefore in compliance with the Act.

12. FINANCING OF LONG-TERM DEBT

In 2000/01 the Province began to finance new long-term debt of the Manitoba Lotteries Corporation directly, taking advantage of its superior borrowing power and rates, and lowering the cost of such borrowings for Manitoba.

13. COMPARATIVE FIGURES

Certain of the 2000 financial statement figures have been reclassified to be consistent with the 2001 presentation.

AMOUNTS RECEIVABLE

SCHEDULE 1

As at March 31, 2001

	(\$ millions)	
	2001	2000
Taxation Revenue:		
Corporation Capital Tax.....	1	1
Corporation Income Tax.....	67	51
Gasoline Tax.....	14	13
Health and Education Levy.....	22	21
Individual Income Tax.....	112	107
Insurance Corporation Tax.....	10	10
Motive Fuel Tax.....	7	6
Retail Sales Tax.....	83	83
Revenue Act, 1964, Part 1.....	8	6
Tobacco Tax.....	11	10
	<u>335</u>	<u>308</u>
Government of Canada and Other Governments:		
Shared Cost Programs/Agreements.....	122	123
Canada Health and Social Transfer.....	2	6
Equalization.....	76	17
	<u>200</u>	<u>146</u>
Interest Income:		
Province of Manitoba Sinking Fund.....	86	96
Other Investments.....	15	10
	<u>101</u>	<u>106</u>
Other:		
Community Colleges.....	-	1
Employee Purchase Plan.....	1	1
Gross Revenue Insurance Plan.....	6	6
Liquor Control Commission.....	7	3
Manitoba Lotteries Corporation.....	3	-
Regional Health Authorities.....	10	2
Special Operating Agencies.....	1	1
Sundry Departmental Revenue.....	18	18
Water Power Rentals.....	5	4
Sundry.....	3	-
	<u>54</u>	<u>36</u>
	<u>690</u>	<u>596</u>

LOANS AND ADVANCES

SCHEDULE 2

As at March 31, 2001

	(\$ millions)			
	Crown Organizations, and Government Enterprises	Other	2001 Total	2000 Total
Due 1 Year or Less.....	924	14	938	663
Due Over 1 Year.....	7,105	27	7,132	7,119
Total.....	8,029	41	8,070	7,782
Less: Sinking Funds.....	1,354	-	1,354	1,296
	6,675	41	6,716	6,486
Less: Valuation Allowance.....	127	11	138	140
	6,548	30	6,578	6,346
Less: Debt incurred for and repayable by The Manitoba Hydro-Electric Board, Manitoba Lotteries Corporation and Manitoba Telecom Services Inc.....	5,840	-	5,840	5,592
Net.....	708	30	738	754

LONG-TERM INVESTMENTS

SCHEDULE 3

As at March 31, 2001

	(\$ millions)			
	Crown Corporations	Other	2001 Total	2000 Total
Shares:				
Common.....	9	5	14	14
Preferred.....	2	-	2	2
Special.....	-	2	2	2
Debentures.....	1	-	1	1
Profit Sharing Agreement.....	-	11	11	11
	12	18	30	30
Less: Valuation Allowance.....	7	18	25	25
Net.....	5	-	5	5

**AMOUNTS HELD IN TRUST
FOR INVESTMENT OR ADMINISTRATION
AND TRUST ASSETS**

SCHEDULE 4

As at March 31, 2001

	(\$ millions)	
	2001	2000
AMOUNTS HELD IN TRUST		
Government Enterprises.....	1,198	1,271
Crown Organizations.....	674	593
Fiduciary and Other Government Related Trusts.....	125	101
Pension Assets (Note 10).....	<u>21</u>	<u>-</u>
	<u>2,018</u>	<u>1,965</u>
 TRUST ASSETS		
Cash and Temporary Investments.....	863	762
Sinking Funds.....	27	182
Funds on Deposit for Investment and Administration.....	1,107	1,021
Pension Assets (Note 10).....	<u>21</u>	<u>-</u>
	<u>2,018</u>	<u>1,965</u>

Note: The Department of Finance also provides a safekeeping service for various departments, agencies, boards and commissions. In this capacity, it holds custodial trust funds total \$147 million - 2001 (\$164 million - 2000) in the form of bonds and other securities not reflected in the above numbers.

