

# Financial Report

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*Management's discussion and analysis is presented in three sections. The first section discusses the results of operations for the Agency. The second section analyses the Agency financial condition, including cash flow and capital expenditures.*

*The discussion and analysis are based on the financial statements, which are presented following this section of the annual report.*

## RESULTS OF OPERATIONS

### Overview

Overall revenue levels increased 22.5% due to continued low interest rates coupled with an exceptionally strong real estate market.

During Fiscal Year 2005/2006, The Property Registry transferred \$37.9 million to the Province consisting of \$31.0 million in land transfer tax and revenue-sharing of \$6.9 million. The Registry's retained earnings stood at \$11.0 million on March 31, 2006, representing an increase of \$2.3 million from the prior year.

### Revenues - Fees and Land Transfer Tax

The Property Registry posted total revenue of \$53.3 million for the fiscal year ending March 31, 2006, rising by 22.5% from Fiscal Year 2004/2005 revenues of \$43.5 million. Total fee revenues of \$22.3 million were up \$2.3 million from the previous year. Land transfer tax revenues increased by 31.9% to \$31.0 million (2005, \$23.5 million) compared with prior year results. Registration volumes in the Personal Property Registry system increased by 2.4% while registrations in Land Titles increased 10.5% resulting in an overall increase in registrations of 6%. Interest of \$257.0 (2005, \$166.2) was earned through investments.

Land Titles Office fee revenues increased by 12.7% to \$15.1 million compared with \$13.4 million in the previous fiscal year. The Land Titles Office revenue consisted of \$2.8 million from transfer fees, \$3.9 million in mortgage fees, \$3.8 million in other registration fees, and \$4.6 million in service fees. Cost recoveries were \$867.0 consisting of \$505.0 in fee recoveries, and \$362.0 in secondment salary recoveries.

Personal Property Registry fees increased to \$5.9 million (2005, \$5.4 million) compared with the previous fiscal year. Personal Property Registry fees consisted of \$4.5 million in registration fees and \$1.4 million in service revenue.

The Property Registry is responsible for collecting and administering the land transfer tax on behalf of the Province. Revenue collected is regularly transferred to the Consolidated Revenue Fund. Refunds for overpayment within the fiscal year are made from the Registry. Refunds of land transfer tax paid after the tax has been transferred to the Consolidated Revenue Fund are disbursed directly from the Fund.

Land transfer tax revenues increased 31.9% to \$31.0 million. This increase is largely attributed to an exceptionally strong market in Winnipeg coupled with a low vacancy rate which has spawned inflated sales values.

## Salaries and Benefits Expense

Salaries and benefits for Fiscal Year 2005/2006 were \$8.4 million (2005, \$8.2 million), an increase of \$144.0. This increase is as a result of salary increments negotiated under the Collective Agreement and STEP increments.

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes to actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Property Registry's actuarially-determined net liability for accounting purposes as at March 31, 2006 was \$1.4 million (2005 - \$1.3 million). Commencing in Fiscal Year 2005/2006, the actuarial gain of \$40.4 is being amortized over the 15-year expected average remaining service life of the employee group.

Pension expense, which is disclosed as a separate line in the financial statements, increased to \$351.1 from \$338.9 in the previous year.

Employees of The Property Registry are eligible for pension benefits in accordance with the provisions of *The Civil Service Superannuation Act* (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Property Registry, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees. Commencing April 1, 2001, The Property Registry was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for Fiscal Year 2005/2006 was \$351.1 (2005 - \$338.9). Under this agreement, The Property Registry has no further pension liability.

### **Operating Expenses**

Overall operating expenses (excluding Amortization expense) of \$3.9 million were below budget by \$684.1 primarily as a result of lower than expected costs for Department Services (\$10.5), Desktop (\$246.6), Occupancy costs (\$7.6), Office Supplies (\$80.8), Postage (\$82.7), Training (\$77.2) and Travel (\$27.9) as well as aggressive expenditure management.

