

**PROVINCE OF MANITOBA
ANNUAL REPORT
FOR THE YEAR ENDED
MARCH 31, 2004**

**PROVINCE DU MANITOBA
RAPPORT ANNUEL
POUR L'EXERCICE TERMINÉ
LE 31 MARS 2004**

Includes:

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

Sommaire:

- Bilan de L'année
- Rapport économique
- Indicateurs financiers
- Volume I des comptes publics

Manitoba



HIS HONOUR JOHN HARVARD
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, 2004. This document 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.

Included in this Annual Report is Volume 1 of the Public Accounts. The Public Accounts have been structured 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 Special Purpose Statement of Calculation of Balance Under the Balanced Budget Act shows a positive balance of \$13 million in the Operating Fund. The Government is therefore in compliance with the Act. In accordance with the Balanced Budget legislation, this positive balance will be transferred to the Province's Fiscal Stabilization Fund.

Original signed by

Honourable Greg Selinger
Minister of Finance

Office of the Minister of Finance
September, 2004

SON HONNEUR JOHN HARVARD
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 2004. 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 le Volume 1 des comptes publics. Les comptes publics ont été structurés 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 l'équilibré budgétaire, 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 à vocation spéciale du calcul de l'équilibre sous la *Loi* sur le budget équilibré indique un solde positif de 13 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*, le solde positif sera transféré au Fonds de stabilisation des recettes de la province dans le but de faire en sorte que des provisions soient disponibles.

Original signed by

Monsieur Greg Selinger
Ministre des Finances

Bureau du Ministre des Finances
Septembre 2004

TABLE OF CONTENTS	PAGE	TABLE DES MATIÈRES	PAGE
Minister's Message - The Year-End Review.	7	Message du ministre - Bilan de l'année.	7
Economic Report.	22	Rapport économique.	22
Financial Indicators - Summary Financial Statements.	29	Indicateurs financiers - États financiers sommaires.	29
Operating Fund Discussion and Analysis.	37	Fonds de fonctionnement - Discussion et analyses	37
Operating Fund Details of Budgetary Performance.	38	Fonds de fonctionnement - Performance budgétaire détaillée	38
Financial Indicators - Operating Fund.	41	Indicateurs financiers - Fonds de fonctionnement	41
Public Accounts - Volume 1		Volume 1 des comptes publics	
Summary Financial Statements.	51	États financiers sommaires.	51
Special Purpose Statements : Operating Fund.	95	États financiers à vocation spéciale : fonds de fonctionnement	95

MINISTER'S MESSAGE

MESSAGE DU MINISTRE

YEAR-END REVIEW

BILAN DE L'ANNÉE

I am pleased to present the Public Accounts of Manitoba for the fiscal year ended March 31, 2004 and to report the following review of our achievements during the year.

Je suis heureux de présenter les comptes publics du Manitoba pour l'exercice terminé le 31 mars 2004 et de vous faire une récapitulation des réalisations de l'année.

Our budget for the 2003/04 fiscal year outlined a plan to address several critical areas of need during the year. We have delivered on that plan, while addressing some major unplanned disasters that affected Manitobans, in particular continuing challenges to Manitoba's cattle industry caused by the discovery of a single case of Bovine Spongiform Encephalopathy (BSE), and extreme forest fires in Manitoba. At the same time, Manitoba faced an environment of extraordinary fiscal pressures, most notably Manitoba Hydro losses due to extremely low water levels, and unrealized federal revenue promises.



Dans notre budget de l'exercice 2003-2004, nous avons fait part de notre intention de répondre à plusieurs besoins sectoriels vulnérables dans le courant de l'année. Tout s'est déroulé comme prévu, et ce, malgré des désastres imprévus qui ont affecté les Manitobains et les Manitobaines, en particulier les difficultés que continue d'éprouver le secteur de l'élevage du Manitoba à la suite de la découverte d'un seul cas d'encéphalopathie spongiforme bovine (ESB) et les violents feux de forêts qui ont frappé le Manitoba. La Province devait en même temps composer avec d'énormes pressions financières s'expliquant en grande partie par

les pertes d'Hydro Manitoba dues aux niveaux d'eau extrêmement bas et par les promesses de revenus fédéraux qui ne se sont pas concrétisées.

Nevertheless, in 2003/04, we delivered on the commitments that we made to Manitobans and their families.

Il n'en demeure pas moins qu'en 2003-2004, nous avons tout de même respecté nos engagements envers les Manitobains et les Manitobaines et leurs familles.

1. Building for the Future

1. Bâtir l'avenir

Manitobans continued to enjoy a steady pattern of economic growth. Private investment has increased 19% since 1999. In the past four years, from 2000 to 2003, Manitoba created an average of over 6,500 jobs per year compared to less than 3,200 jobs per year in the previous decade. Our Province's credit rating continues to be solid and our fiscal plan continues to be well regarded by the rating agencies. Manitoba's borrowings for general government programs to the GDP ratio fell to 16.4% in 2003/04, from 20.3% in 1999/00.

Les Manitobains et les Manitobaines ont continué de bénéficier d'une croissance économique stable. Depuis 1999, les investissements du secteur privé ont augmenté de 19 %. Au cours des quatre dernières années, soit de 2000 à 2003, le Manitoba a créé en moyenne plus de 6 500 nouveaux emplois par an. Cette moyenne était de moins de 3 200 emplois par an au cours de la décennie précédente. La cote de crédit de notre province est toujours élevée et notre plan financier continue d'être bien perçu par les agences de cotation. La dette à portée générale du Manitoba par rapport au PIB est passée de 20,3 % en 1999-2000 à 16,4 % en 2003-2004.

2. Investing in Education for Youth and Adults

Our economic strategy continues to be an education strategy. With our new investments, more students are taking more courses in more locations throughout Manitoba.

Over 650 nurses graduated in 2003/04, compared to 200 in 1999. Following the transfer of the Stevenson Aviation and Aerospace Training Centre to Red River College in 2002, 754 individuals have participated in advanced aerospace training, 341 of them in 2003/04. There were 2,150 Aboriginal students in college training in 2003/04, while approximately another 2,750 were enrolled in undergraduate studies.

In 2003/04, we provided \$22 million for the College Expansion Initiative (CEI) by providing an additional \$7.3 million to revitalize and expand Manitoba colleges. CEI also provided \$3.7 million for the Red River College's downtown Princess Street campus in 2003/04. In the fall 2003, 1,000 students commenced studies at Red River's Princess Street campus.

Other notable achievements in 2003/04 include:

- capital funding for universities was increased by \$2 million to \$15 million, including \$8 million towards our \$50 million commitment to the University of Manitoba's Building on Strengths campaign;
- funding of approximately \$654,000 was directed toward the establishment of a University College of the North;
- overall operating and program grants to universities were increased by 2.9%;
- university tuition fees remained among the lowest in Canada; and
- 3,226 students were provided with Manitoba Bursary awards to ensure that no student debt exceeded \$6,000 annually.

Manitoba universities were provided with the equivalent of a 4% increase in overall support in 2003/04. Additionally, an investment of more than \$13 million in 2003/04 is helping over 8,000 adult learners to attend 49 Adult Learning Centers across the province to complete their high school diplomas or upgrade specific high school credits needed to access post-secondary or employment opportunities.

2. Investir dans l'éducation des jeunes et des adultes

Notre stratégie économique continue d'être une stratégie de l'éducation. Grâce à nos nouveaux investissements, il y a davantage d'étudiants qui suivent davantage de cours dans un plus grand nombre d'endroits au Manitoba.

Plus de 650 étudiants en sciences infirmières ont reçu leur diplôme en 2003-2004; en 1999, ils n'étaient que 200. À la suite du transfert du Centre Stevenson de formation technique en aéronautique au Red River College en 2002, 754 personnes ont reçu une formation avancée dans le domaine de l'aérospatiale, dont 341 en 2003-2004. Pendant l'exercice, 2 150 étudiants autochtones suivaient une formation collégiale et environ 2 750 autres suivaient des études de premier cycle.

En 2003-2004, nous avons accordé 22 millions de dollars à l'Initiative d'expansion des collèges (IEC), soit 7,3 millions de dollars additionnels pour la revitalisation et l'expansion des collèges du Manitoba. L'IEC a également permis de consacrer, en 2003-2004, 3,7 millions de dollars au campus du centre-ville du Red River College, situé sur la rue Princess. À l'automne 2003, 1 000 étudiants ont entrepris leurs études au campus de la rue Princess.

Voici d'autres réalisations notables de 2003-2004 :

- le financement d'immobilisations destiné aux universités a augmenté de 2 millions de dollars pour atteindre 15 millions de dollars, dont 8 millions de dollars qui s'ajoutent à notre contribution de 50 millions de dollars à la campagne Building on Strengths de l'Université du Manitoba;
- une aide financière d'environ 654 000 \$ a été consacrée à l'établissement d'un collège universitaire du Nord;
- les subventions générales de fonctionnement et de programmes accordées aux universités ont augmenté de 2,9 %;
- nos droits de scolarité sont demeurés parmi les moins élevés du Canada;
- 3226 étudiants ont reçu des bourses du Manitoba, qui visent à s'assurer que la dette étudiante ne dépasse pas 6 000 \$ par an.

En 2003-2004, les universités du Manitoba ont obtenu l'équivalent d'une augmentation de 4 % de leur financement général. En outre, plus de 13 millions de dollars investis en 2003-2004 aident plus de 8 000 apprenants adultes à fréquenter l'un des 49 Centres d'apprentissage pour adultes dans le but d'obtenir leur diplôme d'études secondaires ou les crédits qui leur manquent pour poursuivre des études postsecondaires ou obtenir un emploi.

Our Government has also strengthened Manitoba's public school system by:

- significantly increasing public school funding by \$23.8 million;
- providing capital grants of \$50 million to renovate and rebuild public schools in Manitoba during the year;
- committing \$1 million per year for three years to fund research into issues of class size and composition. The fund supported 16 projects in schools across the province in 2003/04.

We have done all this while simultaneously reducing property taxes. Education property taxes were reduced again as the Education Support Levy mill rate on residential property fell 20.5% for 2003 and the maximum Education Property Tax Credit for seniors rose from \$775 to \$800.

3. Moving Ahead on Health Care

Since 1999, we have made major investments to rebuild Manitoba's health system and sustain medicare. Through expanded home care service, improved patient management, a new flu vaccination program, significant new investments in technology and equipment and, above all, the hard work of our front line health care professionals, hallway medicine is now the exception rather than the rule.

We have added 394 additional spaces to train technologists, therapists, and health care aides, and there are now 1,287 more students enrolled in nursing than there were in 1999.

Similarly, and according to the most recent data, there are 2,176 licensed doctors in Manitoba – 116 more than in 1999. We funded 15 new spaces in Manitoba's medical school, a 21% increase since 1999, and with new loan incentives, we have ensured that more graduating doctors will practice in our communities. We continued support for recruiting and retaining more health care professionals by improving working conditions through the Nursing Safety and Security Fund. Since 1999, we have recruited and retained more rural doctors, expanded rural home care, and provided 100 new ambulances. Last year, there were 534 licensed doctors in rural Manitoba, up from 498 in 1999.

