

**PROVINCE OF MANITOBA
NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE THREE MONTHS - APRIL TO JUNE 2001**

This report presents the unaudited financial results of the Province of Manitoba for the first quarter of the 2001/02 fiscal year. The comparative data provided for the 2000/01 fiscal year has been restated to reflect the organizational structure of departments established in the 2001/02 Estimates.

FIRST QUARTER - ACTUAL TO ESTIMATE

The first quarter result of a net expenditure (excess expenditure over revenue) of \$174.5 million was \$9.2 million less than the \$183.7 million projected net expenditure. The net decrease is due to actual operating expenditure for the first quarter being \$4.4 million less than estimated and actual revenue being \$4.8 million more than anticipated resulting in the decrease in net expenditure.

FIRST QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

The first quarter net expenditure of \$174.5 million was \$52.8 million less than the same period last year. The change was due to a \$41.4 million increase in revenue combined with a \$11.4 million decrease in operating expenditure. The increase in revenue primarily results from higher than estimated collections in the first quarter, including Equalization \$31.9 million, Corporation Income Tax \$23.8 million, Individual Income Tax \$19.7 million and Conservation – Water Power Rentals \$20.3 million. The revenue increases are consistent with projected revenue growth in the 2001 Budget. These were offset, in part, by a \$63.3 million decrease in the Canada Health and Social Transfer reflecting the impact of the non-recurring federal health supplement received in 2000/01. The decrease in expenditure results mainly from differences in the timing of payments.

CAPITAL INVESTMENT

Departmental acquisition of tangible assets was \$3.2 million less than estimated for the first quarter and \$2.1 million less than costs incurred for the same period last year due to timing of project completion.

YEAR END PROJECTION

A \$10.4 million positive balance was projected in the 2001 Budget. The overall financial outlook for 2001/02 is being monitored in light of recent events that signal a longer than anticipated North American economic slowdown. These events may have a negative impact on provincial revenue. In addition, there are indications of upward pressure on program expenditures in the areas of health care as well as emergency expenditures primarily related to spring flooding and forest fire suppression. In-year financial management efforts will focus on maintaining a positive balance.

More complete information on revenue and expenditure, available for the second quarter financial report, will provide the basis for a revised year-end projection.

BORROWING ACTIVITY

The original estimate of borrowing requirements identified in the 2001 Budget was \$2,200.8 million, including refinancing and funding for health capital. This requirement has increased to \$2,399.1 million primarily as a result of refinancing Centra Gas debt at a saving to Manitoba Hydro. The revised estimate includes \$1,986.0 million for refinancing maturing debt issues with the balance required for self-sustaining programs, including Manitoba Hydro and to fund an allocation to the Provincial Sinking Fund for the repurchase of foreign debt.

For the period April 1, 2001 to June 30, 2001, \$913.3 million has been borrowed of which \$766 million was raised in the public market.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE THREE MONTHS ENDED JUNE 30, 2001
(with comparative figures for June 30, 2000)
(UNAUDITED)**

2000/01 ACTUAL (thousands of dollars)	2001/02 ACTUAL (thousands of dollars)	INCREASE (DECREASE)		2001/02		
				ACTUAL	ESTIMATE	VARIANCE
				(thousands of dollars)		
Revenue						
947,913	1,018,983	71,070	Own Source Revenue	1,018,983	1,014,384	4,599
513,581	483,942	(29,639)	Government of Canada	483,942	483,791	151
<u>1,461,494</u>	<u>1,502,925</u>	<u>41,431</u>	Total Revenue	<u>1,502,925</u>	<u>1,498,175</u>	<u>4,750</u>
Expenditure						
1,511,184	1,564,331	53,147	Program Expenditure	1,564,331	1,561,486	2,845
177,648	113,093	(64,555)	Debt Servicing	113,093	120,365	(7,272)
<u>1,688,832</u>	<u>1,677,424</u>	<u>(11,408)</u>	Total Expenditure	<u>1,677,424</u>	<u>1,681,851</u>	<u>(4,427)</u>
(227,338)	(174,499)	(52,839)	Net Revenue/(Expenditure)	(174,499)	(183,676)	(9,177)
Interfund Transfers						
-	-	-	Debt/Pension Repayment	-	-	-
-	-	-	Fiscal Stabilization Fund	-	-	-
<u>(227,338)</u>	<u>(174,499)</u>	<u>(52,839)</u>	Balance Under Balanced Budget Legislation	<u>(174,499)</u>	<u>(183,676)</u>	<u>(9,177)</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE
FOR THE THREE MONTHS ENDED JUNE 30, 2001
(with comparative figures for June 30, 2000)
(UNAUDITED)**