All of the Agency's offices are located in government-owned facilities in accordance with a memorandum of understanding document. Accordingly, \$679.6 (2005, \$683.8) in occupancy costs, plus \$112.5 (2005, \$115.9) for vacated premises was paid entirely to the Department of Transportation and Government Services.

Computer processing expenses of \$367.0 (2005, \$316.3) were paid to IBM for the outsourced computer host system that carries the Agency's automated Land Titles and Personal Property Registry systems.

### **Amortization Expenses**

Amortization expenses of \$199.8 were slightly higher than the previous fiscal year (2005, \$167.6) due to \$240.2 in additional asset purchases in the current year.

## FINANCIAL CONDITION

### Financial Position

The Property Registry's financial condition remained very strong at the end of its ninth year as a Special Operating Agency, with total cash and short-term investments of \$10.5 million as of March 31, 2006 (2005, \$8.4 million). The Agency operations resulted in a surplus of \$2.2 million in cash flow as a result of continuing high levels of revenue and aggressive expenditure management. As of March 31, 2006, the Agency held \$9.8 million (2005, \$7.4 million) in working capital.

Interest income of \$257.0 (2005, \$166.2) was generated from investments made during the year with the Treasury Division of the Department of Finance. These investments consist of short-term notes (90 days to one-year terms) at prevailing market rates, and are considered close to risk-free as they are guaranteed by the Department of Finance.

### Capital Expenditures

Capital asset acquisitions amounted to \$240.2 (2005, \$261.6) during the year, primarily for replacement workstations, survey plan storage cabinets and replacement micro-printers.



# The Property Registry

A Special Operating Agency of the Province of Manitoba

## Office d'enregistrement des titres et des instruments

Un organisme de service spécial de la Province du Manitoba

July 17, 2006

Management's report

To the Special Operating Agencies Financing Authority

The accompanying financial statements and the information in the Annual Report are the responsibility of the management of The Property Registry. The financial statements have been prepared in accordance with generally accepted accounting principles and include amounts that are based on management's best estimates and judgments.

In support of its responsibility, management has developed and maintains a system of internal controls designed to provide reasonable assurance that transactions are authorized, financial reporting is reliable, and that assets are safeguarded.

The Advisory Board meets regularly with management to review accounting practices, financial reporting and to discuss audit results. The auditors have free and full access to this Board, if required, to discuss the results of their audit and their views on the adequacy of internal controls and the quality of financial reporting.

The financial statements have been audited by our external auditors, Grant Thornton, who report to the Special Operating Agencies Financing Authority.

On behalf of Management,

Richard M. Wilson, B.A., LL.B.  
Registrar General and  
Chief Operating Officer

Brian Strong, CMA  
Director  
Finance & Systems

**The Property Registry  
An Agency of the Special  
Operating Agencies  
Financing Authority -  
Province of Manitoba  
Financial Statements**

(In Thousands)

March 31, 2006

Grant Thornton 



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Grant Thornton LLP  
Chartered Accountants  
Management Consultants

## Auditors' Report

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of **The Property Registry, an Agency of the Special Operating Agencies Financing Authority - Province of Manitoba** as at March 31, 2006 and the statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Grant Thornton LLP*

Winnipeg, Canada  
May 5, 2006

Chartered Accountants

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**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Balance Sheet**

(In Thousands)

March 31

2006

2005

**Assets**

## Current

Cash and short-term investments	\$ 10,504	\$ 8,340
Customer deposits	1,262	1,176
Accounts receivable (Note 3)	493	442
Prepaid expenses	81	71

12,340

10,029

Due from Province of Manitoba (Note 4)

1,602

1,602

Capital assets, net of accumulated amortization  
(Notes 2 and 5)

632

592

\$ 14,574

\$ 12,223

**Liabilities**

## Current

Accounts payable and accrued liabilities	\$ 925	\$ 1,100
Deferred revenue	1,270	1,177
Land titles assurance fund (Note 6)	24	23
Current portion of capital lease obligations		5

2,219

2,305

Severance payable (Note 7)

1,398

1,303

3,617

3,608

**Equity**

Retained earnings

10,957

8,615

\$ 14,574

\$ 12,223

Commitments (Note 9)

See accompanying notes to the financial statements.