Notre gouvernement a également renforcé le système scolaire public :

- en augmentant sensiblement le financement des écoles publiques, par l'ajout de 23,8 millions de dollars supplémentaires;
- fournir 50 millions de dollars à la rénovation et à la reconstruction des écoles publiques du Manitoba pendant l'année;
- en consacrant un million de dollars par année pendant trois ans au financement de la recherche consacrée à la résolution des problèmes liés à la taille et à la composition des classes. En 2003-2004, ces fonds ont permis d'appuyer 16 projets dans des écoles de toutes les régions de la province.

Tout cela s'est fait parallèlement à une réduction des impôts fonciers. L'impôt foncier d'aide à l'éducation a diminué de nouveau en 2003 avec la baisse de 20,5 % du taux de taxation sur les propriétés d'habitation, exprimé en millième de dollars, et l'augmentation du crédit d'impôt foncier d'aide à l'éducation pour les personnes âgées, qui est passé de 775 à 800 \$.

3. Santé : continuer sur notre lancée

Depuis 1999, nous investissons beaucoup dans la reconstruction du système de soins de santé et le maintien du régime d'assurance-maladie. Grâce à l'expansion des services de soins de santé à domicile, à l'amélioration de la prise en charge des patients, à un nouveau programme de vaccination contre la grippe, aux nouveaux investissements importants dans la technologie et l'équipement et, par-dessus tout, au travail acharné des professionnels de la santé de première ligne, la médecine de couloir est dorénavant une exception plutôt que la règle.

Nous avons ajouté 394 places aux programmes de formation des technologues, des thérapeutes et du personnel aide soignant, et il y a maintenant 1 287 étudiants de plus inscrits dans le programme de sciences infirmières qu'en 1999. De plus, selon les données les plus récentes, le Manitoba compte 2 176 médecins autorisés à pratiquer, soit 116 de plus qu'en 1999. Nous avons financé 15 places supplémentaires dans le programme de médecine du Manitoba, une augmentation de 21 % depuis 1999. Grâce aux nouveaux prêts d'encouragement, nous avons garanti qu'un plus grand nombre de médecins diplômés au Manitoba pratiqueront la médecine dans nos collectivités. Nous continuons à soutenir les mesures de recrutement et de maintien en poste des professionnels de la santé en améliorant les conditions de travail grâce au fonds de sécurité et de protection du personnel infirmier. Depuis 1999, nous avons recruté et gardé un plus grand nombre de médecins dans les régions rurales, assuré l'expansion des services de soins de santé à domicile dans les régions rurales et fourni 100 nouvelles ambulances.

We implemented a strategic rebuilding program, with health facility expansions, renovations and major equipment purchases totaling over \$91 million in 2003/04 for communities such as Brandon, Thompson, Churchill, Steinbach, The Pas, Gimli, Island Lake/Garden Hill, and Swan River. We have also added 4 new CT scanners in Selkirk, The Pas, Steinbach and Portage, and, for the first time, we have an MRI outside of Winnipeg, in Brandon. Addressing the needs of rural and remote communities is a priority of our Government.

We initiated the largest health capital project in the province's history at the Health Sciences Centre in 2003/04, which will include new adult and children's emergency departments, new operating rooms and new intensive care, post-anesthesia and coronary care units. We also provided approximately \$41.4 million for needed medical equipment and training, \$18.2 million of which was received from the federal government.

Also in 2003/04, we provided:

- \$183 million for vital home care services ;
- \$1.7 million for the River East Access Center to provide health and community services;
- \$996,000 for closer-to-home dialysis treatment in Island Lake/Garden Hill; and
- more than \$2.75 million for Manitoba's nationally recognized West Nile Virus program.

Pharmacare costs increased by 15% in 2003/04. In the context of declining federal support for provincial health care costs, and in order to help sustain Manitoba's Pharmacare program, our government introduced the following changes in 2003/04:

- Effective May 1, 2003, coverage for new drugs like Gleevec and Pegetron; and
- Effective July 1, 2003, an increase in deductibles. For the majority of beneficiaries, this meant an increase of between \$1 and \$5 per month.

L'an dernier, l'on comptait 534 médecins autorisés à pratiquer dans les régions rurales du Manitoba, comparativement à 498 en 1999.

Nous avons mis en œuvre un programme de reconstruction stratégique comprenant des agrandissements hospitaliers, des rénovations et d'importants achats d'équipement totalisant plus de 91 millions de dollars en 2003-2004 dans des localités comme Brandon, Thompson, Churchill, Steinbach, The Pas, Gimli, Island Lake/Garden Hill et Swan River. Nous avons aussi acquis quatre nouveaux tomodensitomètres à Selkirk, The Pas, Steinbach et Portage, et, pour la première fois, nous avons un appareil d'IRM en dehors de Winnipeg (à Brandon). Répondre aux besoins des collectivités rurales et éloignées est considéré comme une priorité par notre gouvernement.

En 2003-2004, nous avons mis en œuvre le plus grand projet d'immobilisations dans le domaine de la santé de toute l'histoire du Manitoba, projet qui prévoit de nouveaux services d'urgence pour les adultes et les enfants, de nouvelles salles d'opération, de nouveaux services de soins intensifs et des services de soins postopératoires et de soins coronariens au Centre des sciences de la santé. Nous avons également consacré environ 41,4 millions de dollars à l'achat d'équipement médical essentiel et à la formation, dont 18,2 millions de dollars provenaient du gouvernement fédéral.

Toujours en 2003-2004, nous avons accordé :

- 183 millions de dollars pour les services vitaux de soins à domicile;
- 1,7 million de dollars pour le centre d'accès communautaire qui offre des services communautaires et de santé dans le quartier de River East;
- 996 000 \$ pour les traitements de dialyse plus près de chez soi offerts à Island Lake/Garden Hill;
- plus de 2,75 millions de dollars au programme de lutte contre le virus du Nil occidental du Manitoba, qui est reconnu à l'échelle nationale.

En 2003-2004, les coûts afférents au Régime d'assurance-médicaments ont augmenté de 15 %. En raison de la réduction du soutien fédéral pour les coûts liés aux soins de santé et pour assurer le maintien du Régime d'assurance-médicaments du Manitoba, notre gouvernement a apporté les changements suivants en 2003-2004 :

- ajout de nouveaux médicaments sur la liste des médicaments couverts (p. ex. : Gleevec et Pegetron) à compter du 1^{er} mai 2003;
- augmentation de la franchise, à compter du 1^{er} juillet 2003. Pour la majorité des bénéficiaires, l'augmentation des dépenses varie de un à cinq dollars par mois.

4. Supporting Children and Families

Our Government continues to emphasize the importance of child care. Consequently, we approved funding for 788 more child care spaces in 2003/04, and we contributed an additional \$6 million to our five-year plan for affordable, accessible and high quality child care, bringing total provincial support to \$76 million. Funding for child care has increased by \$22.3 million since 1999, an overall increase of 41.5%. In total, for 2003/04, we invested \$115.7 million in early childhood development. We also increased resources for the Applied Behaviour Analysis (ABA) program for pre-school children with autism from \$1 million to \$2 million.

In 1999, we promised to fully restore the National Child Benefit Supplement for all Manitoba families receiving income assistance. This commitment was achieved as of January 1, 2004.

Income assistance rates for single adults and childless couples in the general assistance category were increased by \$20.00 per adult per month and by an equivalent amount for adult persons with disabilities, effective January 2004. Further, we increased support for adults with mental disabilities and children with disabilities from approximately \$110 million to \$122.7 million.

5. Safer Communities

Manitobans place a high priority on decent housing, vibrant neighbourhoods, and safe communities. In 2003/04:

- Neighbourhoods Alive! invested \$3.2 million to revitalize neighbourhoods in need in Winnipeg, Brandon and Thompson. The housing contribution under the Neighbourhoods Alive! Housing Assistance Program was \$2.4 million.
- The Winnipeg Housing and Homelessness Initiative, a partnership between the Province, the City of Winnipeg and the federal government, has added almost 1,700 units approved for renovation and construction since 2000.
- The Province contributed \$536,000 under its joint \$14 million Building Communities initiative with the City of Winnipeg to renew housing and

4. Soutenir les enfants et les familles

Notre gouvernement continue de souligner l'importance des services de garde d'enfants. Ainsi, nous avons approuvé le financement de 788 places en garderie de plus en 2003-2004, tout en versant 6 millions de dollars de plus à la réalisation de notre plan pour des services de garde d'enfants qui soient abordables, accessibles et de grande qualité, ce qui fait passer le soutien total de la Province à 76 millions de dollars. Le financement des services de garde d'enfants a augmenté de 22,3 millions de dollars depuis 1999, soit une augmentation de 41,5 %. Au total, en 2003-2004, nous avons injecté 115,7 millions de dollars dans le développement du jeune enfant. Nous avons aussi augmenté les ressources allouées au programme d'analyse comportementale appliquée pour les enfants autistiques d'âge préscolaire, qui sont passées de 1 à 2 millions de dollars.

En 1999, nous avons promis de rétablir la Prestation nationale pour enfants à toutes les familles bénéficiaires de l'aide au revenu. Cette promesse a été tenue le 1^{er} janvier 2004.

Depuis le 1^{er} janvier 2004, les prestations d'aide au revenu des adultes célibataires et des couples sans enfant entrant dans la catégorie générale ont augmenté de 20 \$ par mois par adulte et d'un montant équivalent pour les adultes handicapés. Nous avons également augmenté l'aide accordée aux adultes handicapés mentaux ainsi qu'aux enfants handicapés de 110 à 122,7 millions de dollars environ.

5. Des communautés plus sûres

Pour les Manitobains et les Manitobaines, le bon état des logements, le dynamisme des quartiers et la sécurité des communautés constituent des questions de haute priorité. Voici quelques faits saillants de 2003-2004 :

- Le programme Quartiers vivants a investi 3,2 millions de dollars à la revitalisation de quartiers qui en avaient besoin à Winnipeg, Brandon et Thompson. La contribution dans le cadre du Programme d'aide à l'accès au logement inclus dans le programme Quartiers vivants s'élevait à 2,4 millions de dollars.
- Le programme Logement et sans-abri de Winnipeg, fruit d'un partenariat de la Province avec la Ville de Winnipeg et le gouvernement fédéral, a permis d'ajouter presque 1 700 unités de logement dont la rénovation ou la construction a été approuvée depuis 2000.
- Dans le cadre du programme Renforcement des collectivités, un programme d'immobilisations de 14 millions de dollars à frais partagés avec la Ville de Winnipeg, la Province a accordé 536 000 \$ pour la

infrastructure in neighbourhoods shouldering the inner city.

- We continued to implement the Affordable Housing Agreement with the federal government to deliver at least 2,500 housing units to low and moderate income families over the next five years.