TANGIBLE CAPITAL ASSETS
For the Year Ended March 31,2001
 (\$ millions)

SCHEDULE 5

											Totals	
	Land	Buildings - Brick Mortar and Steel	Build- ings - Wood Frame	Vehicles	Aircraft and Vessels	Mach. Equip't and Furn.	Road Construction	Computer Hardware and Software	Assets Under Construction	Lease - hold Improve - ments	2001	2000
Opening costs	-	235	28	2	43	14	47	154	69	-	592	365
Add:												
Land capitalization	19	-	-	-	-	-	-	-	-	-	19	-
Assets acquired from GISMC	-	-	-	-	-	-	-	-	-	-	-	164
Additions during the year	-	-	-	-	-	1	4	8	28	-	41	119
April 1, 1999 assets recorded (Note 1)	-	-	-	-	-	-	-	-	-	2	2	-
Less:												
Disposals during the year	-	-	-	-	-	-	-	-	-	-	-	(1)
Write-downs during the year	-	-	-	-	-	-	-	-	-	-	-	(55)
Settlements of Assets under construction	-	3	-	-	1	-	-	12	(16)	-	-	-
Closing costs	19	238	28	2	44	15	51	174	81	2	654	592
Accumulated Amortization												
Opening accum'd amortization	-	134	24	2	21	7	33	22	-	-	243	212
Add:												
Accumulated amortization from GISMO*	-	-	-	-	-	-	-	-	-	-	-	6
Amortization	-	5	-	-	2	1	2	21	-	-	31	25
Closing accum'd amortization	-	139	24	2	23	8	35	43	-	-	274	243
Net Tangible Capital Assets	19	99	4	-	21	7	16	131	81	2	380	349

* Government Information System Management Organization

NOTE 1: Effective April 1, 1999 the government made an accounting policy change to introduce the capitalization of tangible capital assets.

During the current year, additional assets valued at \$2.0 million were identified and recorded.

NOTE 2: During the year the Province capitalized \$1.8 million of interest relating to assets under construction.

SCHEDULE OF BORROWINGS

SCHEDULE 6

As at March 31, 2001

Fiscal Year of Maturity	(\$ millions)		Canada Pension Plan Cdn	Prom Notes and Treasury Bills Cdn	Totals	
	Bonds and Debentures Cdn	US			2001	2000
2001.....	-	-	-	-	-	2,687
2002.....	519	1,104	135	346	2,104	1,671
2003.....	1,581	1,162	132	-	2,875	2,561
2004.....	1,209	838	126	-	2,173	1,738
2005.....	1,100	76	119	-	1,295	1,334
2006.....	611	319	126	-	1,056	323
2001-2006.....	<u>5,020</u>	<u>3,499</u>	<u>638</u>	<u>346</u>	<u>9,503</u>	<u>10,314</u>
2007-2011.....	3,663	863	565	-	5,091	4,619
2012-2021.....	2,362	947	192	-	3,501	3,362
2022-2040.....	1,386	473	-	-	1,859	1,334
2007-2040.....	<u>7,411</u>	<u>2,283</u>	<u>757</u>	<u>-</u>	<u>10,451</u>	<u>9,315</u>
Total Borrowings.....	12,431	5,782	1,395	346	19,954	19,629
Reduced by:						
Unamortized Debt Issue Costs.....	36	8	-	1	45	40
Debt of the Province of Manitoba held as Provincial Investments	43	-	-	-	43	68
	<u>12,352</u>	<u>5,774</u>	<u>1,395</u>	<u>345</u>	<u>19,866</u>	<u>19,521</u>

Note 1: All the above amounts are expressed in Canadian dollars.

Note 2: Interest rates on these borrowings range from approximately 4.75% to 17.51%.