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**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Statements of Earnings and Retained Earnings**

(In Thousands)

Year Ended March 31

2006

2005

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Revenues		
Land transfer tax (Note 10)	\$ 30,953	\$ 23,474
Fee revenue - Land Titles	15,073	13,418
Fee revenue - Personal Property Registry	5,877	5,398
Cost recoveries and fee waiver (Note 2)	784	814
Interest income	<u>257</u>	<u>166</u>
	<b>52,944</b>	43,270
Less: Tax revenues transferred to Province	<u>(30,953)</u>	<u>(23,474)</u>
	<b>21,991</b>	<u>19,796</u>
Expenses		
Salaries and employee benefits	8,367	8,222
Operating expenses (Schedule 1)	3,923	4,051
Contributed services	244	266
Amortization	<u>200</u>	<u>167</u>
	<b>12,734</b>	<u>12,706</u>
Net earnings	<b>\$ 9,257</b>	<b>\$ 7,090</b>
<hr/>		
Retained earnings, beginning of year	\$ 8,615	\$ 8,325
Net earnings	9,257	7,090
Net earnings paid to the Province of Manitoba	<u>(6,915)</u>	<u>(6,800)</u>
Retained earnings, end of year	<b>\$ 10,957</b>	<b>\$ 8,615</b>

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See accompanying notes to the financial statements.

**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Statement of Cash Flows**

(In Thousands)

Year Ended March 31

2006

2005

Increase (decrease) in cash and cash equivalents

<b>Cash flows from (used in) operating activities</b>		
Net earnings	\$ 9,257	\$ 7,090
Amortization	<u>200</u>	<u>167</u>
	<b>9,457</b>	<b>7,257</b>
Changes in non-cash operating working capital		
Customer deposits	(86)	(24)
Accounts receivable	(51)	(213)
Prepaid expenses	(10)	(1)
Accounts payable and accrued liabilities	(175)	(7)
Deferred revenue	93	22
Land titles assurance fund deposits	1	(20)
Severance payable	<u>95</u>	<u>98</u>
	<b>9,324</b>	<b>7,112</b>
<b>Cash flows from (used in) investing activities</b>		
Purchase of capital assets	<u>(240)</u>	<u>(263)</u>
<b>Cash flows from (used in) financing activities</b>		
Obligations under capital lease	(5)	(21)
Net earnings paid to the Province of Manitoba	<u>(6,915)</u>	<u>(6,800)</u>
	<b>(6,920)</b>	<b>(6,821)</b>
Net increase in cash and cash equivalents	<b>2,164</b>	<b>28</b>
Cash and cash equivalents		
Beginning of year	<u>8,340</u>	<u>8,312</u>
End of year	<b>\$ 10,504</b>	<b>\$ 8,340</b>

See accompanying notes to the financial statements.

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**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Notes to the Financial Statements**

(In Thousands)  
 March 31, 2006

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**1. Nature of organization**

Effective April 1, 1997, the Lieutenant Governor in Council designated The Property Registry as a Special Operating Agency under The Special Operating Agencies Financing Authority Act. The order also directed the Special Operating Agencies Financing Authority (SOAFA) and the Minister of Consumer and Corporate Affairs, being the Minister responsible for the Agency at that time, to enter into a management agreement with respect to The Property Registry. The Property Registry was established to operate the Land Titles and Personal Property Registry offices on a self-sustaining financial basis while providing a standard of service that will meet the needs of its clients.

The Property Registry is part of the Department of Finance under the general direction of the Assistant Deputy Minister for Consumer and Corporate Affairs, who is also Chairperson of The Property Registry's Advisory Board. The Property Registry remains bound by relevant legislation, regulation and administrative policy as specified in its operating charter.