We took strong measures to deal with those who threaten the safety of our neighbourhoods. Unprecedented levels of support were provided to Provincial Policing with the RCMP being funded at the highest level ever. Expenditures were \$68.8 million in 2003/04, up by \$4.6 million or 7% over the previous year.

Funding for the Manitoba Prosecutions Service increased by \$2 million in 2003/04, allowing the Government to fill thirteen new positions. We also increased Legal Aid expenditures by \$2.6 million, resulting in the addition of four new legal counsel positions and a tariff increase for the Private Bar.

6. The Manitoba Economy: Strength in Diversity

Our diversified economy has served us well in 2003/04:

- Manitoba had the lowest unemployment rate and second lowest youth unemployment rates in the country in 2003; 69.0% of working-age Manitobans participated in our labour market.
- Since 1999, Manitoba has created 5,100 full-time jobs per year.

Manitoba's per capita personal disposable income increased 2.4%, an overall increase of 14.5% since 1999.

Our economic prosperity depends in part on putting our savings to work here at home. Our existing labour sponsored investment funds, Crocus and Ensis, have been very successful in this regard. Their combined capital totals approximately \$269 million, up from \$137 million in 1999. Together, these funds have invested in 77 Manitoba firms.

During 2003/04, we extended this approach from the Provincial level to the community level, by introducing the Community Enterprise Development Tax Credit. This Credit provides

remise en état des logements et de l'infrastructure dans les quartiers adjacents aux quartiers centraux.

- Nous continuerons de mettre en œuvre l'Entente concernant le logement abordable avec le gouvernement fédéral, afin d'offrir aux familles à revenu faible ou modéré au moins 2 500 nouvelles unités de logement.

Nous prenons des mesures strictes à l'égard des personnes qui menacent la sécurité de nos quartiers. Nous offrons un niveau de soutien sans précédent aux forces de l'ordre provinciales et la GRC n'a jamais reçu autant d'appui financier. Les dépenses à ce chapitre s'élevaient à 68,8 millions de dollars en 2003-2004, une hausse de 4,6 millions de dollars ou de 7 % par rapport à l'année précédente.

En 2003-2004, le financement accordé aux activités relatives aux poursuites judiciaires a augmenté de 2 millions de dollars, ce qui a permis au gouvernement de combler treize nouveaux postes. Nous avons aussi augmenté le budget de la Société d'aide juridique de 2,6 millions de dollars, ce qui a permis d'ajouter quatre nouveaux postes de conseiller juridique et d'augmenter le tarif des avocats du secteur privé.

6. L'économie manitobaine : la force de la diversité

La diversité de notre économie nous a bien servis en 2003-2004 :

- En 2003, le Manitoba avait le taux de chômage le plus bas au Canada. Chez les jeunes, le Manitoba se classait au deuxième rang parmi les provinces ayant les taux de chômage les plus bas. Parmi les Manitobains en âge de travailler, 69,0 % occupaient une place sur le marché du travail.
- Depuis 1999, le Manitoba a créé 5 100 emplois à temps plein par année.

Le revenu personnel disponible par habitant au Manitoba a augmenté de 2,4 %, une augmentation générale de 14,5 % depuis 1999.

La prospérité de notre économie dépend en partie de notre capacité à faire fructifier notre épargne chez nous. Nos deux fonds actuels d'investissement des travailleurs, Crocus et Ensis, se sont révélés très efficaces à cet égard. Leur capital combiné est passé de 137 millions de dollars en 1999 à environ 269 millions de dollars aujourd'hui. À eux deux, ces fonds ont investi dans 77 entreprises manitobaines.

En 2003-2004, nous avons étendu cette démarche provinciale au niveau des collectivités en établissant le crédit d'impôt au développement de l'entreprise communautaire. Ce crédit donne aux collectivités du

Manitoba communities with further means to draw upon local savings to support local investment. Qualifying investments in individual community enterprises, or in pools that will invest in community enterprises, are now eligible for a 30% personal income tax credit on investments up to \$30,000.

Since 1999, immigration to Manitoba increased by over 74%, reaching 6,491 immigrants per year. This growth is critical to our economic future, and is a tribute to Manitoba's strategy of involving employers, labour, and community groups in immigration recruitment.

7. Building Through Research and Innovation

Provincial support for research and innovation in 2003/04 included:

- \$1.375 million for the Richardson Centre for Functional Foods and Nutraceuticals; \$1 million for the I.H. Asper Clinical Research Institute at St. Boniface General Hospital;
- construction of the new Food Development Center pilot plant, began in September 2003;
- an increase of \$1.15 million to the amount available through the Manitoba Research and Innovation Fund;
- support of \$1 million in 2003/04 from the College Expansion Initiative, for a new biotechnology training strategy in partnership with Red River College and Biovail; and
- in order to ensure that our innovation efforts are creating maximum opportunities for all people in the province, we have provided support to the Canadian Centre for Policy Alternatives (Manitoba) for its research into employment opportunities for low-income people as reflected in Manitoba's Innovation Framework. Total support provided was: \$27,600 from Intergovernmental Affairs and Trade, \$10,000 from Advanced Education and Training, \$25,000 from Aboriginal and Northern Affairs and \$20,000 from Energy, Science and Technology, with a further \$10,000 to follow in 2004/05 from Advanced Education and Training.

We are working with Manitoba communities and businesses to attain the required infrastructure for electronic connectivity for

Manitoba des moyens supplémentaires de puiser dans l'épargne locale pour soutenir l'investissement sur place. Tout investissement admissible, d'un montant maximum de 30 000 \$, dans une entreprise communautaire individuelle ou dans un fonds commun destiné au financement de telles entreprises, donne droit à un crédit d'impôt personnel de 30 %.

Depuis 1999, le nombre d'immigrants au Manitoba a augmenté de plus de 74 %, atteignant jusqu'à 6 491 immigrants par an. Cette croissance de l'immigration, indispensable à notre avenir économique, démontre l'efficacité de la stratégie du Manitoba qui consiste à faire participer les employeurs, les syndicats et les groupes communautaires au recrutement des immigrants.

7. Bâtir grâce à la recherche et à l'innovation

Parmi les fonds que la Province a consacrés à la recherche et au développement en 2003-2004, citons notamment :

- 1,375 million de dollars pour le Centre Richardson de recherche sur les aliments fonctionnels et nutraceutiques; 1,0 million de dollars pour l'Institut de recherche clinique I.H. Asper, à l'Hôpital général de Saint-Boniface;
- les fonds pour la construction de l'usine pilote du nouveau Centre de développement de produits alimentaires, amorcée en septembre 2003;
- une augmentation de 1,15 million de dollars du montant d'argent disponible par l'intermédiaire du Fonds de recherche et d'innovation du Manitoba;
- 1,0 million de dollars versé en 2003-2004 dans le cadre de l'Initiative d'expansion des collèges pour la nouvelle stratégie de formation dans le domaine des biotechnologies, en collaboration avec le Red River College et Biovail;
- les fonds versés au Centre canadien de politiques alternatives (Manitoba) pour ses études sur les possibilités d'emploi des personnes à faible revenu, nous assurant ainsi que nos efforts en matière d'innovation ouvrent le maximum de possibilités pour tous les habitants de la province conformément à la stratégie pour susciter et soutenir l'innovation au Manitoba. L'aide financière provenait des sources suivantes : 27 600 \$ d'Affaires intergouvernementales et Commerce, 10 000 \$ d'Enseignement postsecondaire et Formation professionnelle, 25 000 \$ d'Affaires indiennes et du Nord et 20 000 \$ d'Énergie, Sciences et Technologie. Enseignement postsecondaire et Formation professionnelle versera 10 000 \$ de plus en 2004-2005.

Nous collaborons avec les collectivités et les entreprises du Manitoba afin de se doter de l'infrastructure requise au raccordement électronique dans les secteurs de l'innovation

community innovation, commerce, education and health care. A new e-commerce course is now being offered by Red River College, and we are working to extend Internet access throughout the province. Manitoba also continues to excel in the important area of life sciences.

8. Water Policy Across the Province

During the 2003/04 fiscal year, our Government created the Department of Water Stewardship. Manitoba is the only province in Canada to establish a separate department whose sole aim is to manage water. Key priorities are protecting the quality of our drinking water, enhancing the health of our lakes, rivers, wetlands and riparian areas, improving flood protection, and maintaining our drainage infrastructure.

To achieve our vision, we undertook a number of initiatives:

- The Drinking Water Safety Act, one of the strongest in North America, was proclaimed in January of this year.
- Our Government finalized the Manitoba Water Strategy, and then followed up with the introduction of the Water Protection Act.
- We announced the Lake Winnipeg Action Plan late in 2003 and its commitment to restore nutrient levels to 1970s conditions. Substantial work proceeded on the Lake in 2004.
- We continued to support agriculture and rural communities through an increase of 12% in capital grants to the Conservation Districts Program, a total of \$3.975 million in 2003/04.
- We introduced legislation to establish The Red River Floodway Expansion Authority to oversee the planning and construction of an expanded floodway which will expand capacity and provide increased protection for Winnipeg.
- Last year, ring dikes in the Red River Valley were enhanced with an additional investment of over \$2 million. The Province also spent \$6.1 million during the year on drainage related capital and maintenance projects in rural Manitoba.

communautaire, du commerce, de l'éducation et des soins de santé. Le Red River College offre maintenant un nouveau cours de commerce électronique et nous nous efforçons d'étendre l'accès à Internet à l'ensemble de la province. Le Manitoba continue aussi de se distinguer dans le secteur des sciences de la vie, qui revêt une grande importance.

8. Politique relative à l'eau à l'échelle de la province

Pendant l'exercice 2003-2004, notre gouvernement a créé le Ministère de la gestion des ressources hydriques. Le Manitoba est la seule province du Canada à avoir créé un ministère dont l'unique responsabilité est la gestion de l'eau. Ses principales priorités sont de protéger la qualité de notre eau potable, d'améliorer la santé de nos lacs, rivières, marécages et milieux riverains, de mieux lutter contre les inondations et de maintenir notre infrastructure de drainage en état.

Pour faire de notre vision une réalité, nous avons pris diverses initiatives :

- La Loi sur la qualité de l'eau potable, une des plus sévères en Amérique du Nord, est entrée en vigueur en janvier dernier.
- Notre gouvernement a mis la dernière main à la Stratégie manitobaine de gestion de l'eau, puis présenté la Loi sur la protection des eaux.
- Nous avons annoncé la création du Plan d'action de protection du lac Winnipeg à la fin de 2003 et son objectif de ramener le niveau nutritif du lac à ce qu'il était dans les années 1970. Des travaux majeurs ont été entrepris sur le lac en 2004.
- Nous avons continué de soutenir l'agriculture et les collectivités rurales en augmentant de 12 % les subventions d'immobilisations versées au programme des districts de conservation, qui ont atteint 3,975 millions de dollars en 2003-2004.
- Nous avons proposé un projet de loi régissant l'organisme responsable de l'élargissement du canal de dérivation de la rivière Rouge, qui verra à la planification et à la mise en œuvre des travaux d'élargissement permettant d'augmenter la capacité et de mieux protéger la ville de Winnipeg.
- L'an dernier, on a amélioré les digues circulaires de la vallée de la rivière Rouge en investissant un montant additionnel dépassant 2 millions de dollars. Pendant l'année, la Province a aussi dépensé 6,1 millions de dollars dans des projets d'immobilisations et d'entretien dans les régions rurales du Manitoba.