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		2001/02 ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)				(thousands of dollars)		
			Taxation:			
			Consumer and Corporate Affairs			
9,940	10,066	126	- Insurance Corporations Tax	10,066	9,200	866
3,318	2,994	(324)	- Land Transfer Tax	2,994	3,300	(306)
			Finance			
429,601	449,304	19,703	- Individual Income Tax	449,304	449,556	(252)
77,010	100,812	23,802	- Corporation Income Tax	100,812	100,812	-
35,935	36,085	150	- Corporation Capital Tax	36,085	33,100	2,985
25,285	25,391	106	- Gasoline Tax	25,391	25,000	391
37,437	36,692	(745)	- Levy for Health and Education	36,692	38,200	(1,508)
5,423	7,611	2,188	- Mining Tax	7,611	7,800	(189)
10,702	9,901	(801)	- Motive Fuel Tax	9,901	9,300	601
152,113	156,174	4,061	- Retail Sales Tax	156,174	154,700	1,474
9,121	10,568	1,447	- Revenue Act, 1964, Part I	10,568	9,300	1,268
19,454	22,668	3,214	- Tobacco Tax	22,668	21,600	1,068
618	752	134	- Environmental Protection Tax	752	490	262
802,699	855,958	53,259		855,958	849,858	6,100
			Industry, Trade and Mines			
943	996	53	- Oil and Natural Gas Tax	996	1,127	(131)
816,900	870,014	53,114		870,014	863,485	6,529
			Other Revenue:			
15,158	35,498	20,340	Conservation	35,498	35,053	445
4,284	3,812	(472)	Justice	3,812	4,742	(930)
21,800	20,388	(1,412)	Liquor Control Commission	20,388	20,000	388
89,771	89,271	(500)	Other Departments	89,271	91,104	(1,833)
131,013	148,969	17,956		148,969	150,899	(1,930)
947,913	1,018,983	71,070	Total Own Source Revenue	1,018,983	1,014,384	4,599
			Government of Canada:			
268,572	300,444	31,872	Equalization	300,444	300,444	-
232,786	169,458	(63,328)	Canada Health and Social Transfer	169,458	169,450	8
12,223	14,040	1,817	Other Departments	14,040	13,897	143
513,581	483,942	(29,639)		483,942	483,791	151
1,461,494	1,502,925	41,431	Total Revenue	1,502,925	1,498,175	4,750

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF PART A – OPERATING EXPENDITURE
FOR THE THREE MONTHS ENDED JUNE 30, 2001
(with comparative figures for June 30, 2000)
(UNAUDITED)**

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		2001/02		
				ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)				(thousands of dollars)		
5,649	6,006	357	Legislative Assembly	6,006	5,755	251
694	767	73	Executive Council	767	767	-
6,527	7,609	1,082	Aboriginal and Northern Affairs	7,609	8,639	(1,030)
103,597	108,952	5,355	Advanced Education	108,952	105,468	3,484
11,343	11,753	410	Agriculture and Food	11,753	14,950	(3,197)
913	917	4	Civil Service Commission	917	992	(75)
2,209	2,133	(76)	Community Support Programs	2,133	2,112	21
31,131	32,446	1,315	Conservation	32,446	32,043	403
2,270	2,420	150	Consumer and Corporate Affairs	2,420	2,383	37
15,914	16,509	595	Culture, Heritage and Tourism	16,509	15,106	1,403
319,617	317,761	(1,856)	Education, Training and Youth	317,761	319,644	(1,883)
10,470	11,171	701	Employee Pensions and Other Costs	11,171	12,318	(1,147)
189,513	194,644	5,131	Family Services and Housing	194,644	193,648	996
214,327	149,418	(64,909)	Finance	149,418	157,143	(7,725)
624,232	655,195	30,963	Health	655,195	651,856	3,339
1,877	2,693	816	Healthy Child Manitoba	2,693	2,666	27
6,721	7,601	880	Industry, Trade and Mines	7,601	7,808	(207)
30,206	29,183	(1,023)	Intergovernmental Affairs	29,183	28,573	610
41,136	45,174	4,038	Justice	45,174	45,960	(786)
5,684	6,141	457	Labour and Immigration	6,141	6,233	(92)
196	153	(43)	Seniors Directorate	153	175	(22)
2,844	2,662	(182)	Sport	2,662	2,664	(2)
244	252	8	Status of Women	252	255	(3)
57,534	61,391	3,857	Transportation and Government Services	61,391	59,912	1,479
52	155	103	Enabling Appropriations	155	150	5
3,932	4,318	386	Other Appropriations	4,318	4,631	(313)
1,688,832	1,677,424	(11,408)	Total Expenditure	1,677,424	1,681,851	(4,427)