The Property Registry's financial contribution to the Province of Manitoba is included in the Manitoba Estimates of Revenue and Expenditure - Special Operating Agencies.

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**2. Summary of significant accounting policies**

**Basis of reporting**

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

**Capital assets**

Capital assets are recorded at cost and amortization is computed using the straight-line method based on remaining estimated useful lives, after allowance for salvage value, where applicable as follows:

Computer system	20% (10% in year of acquisition)
Office equipment	20%
Leasehold improvements	10%
Equipment under capital lease	20%

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**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Notes to the Financial Statements**

(In Thousands)

March 31, 2006

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**2. Summary of significant accounting policies (continued)**

**Cash and cash equivalents**

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with original maturities of three months or less.

**Cost recoveries and fee waiver**

Included in revenues are recoveries of costs or fees for services provided to other provincial government offices where no statutory provision precludes cost recovery.

**Use of estimates**

In preparing the Agency's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

**Financial instruments**

The Agency's financial instruments consist of cash and short-term investments, customer deposits, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, deferred revenue, land titles assurance fund, severance payable and capital lease obligations. Unless otherwise noted, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

**Revenue recognition**

Revenue is recognized when the services have been performed.

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**3. Accounts receivable**

**2006**

**2005**

The following items are included in accounts receivable:

Trade receivable	\$ 417	\$ 383
Receivable from government and departments	<u>76</u>	<u>59</u>
	<b><u>\$ 493</u></b>	<b><u>\$ 442</u></b>

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**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Notes to the Financial Statements**

(In Thousands)  
 March 31, 2006

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**4. Due from Province of Manitoba**

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to their designation as a Special Operating Agency on April 1, 1997. It also includes severance pay benefits earned by the Agency employees to March 31, 1998. The balance is comprised of:

	<u>2006</u>	<u>2005</u>
Vacation entitlements	\$ 526	\$ 526
Severance pay benefits	<u>1,076</u>	<u>1,076</u>
	<u>\$ 1,602</u>	<u>\$ 1,602</u>

The timing of the collection of these receivables will vary. The receivable, or portion thereof, for the Agency will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of the Agency.

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**5. Capital assets**

			<u>2006</u>	<u>2005</u>
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Computer system	\$ 488	\$ 284	\$ 204	\$ 164
Office equipment	709	515	194	135
Leasehold improvements	482	255	227	272
Equipment under capital lease	<u>70</u>	<u>63</u>	<u>7</u>	<u>21</u>
	<u>\$ 1,749</u>	<u>\$ 1,117</u>	<u>\$ 632</u>	<u>\$ 592</u>

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**6. Land titles assurance fund**

Claims for loss as provided for in The Real Property Act are paid from this fund. The Agency's Land Titles Branch is responsible for the collection of deposits and the defence against claims on this fund. Claims in excess of the fund balance are paid out of the Consolidated Revenue Fund of the Province of Manitoba.

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**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Notes to the Financial Statements**

(In Thousands)  
March 31, 2006

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**7. Severance pay benefits**

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Property Registry's actuarially determined net liability for accounting purposes as at March 31, 2006 was \$1,398 (2005 - \$1,303). Commencing in the 2006 fiscal year the actuarial loss of \$40 is being amortized over the 15 year expected average remaining service life of the employee group.

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**8. Pension benefits**

Employees of The Property Registry are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act (CSSA), administered by the Civil Service Superannuation Board (CSSB). The CSSA established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government, including The Property Registry, through the Civil Service Superannuation Fund (CSSF).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba, The Property Registry transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, The Property Registry was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2006 was \$348 (2005 - \$339). Under this agreement, The Property Registry has no further pension liability.



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**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Notes to the Financial Statements**

(In Thousands)  
 March 31, 2006

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**9. Commitments**

The Agency has entered into a Memorandum of Understanding with Manitoba Transportation and Government Services (MTGS) to lease its premises. The accommodation charges are established annually by MTGS, and are based on its approved budget.