9. Transportation

In a province as large and geographically diverse as Manitoba, transportation is crucial to economic development and quality of life in each region. In 2003/04, our second year of a five-year, \$600 million highway construction program, we spent approximately \$118 million, in addition to close to \$70 million for highway maintenance.

To ensure transparency and accountability, we introduced The Gas Tax Accountability Act, legislation that requires an annual report showing road-use fuel tax revenues and roadway expenditures, commencing in 2004/05.

10. Rural Manitoba

Agriculture and the rural economy continued to face tremendous challenges on both the local and international fronts in 2003/04. The discovery of BSE, together with severe drought in some of the key livestock producing areas, has severely impacted the livestock industry. In 2003/04, we provided significant financial support to the industry:

- We provided \$42.4 million in disaster assistance;
- The Manitoba Agricultural Credit Corporation provided \$56.9 million in BSE Recovery loans, \$22.1 million in Stocker Loans and \$22 million in loan guarantees, together with the deferral of \$2.8 million in scheduled loan payments;
- We provided a 14.6% increase in risk management and income support programs, with \$52.3 million for the new Canadian Agricultural Income Stabilization program and \$35.4 million in crop insurance;
- Manitoba Crop Insurance Corporation's program provided the highest amount of coverage to Manitoba in its history, at \$1.35 billion.

In September 2003, the Province signed the Implementation Agreement of the Agricultural Policy Framework (APF). The Province committed approximately \$400 million over the next five years for risk management and \$38 million in existing programming.

9. Transport

Dans une province aussi grande et aussi variée, du point de vue géographique, que le Manitoba, le transport est un facteur crucial pour le développement économique et la qualité de vie dans chaque région. En 2003-2004, qui constitue la deuxième année de notre programme quinquennal de construction routière, nous avons dépensé environ 118 millions de dollars sur les 600 millions de dollars prévus pour l'ensemble du projet. À ce montant s'ajoutent près de 70 millions de dollars pour l'entretien du réseau routier.

Pour assurer une plus grande transparence et obligation redditionnelle, nous avons déposé la Loi sur l'obligation redditionnelle concernant l'essence, qui exige la publication d'un rapport annuel indiquant les recettes et les dépenses liées à la taxe sur le carburant à partir de 2004-2005.

10. Les régions rurales du Manitoba

En 2003-2004, l'agriculture et l'économie rurale ont continué d'éprouver de grandes difficultés sur le plan local et international. La découverte d'un cas d'encéphalopathie spongiforme bovine (ESB) ainsi que la grave sécheresse ayant touché certaines des principales zones d'élevage du Manitoba ont frappé durement le secteur de l'élevage. En 2003-2004, nous avons accordé une aide financière importante à ce secteur :

- Nous avons accordé une aide financière aux sinistrés s'élevant à 42,4 millions de dollars.
- La Société du crédit agricole du Manitoba a accordé 56,9 millions de dollars en prêts du Programme de redressement face à l'ESB, 22,1 millions de dollars en prêts pour l'élevage de bovins de long engraissement et 22,0 millions de dollars en garantie de prêt. Elle a aussi reporté la date limite de remboursement de prêts s'élevant à 2,8 millions de dollars.
- Nous avons augmenté de 14,6 % les montants alloués aux programmes de soutien agricole et de soutien du revenu, ce qui comprend 52,3 millions de dollars pour le nouveau programme canadien de stabilisation du revenu agricole et 34,5 millions de dollars en assurance-récolte.
- Les montants garantis par la Société d'assurance-récolte du Manitoba, qui s'élèvent à 1,35 milliard de dollars, sont les plus élevés de son histoire.

En septembre 2003, la Province a signé l'accord de mise en œuvre du Cadre stratégique pour l'agriculture (CSA). La Province s'est ainsi engagée à verser environ 400 millions de dollars au cours des cinq prochaines années pour la gestion du risque et 38 millions de dollars dans les programmes existants.

In 2003/04, the Province continued to support agriculture and rural communities through:

- \$42.9 million in Enhanced Diversification Loan Guarantees.
- \$10.8 million in financing to assist in the inter-generational transfer of 93 family farm operations under the Bridging Generations Initiative.
- An Agri-Energy office was established in 2003 as Manitoba's one stop shop for green energy initiatives, and for linking agriculture and climate change-related opportunities such as carbon management, bio-lubricants, and energy efficiency.

We are also committed to improving quality of life for rural residents through specific new measures to increase support to rural and northern libraries by \$300,000. The tri-level Canada-Manitoba Infrastructure Program has also committed an additional \$500,000 in support of rural libraries, and over \$6.4 million to improve recreation centers in The Pas, Dauphin, Selkirk, Beausejour, Mafeking, Fraserwood, Pilot Mound and Headingley.

We directed \$35 million to municipalities outside of Winnipeg and northern communities through the Provincial-Municipal Tax Sharing arrangement, by which the Province shares its personal and income tax revenue with local governments – a unique revenue-sharing arrangement within Canada.

11. Northern and Aboriginal Communities

In 2003/04, our Government continued to implement Manitoba's Northern Development Strategy.

- We provided \$1.1 million in provincial grants to the Manitoba Association of Friendship Centers.
- We channeled \$41.0 million for road construction and maintenance; \$11.4 million for airport and marine operations, maintenance and capital; and \$5.7 million for winter road operations.
- Through our Mineral Exploration Assistance Program, which provided \$20 million in proposed private sector investment for mineral explorations, we supported 68 new exploration projects which were undertaken by 49 companies.
- We provided \$200,000 to support an

En 2003-2004, la Province a continué d'appuyer l'agriculture et les collectivités rurales :

- en versant 42,9 millions de dollars au Programme amélioré de garanties de prêts pour la diversification;
- en accordant une aide financière de 10,8 millions de dollars pour faciliter le transfert de 93 exploitations agricoles au sein d'une même famille dans le cadre de l'initiative Pont entre les générations;
- en créant en 2003 l'Office de l'agri-énergie, qui sert de guichet multiservices pour se renseigner sur les projets d'énergie verte et les possibilités qu'ouvre le changement climatique dans les domaines de la gestion du carbone, des biolubrifiants et de l'efficacité énergétique.

Nous sommes également déterminés à améliorer la qualité de vie de la population rurale grâce à des nouvelles mesures spécifiques telles que l'augmentation de 300 000 \$ de l'aide consacrée aux bibliothèques des régions rurales et du Nord. Dans le cadre du Programme d'infrastructure tripartite Canada-Manitoba, on s'est également engagé à verser 500 000 \$ dollars additionnels pour aider les bibliothèques rurales et plus de 6,4 millions de dollars pour améliorer les centres de loisirs de The Pas, Dauphin, Selkirk, Beausejour, Mafeking, Fraserwood, Pilot Mound et Headingley.

Nous avons versé 35 millions de dollars à des municipalités en dehors de Winnipeg et à des localités du Nord en vertu du partage provincial-municipal des recettes fiscales, un programme de partage des recettes avec les administrations locales unique au Canada.

11. Communautés autochtones et du Nord

En 2003-2004, notre gouvernement a poursuivi la mise en œuvre de la Stratégie de développement du Nord :

- Nous avons accordé des subventions provinciales s'élevant à 1,1 million de dollars à la Manitoba Association of Friendship Centers.
- Nous avons consacré 41,0 millions de dollars à la construction et à l'entretien des routes, 11,4 millions de dollars à l'exploitation, à l'entretien et aux immobilisations des aéroports et des traversiers, et 5,7 millions de dollars à l'exploitation des chemins d'hiver.
- Dans le cadre de notre Programme d'aide à l'exploration minière, qui a généré des propositions d'investissement du secteur privé de l'ordre de 20 millions de dollars pour des projets d'exploration minière, nous avons soutenu 68 nouveaux projets d'exploration mis en œuvre par 49 entreprises.
- Nous avons fourni 200 000 \$ pour appuyer l'expansion des travaux du Centre de diversification des ressources financières du Nord visant à aider les habitants du Nord

expansion of the Northern Forest Diversification Center's work in assisting residents of Northern communities to harvest, process, and market non-timber forest products.

We also provided almost \$808,000 to ensure increased shipping at the port of Churchill, Canada's mid-continent gateway to the world.

12. Urban Initiatives and Tourism in Manitoba

Major projects in Winnipeg in 2003/04 included:

- completion of the Red River College downtown campus;
- the Millennium Library;
- the MTS Entertainment Centre;
- Waterfront Drive in the Exchange District; and
- the expansion of CanWest Global Park.

To promote growth in our film and recording industries, we increased support by \$1 million to Manitoba Film and Sound. We provided an overall 6.1% increase to the Manitoba Arts Council and, in partnership with the City of Winnipeg, we have made significant strides to secure the future of the Winnipeg Symphony Orchestra. The Province provided approximately \$208,000 in funding to the WSO in 2003/04, including \$45,000 in special transition funding as part of a two-year agreement with the City of Winnipeg and Province of Manitoba.

Strategies have been developed for marketing the rapidly growing adventure travel and eco-tourism industry, along with cultural, Aboriginal, and heritage attractions. Funding for tourism marketing was increased by \$750,000 to maintain our competitive position in key markets, and to encourage fellow Manitobans to experience the many attractions here. In March 2004 new legislation was introduced to establish Travel Manitoba as an agency of the Crown.

à récolter, à transformer et à commercialiser les produits forestiers autres que le bois.

Nous avons également consacré jusqu'à 808 000 \$ au port de Churchill, dans le but d'augmenter les opérations portuaires de la porte d'accès du centre du Canada vers le monde.

12. Initiatives urbaines et tourisme au Manitoba

Parmi les principaux projets menés à bien à Winnipeg en 2003-2004, mentionnons :

- la fin des travaux de construction du campus du Red River College au centre-ville;
- la bibliothèque du millénaire;
- le centre de divertissement MTS;
- la promenade riveraine, dans le quartier de la bourse;
- l'agrandissement du stade de baseball CanWest Global.

Pour encourager la croissance de nos industries cinématographique et phonographique, nous avons augmenté de 1,0 million de dollars notre appui à la Société manitobaine de développement de l'enregistrement cinématographique et sonore. Nous avons accordé une augmentation globale de 6,1 % des fonds accordés au Conseil des arts du Manitoba. En partenariat avec la Ville de Winnipeg, nous avons beaucoup progressé pour assurer l'avenir de l'Orchestre symphonique de Winnipeg. En 2003-2004, la Province a accordé une aide financière d'environ 208 000 \$ à l'OSW, dont 45 000 \$ à titre de fonds de transition spécial dans le cadre d'une entente de deux ans avec la Ville de Winnipeg et la Province du Manitoba.