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF PART B – CAPITAL INVESTMENT
FOR THE THREE MONTHS ENDED JUNE 30, 2001
(with comparative figures for June 30, 2000)
(UNAUDITED)**

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		2001/02		
(thousands of dollars)				ACTUAL	ESTIMATE	VARIANCE
				(thousands of dollars)		
-	104	104	Conservation	104	325	(221)
45	-	(45)	Finance	-	-	-
-	50	50	Health	50	-	50
-	293	293	Justice	293	663	(370)
1,895	2,354	459	Transportation and Government Services	2,354	4,583	(2,229)
4,103	1,170	(2,933)	Other Appropriations	1,170	1,605	(435)
<u>6,043</u>	<u>3,971</u>	<u>(2,072)</u>	Total Capital Investment	<u>3,971</u>	<u>7,176</u>	<u>(3,205)</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
JUNE 30, 2001
(with comparative figures for March 31, 2001)
(UNAUDITED)**

Canadian Dollar Equivalent at Date of Issue June 30/01	Canadian Dollar Equivalent at Date of Issue Mar 31/01	Increase (Decrease) June 30/01 over Mar 31/01		Canadian Dollar Valuation (Note 1) June 30/01	Canadian Dollar Valuation (Note 1) Mar 31/01	Increase (Decrease) June 30/01 over Mar 31/01
(thousands of dollars)				(thousands of dollars)		
			Direct Debt Payable in:			
11,753,000	11,576,012	176,988	Canadian Dollars	11,725,200	11,548,212	176,988
2,622,364	2,489,533	132,831	Issues Swapped to Canadian Dollars	2,794,626	2,624,374	170,252
3,188,951	3,656,931	(467,980)	U.S. Dollars	3,978,081	4,765,523	(787,442)
1,103,111	881,092	222,019	Issues Swapped to U.S. Dollars	1,195,165	1,015,640	179,525
<u>18,667,426</u>	<u>18,603,568</u>	<u>63,858</u>	Total Direct Debt	<u>19,693,072</u>	<u>19,953,749</u>	<u>(260,677)</u>
			Guaranteed Debt Payable in:			
614,580	416,102	198,478	Canadian Dollars	614,580	416,102	198,478
-	-	-	U.S. Dollars	-	-	-
<u>614,580</u>	<u>416,102</u>	<u>198,478</u>	Total Guaranteed Debt	<u>614,580</u>	<u>416,102</u>	<u>198,478</u>
19,282,006	19,019,670	262,336	Total Direct and Guaranteed Debt (Note 2)	20,307,652	20,369,851	(62,199)
5,974,633	6,138,654	(164,021)	Less: Sinking Fund Investments	5,974,633	6,138,654	(164,021)
<u>76,080</u>	<u>75,227</u>	<u>853</u>	Less: Debt Retirement Fund	<u>76,080</u>	<u>75,227</u>	<u>853</u>
<u>13,231,293</u>	<u>12,805,789</u>	<u>425,504</u>	Net Direct and Guaranteed Debt (Note 3)	<u>14,256,939</u>	<u>14,155,970</u>	<u>100,969</u>