**ACCOUNTS PAYABLE, ACCRUED CHARGES,
PROVISIONS AND DERERRALS**

SCHEDULE 7

As at March 31, 2001

	(\$ millions)	
	2001	2000
Accounts Payable.....	376	303
Accrued Charges:		
Interest Accrued on Provincial Borrowings and Trust Funds.....	311	318
Other Accrued Liabilities:		
Agriculture Income Disaster Assistance Program.....	56	45
Canada Manitoba Adjustment Program.....	38	40
Community Access Program.....	5	6
Compensation for Victims of Crime.....	19	20
Computer System Development.....	-	22
Crown Organizations - Vacation Liability.....	12	12
Fairford First Nation.....	4	-
Northern Development Project Claims.....	40	14
Flood Costs 1997.....	3	10
Flood Costs 1999.....	1	3
Hepatitis C Assistance.....	11	12
Land Acquisition Claims.....	2	2
Manfor Ltd. Divestiture.....	2	2
Net Income Stabilization.....	3	3
Provision for Housing Renovations.....	7	11
Ruttan Mines Clean-up.....	5	5
Salaries and Benefits.....	65	68
Salaries and Benefits - Severance.....	111	110
Tripartite Land Assembly Program.....	3	2
Other.....	6	7
Provision for Future Losses on Guarantees.....	15	12
Deferrals.....	<u>104</u>	<u>89</u>
	<u><u>1,199</u></u>	<u><u>1,116</u></u>

SCHEDULE 8**OPERATING REVENUE AND EXPENSE**

For the Year Ended March 31,2001

(\$ millions)

	2001		2000
	Budget Estimate	Actual	Actual
OPERATING REVENUE			
Manitoba Collections:			
Retail Sales Tax.....	951	933	918
Fuel Taxes.....	224	224	218
Levy for Health and Education.....	228	239	225
Mining Tax.....	68	45	7
Other Taxes.....	380	376	363
Fees and Other Revenue.....	225	233	226
Income Taxes:			
Corporation Income Tax.....	333	444	307
Individual Income Tax.....	1,686	1,757	1,611
Federal Transfers:			
Equalization.....	1,171	1,339	1,272
Canada Health and Social Transfer.....	540	546	509
Federal Health Supplement.....	92	92	131
Shared Cost and Other.....	124	114	162
Crown Corporations.....	392	410	389
TOTAL OPERATING REVENUE.....	6,414	6,752	6,338
OPERATING EXPENSES			
Health.....	2,436	2,508	2,310
Education.....	1,403	1,433	1,308
Family Services and Housing.....	780	774	741
Community, Economic and Resource Development.....	811	845	1,068
Justice and Other Governments.....	554	544	545
Debt Servicing.....	474	511	465
	6,458	6,615	6,437
Less: Budgeted Underexpenditure.....	60	-	-
TOTAL OPERATING EXPENSES (Schedule 10).....	6,398	6,615	6,437

CHANGES IN OTHER SPECIAL FUNDS

SCHEDULE 9

For the Year Ended March 31, 2001

(\$ millions)

	Mining Community Reserve	Quarry Rehabilitation Reserve Fund	Other Funds	Total 2001	Total 2000
Surplus, Beginning of Year.....	<u>19</u>	<u>6</u>	<u>1</u>	<u>26</u>	<u>26</u>
Revenue.....	3	1	2	6	5
Expenses / Transfers.....	<u>2</u>	<u>2</u>	<u>1</u>	<u>5</u>	<u>5</u>
Net Result for the Year.....	<u>1</u>	<u>(1)</u>	<u>1</u>	<u>1</u>	<u>-</u>
Surplus, End of Year.....	<u><u>20</u></u>	<u><u>5</u></u>	<u><u>2</u></u>	<u><u>27</u></u>	<u><u>26</u></u>

EXPENSE BY TYPE

SCHEDULE 10

For the Year Ended March 31,2001

	(\$ millions)	
	2001	2000
Personnel Services.....	671	669
Grants/Transfer Payments.....	4,384	4,333
Transportation.....	45	49
Communications.....	29	33
Supplies and Services.....	302	299
Social Assistance Related.....	489	462
Other Operating.....	111	66
Debt Servicing - Department of Finance.....	511	465
- Other Departments.....	14	14
Minor Capital.....	28	22
Amortization of Tangible Capital Assets.....	31	25
	<u>6,615</u>	<u>6,437</u>
	<u>6,615</u>	<u>6,437</u>

NOTE: Debt servicing costs shown above are net of cost recoveries and interest income of \$1,220 million (2000 - \$1,052).

NET DEBT

SCHEDULE 11

For the Year Ended March 31, 2001

	(\$ millions)	
	2001	2000
Accumulated deficit, end of year.....	6,288	6,424
Deferred charge for health care facilities.....	236	-
Tangible capital assets.....	380	349
NET DEBT	<u>6,904</u>	<u>6,773</u>
	<u>6,904</u>	<u>6,773</u>