Nous avons établi des stratégies pour la commercialisation tant de l'industrie en pleine croissance du tourisme d'aventure et de l'écotourisme que du secteur des attractions touristiques culturelles et autochtones, ainsi que de celui du patrimoine. Les fonds consacrés à la commercialisation touristique ont augmenté de 750 000 \$ afin de maintenir notre position concurrentielle sur les marchés clés et d'encourager nos compatriotes manitobains à faire l'expérience des nombreuses attractions touristiques de notre province. En mars 2004, nous avons déposé une nouvelle législation visant à faire de Voyage Manitoba une société de la Couronne.

13. Environmental Stewardship

Two new provincial parks were created in 2003/04. South Atikaki Provincial Park will offer numerous eco-tourism opportunities including canoeing, hiking and camping in pristine wilderness. The Criddle/Vane Homestead Provincial Park will maintain natural features representative of the Assiniboine Delta natural region.

Other notable achievements in 2003/04 include:

- Over \$1.1 million was provided in grants through the Sustainable Development Innovations Fund for 60 projects relating to the development, implementation and promotion of environmental innovation and sustainable development.
- Two new regulations were enacted last year as part of the Government's overall strategy to enhance land use planning and protect water quality.
- We continued with the broad area planning for land and resource use on the east side of Lake Winnipeg to maintain the sustainability of the boreal forest and to address the needs of local communities for transportation and community economic development.

14. Impacts of changing accounting standards on government finances

This Government has been consistent in its move towards accountability and transparency. This has included steady progress towards the adoption of generally accepted accounting principles.

One of the consequences of these improvements in accounting is a change in the annual reporting of the accumulated deficit where adjustments for prior periods are generally reflected on a cumulative basis in the year in which the adjustment is made. The adjustments are not applied to the past years and therefore the single year change can appear significant.

The \$1.3 billion increase in the accumulated deficit and the net debt as reported on pages 61 and 93, respectively, is in the main the direct result of the cumulative effects of complying with changing accounting standards. Applying the changed accounting standard back to the time of the original transactions

13. Gérance de l'environnement

Deux nouveaux parcs provinciaux ont été créés en 2003-2004. Le parc provincial d'Atikaki sud offrira de nombreuses possibilités de pratiquer diverses activités d'écotourisme comme le canot, la randonnée pédestre et le camping sauvage. Pour sa part, le parc provincial Criddle/Vane Homestead assurera la pérennité des éléments naturels propres à la région du delta de la rivière Assiniboine.

Voici d'autres réalisations notables de 2003-2004 :

- Plus de 1,1 million de dollars de subventions provenant du Fonds des innovations de développement durable ont été accordées à 60 projets liés au développement, à la mise en œuvre et à la promotion de l'innovation environnementale et du développement durable.
- Deux nouveaux règlements ont été adoptés l'an dernier dans le cadre de la stratégie gouvernementale globale visant à assurer un meilleur aménagement du territoire et à protéger la qualité de l'eau.
- Nous poursuivons l'aménagement des terres et des ressources de la rive est du lac Winnipeg, de façon à maintenir la viabilité de la forêt boréale tout en répondant aux besoins des collectivités locales en matière de transport et de développement économique.

14. Effets de la modification des normes comptables sur les finances du gouvernement

Ce gouvernement a toujours favorisé l'amélioration de la transparence et de l'obligation redditionnelle et a fait de constants progrès dans l'adoption des principes comptables généralement reconnus.

Une des conséquences de l'amélioration des normes comptables est la modification de notre façon d'indiquer annuellement le déficit accumulé lorsque les redressements pour les exercices antérieurs sont en principe indiqués sur une base cumulative pour l'année pendant laquelle le redressement est effectué. Les redressements ne sont pas appliqués aux exercices antérieurs et, par conséquent, la variation d'une année à une autre peut paraître importante.

L'augmentation de 1,3 milliard de dollars du déficit accumulé et de la dette nette indiqués respectivement aux pages 61 et 93 est principalement le résultat direct des effets cumulatifs de la conformité aux normes comptables changeantes. L'utilisation de ces normes comptables modifiées pour les transactions originales éliminerait une bonne partie de l'augmentation.

Les chiffres ci-dessous correspondent en termes absolus

would eliminate much of the increase.

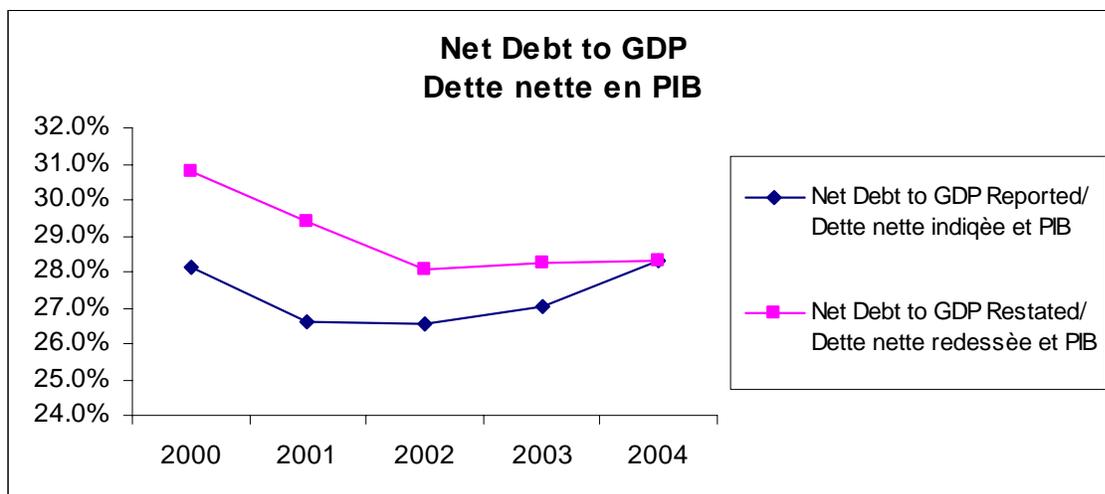
The following numbers show in absolute terms what we have reported in each year in terms of the accumulated deficit and the net debt, and compares these to restated numbers which apply the impacts of the accounting standard changes retroactively.

aux montants que nous avons indiqués au chapitre du déficit accumulé et de la dette nette, ainsi qu'aux nouveaux montants obtenus rétroactivement à la suite de la modification des normes comptables.

\$ millions/ millions de \$	31-Mar-00	31-Mar-01	31-Mar-02	31-Mar-03	31-Mar-04
Accumulated deficit/Déficit accumulé as reported/ indiqué	7,290	6,911	7,180	7,494	8,762
Accumulated deficit/Déficit accumulé as restated/ redressé	8,226	7,919	7,939	8,158	8,762
Net Debt/Dette nette as reported/indiquée	8,803	8,781	9,268	9,705	10,905
Net Debt/Dette nette as restated/ redressée	9,649	9,698	9,799	10,139	10,905

The chart below then demonstrates the impact of these changes on our net debt to GDP indicators. In a normalized set of facts, where the effect of the accounting practice changes is restated back to the 1999-2000 fiscal year, our net debt to GDP ratio has not increased; it has in fact decreased from 30.8% in 1999-2000 to 28.3% in 2003/04.

Le graphique ci-dessous illustre les effets de cette modification sur notre dette nette en pourcentage du PIB. Lorsqu'on normalise l'état des choses en tenant compte de la modification des pratiques comptables jusqu'à l'exercice 1999-2000, nous constatons que notre dette nette en pourcentage du PIB n'a pas augmenté. Elle a en fait diminué de 30,8 % en 1999-2000 à 28,3 % en 2003-2004.



15. Tax Reductions and A Responsible Fiscal Plan

The middle bracket tax rate fell from 14.9% to 14.0% on January 1, 2004. It was previously lowered from 15.4% on January 1, 2003.

Business taxes also continued to decline as the Corporation Income Tax rate fell from 16.0% to 15.5% on January 1, 2004 and the \$5 million exemption for the Corporation Capital Tax was converted to a deduction, thereby reducing the impact of this tax for many more firms.

For the 2003/04 fiscal year, we have achieved a positive balance of \$13 million under the terms of balanced budget legislation. The 2003/04 draw from the Fiscal Stabilization Fund (FSF) of \$171 million was required to be increased from the budgeted draw of \$48 million to help offset the decreased revenues from Manitoba Lotteries Corporation and Manitoba Hydro. The Government invoked a special provision of balanced budget legislation to deal with the fiscal fallout of the mad-cow situation and the exceptional forest fire season.

For the fourth straight year, we dedicated \$96 million to paying down the debt and pension liability. The Debt Retirement Allocation Committee, appointed under *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, determined that \$75 million of this allocation would be directed to the Pension Assets Fund.

Over the past five years, accountability to Manitobans has been improved through more complete and transparent reporting. We have produced the first-ever Annual Report for Government – a critical piece in the accountability cycle – and introduced improved accounting practices for capital acquisitions. In addition to summary financial statements, we are now presenting annual summary budgets encompassing the entire Government reporting entity, including the 40-year unfunded pension liability.

15. Réductions fiscales et plan financier responsable

Le taux d'imposition intermédiaire a été réduit de 14,9 à 14,0 % le 1^{er} janvier 2004. Il était de 15,4 % le 1^{er} janvier 2003.

L'impôt des sociétés a également continué de baisser avec la réduction du taux de l'impôt sur les bénéficiaires des sociétés de 16,0 à 15,5 % le 1^{er} janvier 2004. La conversion en déduction de l'exemption de cinq millions de dollars de l'impôt sur le capital des corporations atténuera les effets de cet impôt pour bien d'autres entreprises.

Pendant l'exercice 2003-2004, nous avons un solde positif de 13 millions de dollars conformément aux mesures législatives sur l'équilibre budgétaire. Le prélèvement de 171 millions de dollars sur le Fonds de stabilisation des recettes au lieu des 48 millions de dollars prévus dans le budget était nécessaire afin d'aider à compenser la baisse des revenus provenant de la Corporation manitobaine des loteries et d'Hydro Manitoba. Le gouvernement a eu recours à une disposition spéciale de la loi d'équilibre budgétaire pour réagir aux retombées fiscales liées au cas de maladie de la vache folle et à la saison des feux de forêt particulièrement difficile.

Pour la quatrième année consécutive, nous avons affecté 96 millions de dollars au remboursement de la dette et à l'obligation découlant des régimes de retraite. Le Comité de répartition du Fonds de remboursement de la dette, nommé en vertu de la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables*, a établi que 75 millions de dollars de cette affectation devraient être versés au fonds des avoirs de retraite.