See notes on following page.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
JUNE 30, 2001
(with comparative figures for March 31, 2001)
(UNAUDITED)**

NOTES:

1. The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at June 30, 2001 and March 31, 2001.
2. Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at June 30, 2001, total gross debt was payable 75% in Canadian dollars and 25% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 91% in Canadian dollars (87% at March 31, 2001) and 9% in U.S. dollars (13% at March 31, 2001) while Manitoba Hydro was payable 47% in Canadian dollars (47% at March 31, 2001) and 53% in U.S. dollars (53% at March 31, 2001)
3. The above debt was issued for the following purposes:

	June 30, 2001		March 31, 2001	
	(in thousands)	(per capita) (Note 6)	(in thousands)	(per capita) (Note 6)
General Government Programs	6,502,626	5,654	6,537,300	5,693
The Manitoba Hydro-Electric Board	6,212,153	5,402	6,052,524	5,271
Capital Investments (Note 4)	260,390	226	260,390	227
Manitoba Hospital Facilities (Note 4)	290,000	252	220,000	192
Other	991,770	862	1,085,756	946
Total (Note 5)	14,256,939	12,396	14,155,970	12,329

4. Capital Investments are the stock of tangible assets held by government. These are paid off over the useful life of the assets (See Main Estimates page 161 for details.). Manitoba Hospital Facilities debt was recorded as Provincial debt for the first time in 2000/01. Previously, this debt was held in the name of individual health facilities at a higher overall cost to taxpayers. Hospital facilities debt is repaid over terms up to 20 years.
5. The \$101.0 million increase in total debt is comprised of a \$271.9 million increase due to the continued consolidation of Hospital Facilities on the Province's records, Manitoba Hydro new cash requirements and the refinancing of Centra Gas debt at a saving to Manitoba Hydro, and an offset of \$170.0 due to the improvement in the U.S./Canada. exchange rate from \$1.5774 to \$1.5177.
6. Per capita debt is based upon population figures at July 1, 2001 and April 1, 2001 as reported by Statistics Canada. The net increase in taxpayer supported debt, which includes debt for general programs, capital investment and hospital facilities, is due to the continued consolidation of hospital facility debt offset by the improvement in the Canada/U.S. exchange rate. The net increase in self sustaining debt is due to new cash requirements of Manitoba Hydro and refinancing of Centra Gas debt, offset by the improvement in the U.S./Canada exchange rate for Hydro (as noted above). Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar debt.

**PROVINCE OF MANITOBA
FISCAL STABILIZATION FUND
PROJECTION FOR THE YEAR ENDING MARCH 31, 2002
(with comparative figures for March 31, 2001)**

(UNAUDITED)

	2001/02 Projection (1)	2000/2001 Actual
	(thousands of dollars)	
Fund Balance, Beginning of Year	<u>320,494</u>	<u>264,790</u>
Revenue:		
Interest Earnings	<u>17,000</u>	<u>15,240</u>
Interfund Transfers		
Transfer from the Operating Fund	10,421	40,464
Transfer to the Operating Fund	<u>(60,000)</u>	<u>-</u>
	<u>(49,579)</u>	<u>40,464</u>
Fund Balance, End of Year	<u><u>287,915</u></u>	<u><u>320,494</u></u>

NOTE: (1) As per 2001 Budget

**PROVINCE OF MANITOBA
DEBT RETIREMENT FUND
PROJECTION FOR THE YEAR ENDING MARCH 31, 2002
(with comparative figures for March 31, 2001)**

(UNAUDITED)

	<u>2001/02 Projection</u>	<u>2000/01 Actual</u>
	(thousands of dollars)	
Fund Balance, Beginning of Year	<u>75,227</u>	<u>-</u>
Revenue:		
Interest Earnings	4,000	227
Transfer from Operating Fund	<u>96,000</u>	<u>96,357</u>
	<u>100,000</u>	<u>96,584</u>
Expenditure:		
Transfer to Operating Fund for:		
- Debt Retirement	-	-
- Pension Obligation	<u>(21,357)</u>	<u>(21,357)</u>
	<u>(21,357)</u>	<u>(21,357)</u>
Fund Balance, End of Year	<u><u>153,870</u></u>	<u><u>75,227</u></u>