The Agency has also entered into agreements to lease equipment. These agreements carry various terms and conditions.

The estimated minimum lease payments for the premises and equipment in aggregate for each of the next five years are as follows:

	<u>Premises</u>	<u>Equipment</u>	<u>Total</u>
2007	\$ 941	\$ 129	\$ 1,070
2008	969	129	1,098
2009	998	129	1,127
2010	1,028	129	1,157
2011	<u>1,059</u>	<u>129</u>	<u>1,188</u>
Total minimum lease payments	<u>\$ 4,995</u>	<u>\$ 645</u>	<u>\$ 5,640</u>

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**10. Land transfer tax**

Land transfer tax is administered and collected by The Property Registry. Tax collected less refunds issued is remitted to the Consolidated Revenue Fund of the Province of Manitoba. Adjustments and refunds of land transfer tax are paid out of the Department of Finance under the advice of the Registrar General.

**The Property Registry** **Schedule 1**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Operating Expenses**

(In Thousands)

Year Ended March 31,	2006	2005
Better Systems Initiative	\$ 1,270	\$ 1,332
Computer processing	379	328
Department services	68	68
Desktop services	377	458
Equipment lease	74	60
Interest and bank charges	34	31
Occupancy costs	688	692
Office supplies and printing	148	149
Postage and delivery	115	135
Professional fees	28	31
Publications and subscriptions	22	21
Records preservation project	294	258
Repairs and maintenance	67	84
Special surveys	49	75
Sundry	10	19
Survey remonumentation program	153	172
Telephone	74	71
Training and staff development	59	58
Travel	14	9
	<u>\$ 3,923</u>	<u>\$ 4,051</u>

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**Schedule 2**

**The Property Registry**  
**An Agency of the Special Operating Agencies**  
**Financing Authority - Province of Manitoba**  
**Public Sector Compensation Disclosure**

(In Thousands)

Year Ended March 31, 2006

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds \$50,000 per annum. This information is as follows:

<u>Employee</u>	<u>Position</u>	<u>Amount</u>
Ayotte, R.	Survey Examiner	\$ 50
Barrault, K.	Programmer/Business Analyst	62
Brown, W. G.	Assistant District Registrar	50
Burnick, P.	Acting Client Services Supervisor	51
Cass, A. B.	Survey Examiner	54
Cavers, H. G.	Project Director, Business Services	83
Cavers, R. G.	Release Manager	72
Crierie, R. F.	Manager of Acceptance	53
Crockatt, D.	Registrar, Personal Property Security	70
Davidson, R. E.	Senior Deputy District Registrar	107
Dequier, R.	Administration Officer	52
Effler, B. C.	Deputy Registrar General, District Registrar	114
Fraser, G. R. S.	Examiner of Surveys	89
Fraser, J.	Deputy District Registrar	101
Gilleta, R. C.	Acting Manager of Examinations	53
Heska, R.	Acting Client Services Supervisor	51
Hornby, C. L.	Manager of Public Services	53
Hutch, R. W.	Manager of Examinations	53
Johnston, B. G.	District Registrar	95
Johnston, W.	Survey Examiner	55
Kushniruk, J.	District Registrar	113
Lillie, G.	District Registrar	99
Lund, G. A.	Deputy Examiner of Surveys	74
Madsen, B. O.	Acting Director of Operations	58
McEachern, B. C.	Assistant Deputy Registrar	50
Pauls, I.	Database Administrator	73
Roy, A. D. J.	Acting Trainer	54
Russell, C.	District Registrar	99
Scott, G. D.	Assistant District Registrar	53
Shaw, C.	Assistant District Registrar	50
Simmonds, I.	Deputy District Registrar	84
Sims, E.	District Registrar	98
Stevenson, A.C.	Computer and Systems Coordinator	59
Strong, E.B.	Director, Finance and Systems	72
Stupak, D.	Network Administrator	56
Wilken, D. J.	Administration Officer	51
Wilson, R. M.	Registrar General and Chief Operating Officer	121