Ces cinq dernières années, l'obligation de rendre compte à la population du Manitoba a été mieux observée par la présentation de rapports plus transparents et plus complets. Nous avons produit le premier rapport gouvernemental annuel – un élément essentiel du cycle de l'obligation redditionnelle – et nous avons introduit de meilleures pratiques comptables au chapitre de l'acquisition d'immobilisations. En plus des états financiers abrégés, nous présentons maintenant des budgets sommaires annuels qui se rapportent à l'ensemble de l'entité comptable de l'administration publique, y compris en ce qui concerne l'obligation, non capitalisée pendant 40 ans, découlant des régimes de retraite.

Conclusion

Results for the 2003/04 fiscal year reflect our commitment to continue to address the key priorities of Manitobans. We have enhanced services and opportunities in health, education and family services, and in many other areas, while maintaining budget balances and debt repayment schedules. We have also at the same time continued to develop our economy, create jobs, and implement significant tax reductions. Our Government remains committed in 2004/05 to providing responsible and affordable government to Manitobans.

Conclusion

Les résultats de l'exercice 2003-2004 rendent compte de notre détermination à continuer de nous occuper des grandes priorités des Manitobains et des Manitobaines. Nous avons amélioré les services et augmenté les possibilités dans bon nombre de secteurs dont la santé, l'éducation et les services à la famille, tout en maintenant un budget équilibré et en respectant le calendrier du paiement de la dette. Nous avons en même temps continué d'assurer l'essor de notre économie, de créer des emplois et d'accorder des baisses d'impôt importantes. En 2004-2005, notre gouvernement compte toujours agir de façon responsable à l'égard des Manitobains et des Manitobaines dans la mesure de nos moyens.

ECONOMIC REPORT / RAPPORT ÉCONOMIQUE

Manitoba's economy is one of the most diversified in Canada. This diversity is an ongoing source of strength and stability. Over the last five years, Manitoba's real economic growth has been the most stable among the provinces.

A number of factors combined to weaken Manitoba's economic performance last year, including the closure of the US border to Canadian cattle due to the case of bovine spongiform encephalopathy (BSE) in Alberta and the second-worst forest fire season ever recorded. More significant, however, was the rapid appreciation of the Canadian dollar relative to the US currency. From the beginning of 2003 to the end of the year, the Canadian-US exchange rate increased by 20%. Such a significant currency appreciation in a short period of time was unprecedented in modern times. While the increase in the exchange rate reduced the price of most imports to Canada, the higher dollar also reduced the competitiveness of Canadian goods exported into the US market. The US accounts for 79% of Manitoba's merchandise exports.

Manitoba's largest industry is manufacturing, which accounts for 13% of provincial Gross Domestic Product (GDP). Relative to most provinces, Manitoba's service sector is large - a factor which provides added stability to the Manitoba economy. This sector encompasses a wide range of private and public activity including wholesale and retail trade, finance and insurance, transportation, education and real estate. Service industries accounted for approximately 73% of Manitoba's economy in 2003, higher than the 69% for Canada as a whole. The service sector also accounts for about 75% of jobs in the Province.

Gross Domestic Product

Manitoba's real GDP grew 1.9% in 2003, down slightly from the 2.2% increase posted in 2002. Nominal GDP in Manitoba grew 4.0% to \$38.5 billion.

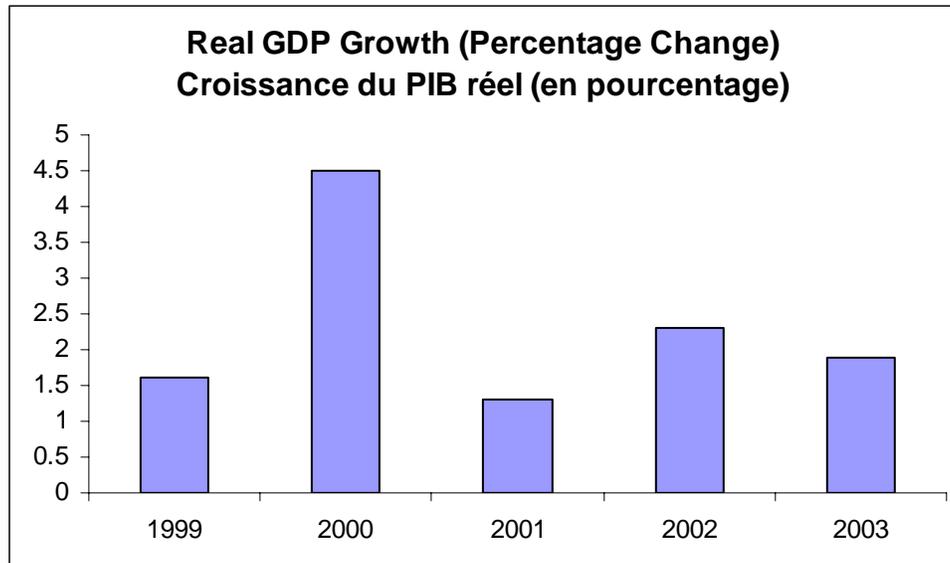
L'économie manitobaine compte parmi les plus diversifiées du Canada, ce qui contribue constamment à sa vigueur et à sa stabilité. Au cours des cinq dernières années, c'est le Manitoba qui a enregistré le taux de croissance économique réel le plus stable de toutes les provinces.

Un certain nombre de facteurs ont contribué ensemble au fléchissement du rendement économique du Manitoba l'an dernier, y compris la fermeture de la frontière américaine au bétail canadien, par suite de la découverte d'un cas d'encéphalopathie bovine spongiforme (EBS) en Alberta, et la pire saison des feux de forêt jamais enregistrée à l'exception d'une autre. Toutefois, le dollar canadien s'est apprécié de 20 p. 100 par rapport à la devise américaine entre le début et la fin de 2003, ce qui a eu des effets fort importants. Pareille appréciation de la devise canadienne en une si courte période ne s'était jamais vue à l'ère moderne. Le phénomène a certes réduit le prix de la majorité des importations au Canada, mais la vigueur du dollar a aussi miné la compétitivité des marchandises canadiennes exportées aux États-Unis. Or, 79 p. 100 de tous les biens exportés par le Manitoba sont destinés au marché américain.

Le plus vaste secteur de l'économie manitobaine est celui de la fabrication : il engendre en effet 13 p. 100 du produit intérieur brut (PIB) de la province. Par rapport à celui de la plupart des autres provinces, le secteur manitobain des services est considérable; c'est là un facteur qui ajoute à la stabilité de l'économie provinciale. Ce secteur regroupe toute une gamme d'activités des domaines public et privé, y compris les suivants : le commerce en gros et de détail; les finances et les assurances; les transports; l'éducation et l'immobilier. Le secteur tertiaire a représenté environ 73 p. 100 de l'économie manitobaine en 2003, comparativement à 69 p. 100 pour l'ensemble du Canada. En outre, les trois quarts des emplois de la province en dépendent.

Produit intérieur brut

Le PIB réel du Manitoba a crû de 1,9 p. 100 en 2003, ce qui marque une légère baisse par rapport à la hausse de 2,2 p. 100 enregistrée en 2002. Le PIB nominal du Manitoba a augmenté de 4,0 p. 100 pour atteindre 38,5 milliards de dollars.



Population

Manitoba's population was estimated at 1,162,800 as of July 1, 2003. This is Manitoba's "official" population for the year. The population growth from July 1 2002 was 7,300 persons, or 0.63%. This was the Province's largest annual growth since 1986.

On a calendar year basis, Manitoba's total population grew by 7,584 in 2003, with total net immigration of 3,873 combined with natural population growth (births minus deaths) of 3,711. This was the best calendar year increase since 1985.

Labour Force and Incomes

Manitoba's unemployment rate last year declined to 5.0% from 5.2% in 2002. This rate was the lowest in Canada, and was well below the national rate of 7.6%. Total unemployment in the province fell to 29,900, a decline of 1,100, or 3.5%. Manitoba's youth unemployment rate declined by 0.4 percentage points to 9.8%, the second lowest rate among provinces and well below the national rate of 13.8%.

Total employment increased 0.3%, with a 0.7% increase

Population

Le Manitoba comptait approximativement 1 162 800 habitants le 1^{er} juillet 2003. C'est là le chiffre « officiel » de l'année. Au cours de l'année commencée le 1^{er} juillet 2002, la croissance démographique a été de 0,63 p. 100 (7 300 personnes), soit la plus forte observée depuis 1986.

Si l'on s'en tient à l'année civile, la population totale du Manitoba a augmenté de 7 584 en 2003; il y a eu en tout une immigration nette de 3 873 personnes et une croissance démographique naturelle (le nombre de naissances moins le nombre de décès) de 3 711. Ce fut la plus forte croissance enregistrée par année civile depuis 1985.

Main-d'œuvre active et revenu

L'an dernier, le taux de chômage au Manitoba est passé de 5,2 p. 100 qu'il était en 2002 à 5,0 p. 100. C'était le plus faible au Canada; en outre, il se situait nettement sous le taux national de 7,6 p. 100. Le nombre total de chômeurs dans la province est tombé à 29 900, soit une baisse de 1 100 (3,5 p. 100). Chez les jeunes du Manitoba, le taux de chômage a chuté de 0,4 p. 100 pour descendre à 9,8 p. 100, soit le plus faible taux de toutes les provinces, sauf une, et un taux bien en deçà du taux national de 13,8 p. 100.

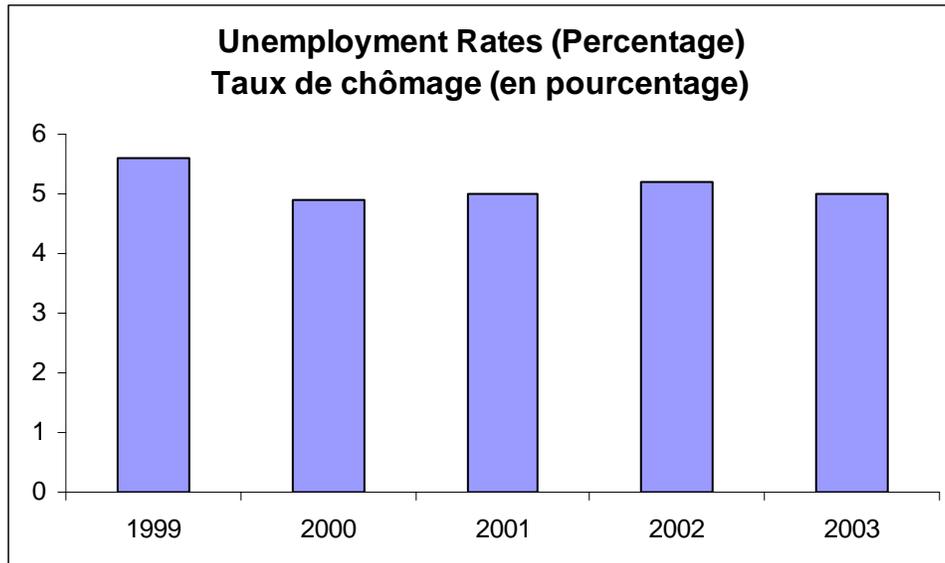
Le nombre total d'emplois a crû de 0,3 p. 100, la

in full-time employment partly offset by a 1.1% reduction in part-time jobs. Total employment reached an all-time high of 568,700. Manitoba's goods-producing industries led employment growth, with solid gains in construction, utilities and manufacturing. Overall, goods industries posted a 2.8% gain in employment while service sector employment increased only marginally.

In 2003, Manitoba's per capita personal disposable income grew by 2.4%, ahead of the national average increase of 2.1%, and above the inflation rate of 1.8%. Similarly, in per capita terms, Manitoba's personal income grew by 2.3% in 2003, higher than the national average growth of 2.1%.

hausse de 0,7 p. 100 du nombre d'emplois à temps plein ayant été amoindrie en partie par une diminution de 1,1 p. 100 du nombre d'emplois à temps partiel. Le nombre total d'emplois a atteint le maximum jamais vu de 568 700. La croissance de l'emploi a été la plus forte dans les industries de production de biens, des gains considérables ayant été enregistrés dans les secteurs de la construction, des services publics et de la fabrication. Dans l'ensemble, les emplois ont augmenté de 2,8 p. 100 dans ces industries, tandis que, dans le secteur des services, ils n'ont affiché qu'une très faible croissance.

En 2003, le revenu disponible par personne au Manitoba a augmenté de 2,4 p. 100, comparativement à une hausse nationale moyenne de 2,1 p. 100 et à un taux d'inflation de 1,8 p. 100. De même, le revenu des particuliers par personne a augmenté de 2,3 p. 100 en 2003 et il a donc dépassé la croissance nationale moyenne se situant à 2,1 p. 100.

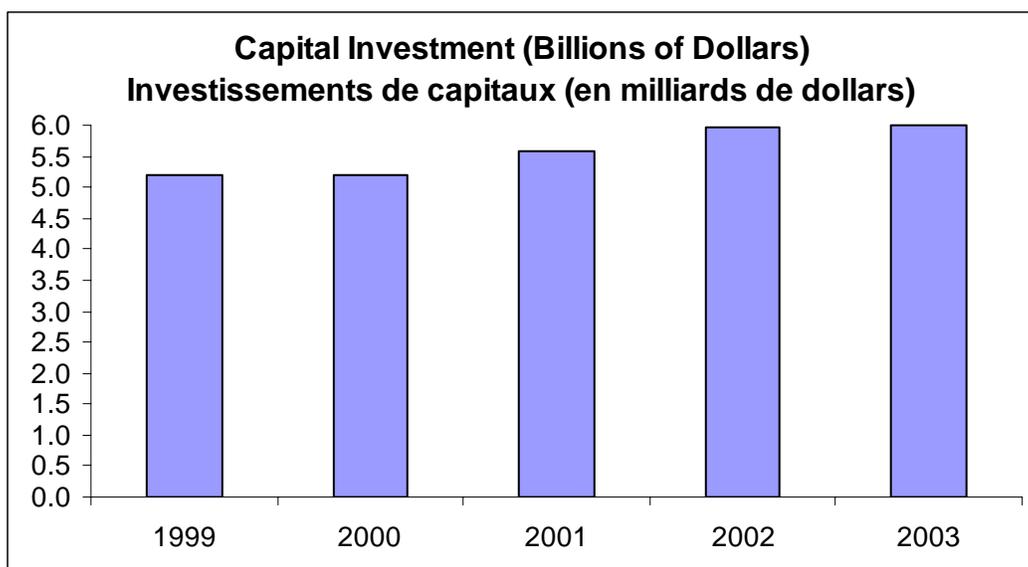


Investment

Total new capital investment in Manitoba is estimated to have increased by 0.7% in 2003, according to the Statistics Canada Survey of Private and Public Investment. After three years of solid growth, private capital investment declined 3.3% in 2003. Private investment accounts for approximately 72% of total capital investment in Manitoba. Public capital investment in Manitoba rose by 14.1% in 2003.

Investissements

On estime que le total des nouveaux investissements au Manitoba a augmenté de 0,7 p. 100 en 2003, selon l'Enquête de Statistique Canada sur les investissements privés et publics. Après trois ans de croissance solide, l'investissement privé a chuté de 3,3 p. 100 cette année-là. Or, il représente environ 72 p. 100 de tous les capitaux investis au Manitoba. Les investissements publics ont grimpé de 14,1 p. 100 dans la province, en 2003.

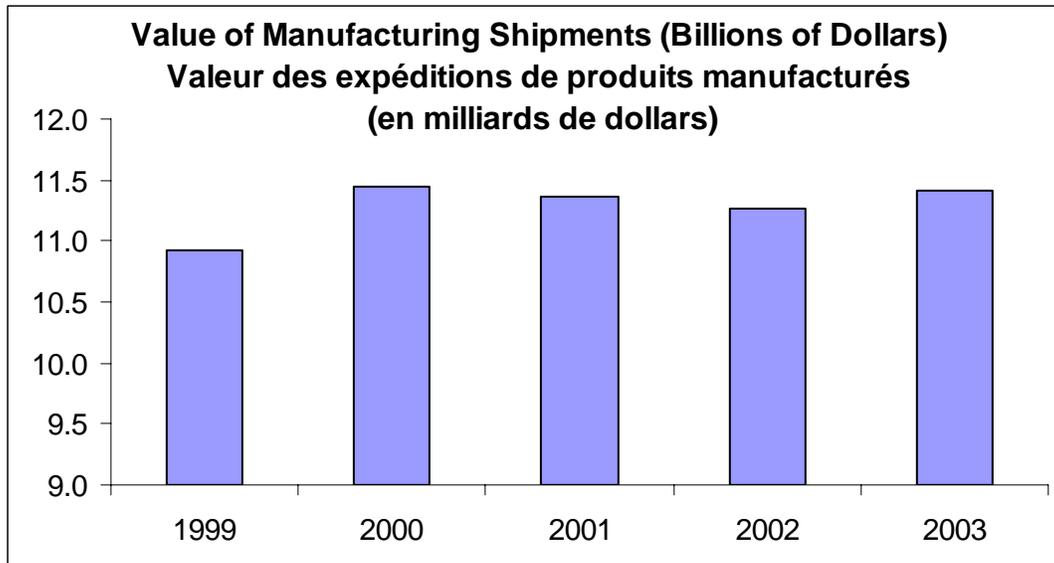


Sectoral Developments

Shipments from Manitoba's manufacturing sector rose 1.3% in 2003. This compares favourably with a national decline of 0.8%. Seven of Manitoba's fourteen manufacturing industries posted higher shipments. The majority of Manitoba's manufactured goods are exported. Manufactured goods account for 68% of total foreign merchandise exports.

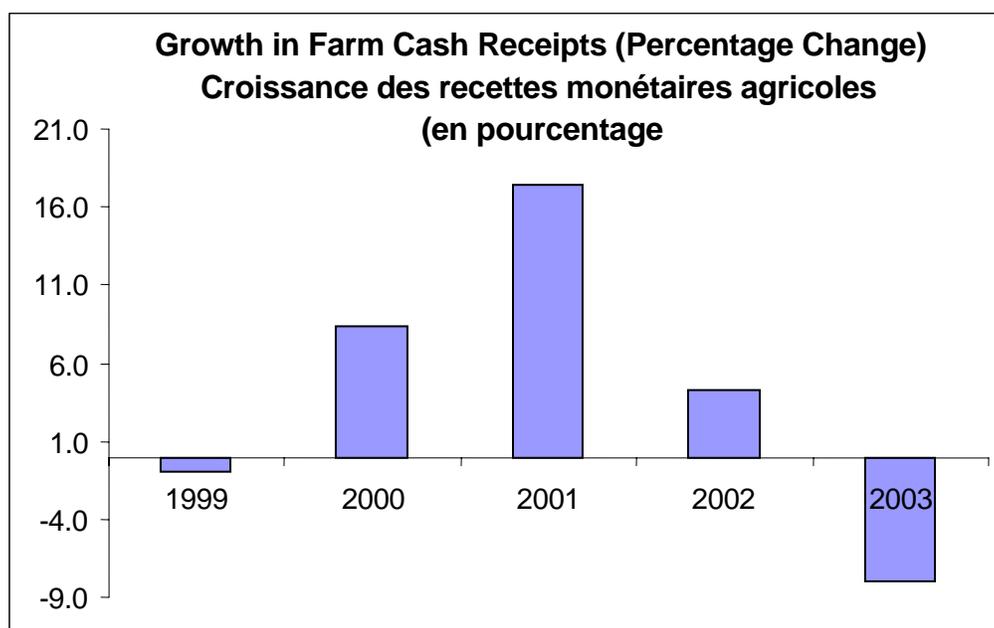
Développements sectoriels

Les expéditions du secteur manitobain de la fabrication ont crû de 1,3 p. 100 en 2003. Cela se compare favorablement au recul national de 0,8 p. 100. Sept des quatorze secteurs manufacturiers de la province ont affiché une croissance de leurs expéditions. La majorité des biens fabriqués au Manitoba sont exportés. En effet, ils représentent 68 p. 100 du total des exportations de marchandises destinées à l'étranger.



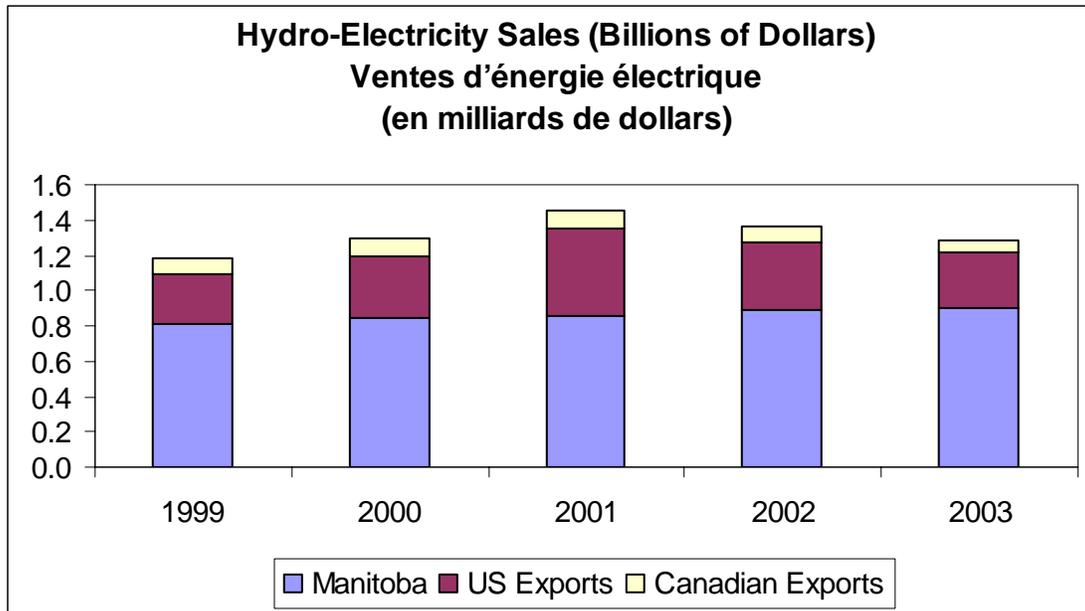
Manitoba's agriculture producers saw weaker results in 2003. Total farm cash receipts declined 8.0%. Receipts from crops were down 12.1% due to a 31.4% decline in wheat receipts. Livestock receipts shrank by 9.7% as a large decline in cattle receipts arising from the BSE situation offset gains in most other livestock categories. Overall market receipts declined by 11.0%, while direct payments (various types of insurance payments, income stabilization payments, etc.) rose 40.8%.

Les producteurs agricoles du Manitoba ont vu leurs résultats fléchir en 2003. Les recettes monétaires agricoles totales ont diminué de 8,0 p. 100. Les recettes des productions végétales ont chuté de 12,1 p. 100, à cause d'un recul de 31,4 p. 100 des recettes du blé. Les recettes du bétail se sont amenuisées de 9,7 p. 100, une importante réduction des recettes de bovins due à l'ESB ayant amoindri les gains enregistrés dans la plupart des autres catégories d'animaux d'élevage. Dans l'ensemble, les recettes du secteur ont baissé de 11,0 p. 100, tandis que les paiements directs (divers genres de paiements d'assurance, paiements de stabilisation des revenus, etc.) ont augmenté de 40,8 p. 100.



The total value of hydro-electricity sales declined 5.8% in calendar year 2003 to \$1.28 billion. This was the second annual decline in hydro energy sales and comes after more than a decade of annual sales increases. The decline was largely due to the reduced out-of-province electricity sales, reflecting the impact of reduced water flow for hydraulic generation last year. The value of Manitoba sales, which accounted for 70% of the total, increased 1.4% in 2003. Total gross exports, which account for the remainder of sales, declined 19.4%. The value of export sales had more than doubled between 1997 and 2001, driven by strong increases in exports to the United States and good water flows. Electricity exports to the US account for about 83% of total out-of-province sales.

La valeur totale des ventes d'hydro-électricité a fléchi de 5,8 p. 100 dans l'année civile 2003, pour tomber à 1,28 milliard de dollars. C'était la deuxième baisse annuelle à cet égard, après plus d'une décennie d'augmentations annuelles des ventes. Le fléchissement a été dû surtout à la réduction des ventes d'électricité en dehors de la province, par suite de la diminution, l'an dernier, du débit des cours d'eau où sont aménagés des ouvrages hydroélectriques. La valeur des ventes faites au Manitoba, qui représentaient 70 p. 100 du total, a crû de 1,4 p. 100 en 2003. Les exportations brutes totales, qui correspondaient au reste des ventes, ont diminué de 19,4 p. 100. La valeur des ventes à l'exportation avait plus que doublé entre 1997 et 2001, sous l'effet de fortes hausses des exportations vers les États-Unis et d'un bon débit des cours d'eau. Les exportations d'électricité aux États-Unis équivalaient à environ 83 p. 100 de toutes les ventes faites en dehors de la province.



Housing starts increased 16.3% in 2003, more than double the national increase. Starts of single-family dwellings rose 4.9%, while multiple housing starts rose 73.2% to their highest level since 1989. The value of building permits issued last year rose 19.8% as residential building permits increased 19.2% and non-residential permits rose 20.1%.

Manitoba retail sales increased 3.6% in 2003, down from the 7.0% growth of 2002. All retail categories posted increases last year except motor vehicles, which was down 0.4% following a cumulative 19% increase in the preceding two years.

Les mises en chantier ont augmenté de 16,3 p. 100 en 2003, soit plus que le double du taux de croissance national. Le nombre des logements unifamiliaux mis en chantier a crû de 4,9 p. 100, tandis que celui des habitations à logements multiples a monté de 73,2 p. 100 pour atteindre son plus haut niveau depuis 1989. La valeur des permis de construction délivrés l'an dernier a grimpé de 19,8 p. 100, celle des permis pour immeuble résidentiel ayant augmenté de 19,2 p. 100 et celle des permis pour immeuble non résidentiel, de 20,1 p. 100.

Les ventes de détail au Manitoba ont crû de 3,6 p. 100 en 2003, comparativement à 7,0 p. 100 l'an dernier. Toutes les catégories de ventes au détail ont affiché des hausses en 2003, sauf celle des véhicules automobiles qui a reculé de 0,4 p. 100 après avoir enregistré une croissance cumulative de 19 p. 100 au cours des deux années précédentes.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

The Summary Financial Statements report on the entire government reporting entity. This includes all Crown organizations and government business enterprises (GBE) 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. The practice of netting the revenues and expenses of government business enterprises when calculating summary financial indicators was changed in 2002/03. These indicators now reflect the revenues and expenses on a gross basis.

Les états financiers sommaires concernent toute l'entité comptable du gouvernement, ce qui comprend tous les organismes de la Couronne et entreprises publiques que possède ou contrôle le gouvernement. La Régie de l'hydro-électricité du Manitoba et la Société d'assurance-récolte du Manitoba en sont deux exemples. La liste détaillée de tous les organismes formant l'entité comptable du gouvernement se trouve à l'annexe 8 des états financiers. La pratique qui consiste à présenter au net les revenus et dépenses des entreprises publiques au moment du calcul des états financiers sommaires a changé en 2002-2003. Ces données sont dorénavant présentées en chiffres bruts.

Expenses and Revenue

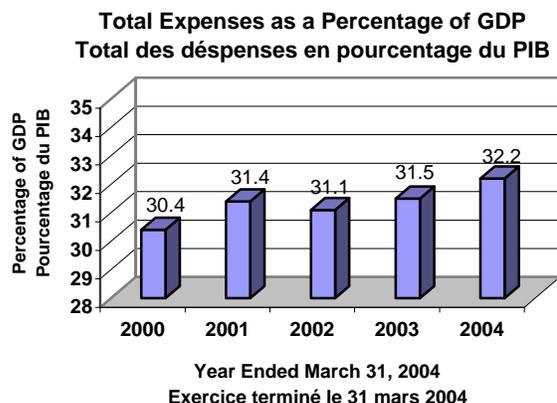
Total expenses in 2003/04 amounted to \$12,400 million, an increase of \$1,079 million or 9.5% over the 2002/03 fiscal year. Operating expenses, that is, total expenses less debt servicing costs, increased \$1,109 million or 10.6% from 2002/03. Operating expenses amounted to 30.1% of Gross Domestic Product in 2003/04.

Recettes et dépenses

En 2003-2004, le total des dépenses s'élevait à 12 400 000 000 \$, une hausse de 1 079 milliard de dollars ou de 9,5 % comparativement à 2002-2003. Les dépenses de fonctionnement, soit le total des dépenses moins le coût du service de la dette, ont augmenté de 1 109 milliard de dollars ou de 10,6 % depuis 2002-2003. En 2003-2004, les dépenses de fonctionnement s'élevaient à 30,1 % du PIB.

Total revenue in 2003/04 amounted to \$11,796 million, an increase of \$710 million or 6.4% over 2002/03. Federal transfers were \$311 million higher than 2002/03.

En 2003-2004, le total des recettes s'élevait à 11 796 000 000 \$, une hausse de 710 millions de dollars ou de 6,4 % comparativement à 2002-2003. Les transferts fédéraux s'élevaient à 311 millions de dollars de plus qu'en 2002-2003.



FINANCIAL INDICATORS / INDICATEURS FINANCIERS

SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

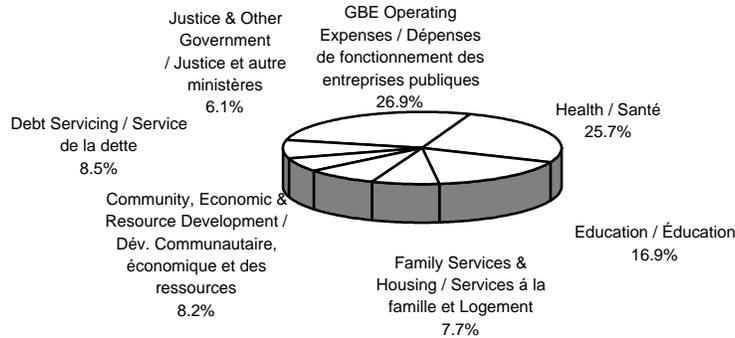
Debt Service Charges

In 2003/04, the debt servicing cost reached a level of \$1,058 million, representing approximately 8.5% of provincial expenses.

Frais de service de la dette

En 2003-2004, le coût du service de la dette a atteint 1,058 millions de dollars. Ce montant représente 8,5 % des dépenses provinciales.

Major Expense Categories Dépenses principales



Source: Public Accounts of Manitoba

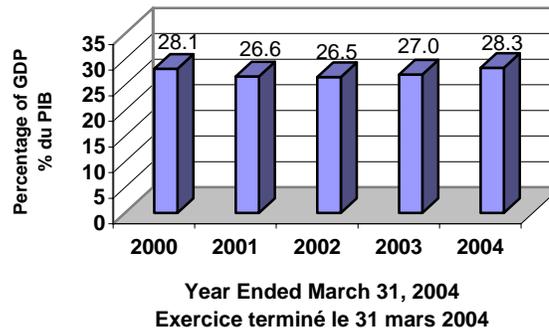
Net Debt to Provincial GDP

A measurement of debt growth in relation to economic growth, the Province's ratio of net debt to GDP remained relatively stable, with increases primarily attributable to changes in accounting standards (see pages 18 and 19).

Dettes nette et PIB provincial

Le rapport entre la dette nette et le PIB, qui permet de comparer croissance de la dette et croissance économique, est demeuré relativement stable. L'augmentation s'explique principalement par la modification des normes comptables (voir pages 18 et 19).

Net Debt as a Percentage of GDP Dettes nette en pourcentage du PIB



Source: Public Accounts of Manitoba

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

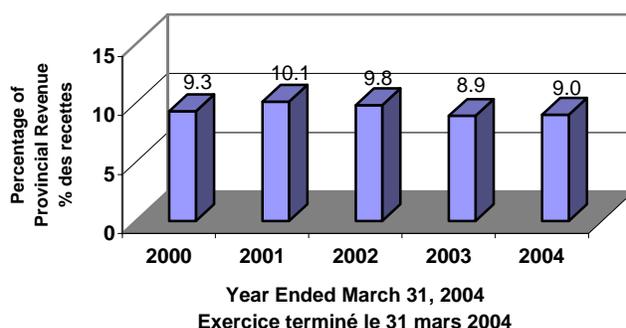
Debt Servicing Costs to Revenue

A measurement of debt servicing costs to revenue indicates whether the Province has more to spend on operations as opposed to debt servicing costs. Over the last five years, this ratio has remained relatively stable.

Coût du service de la dette et recettes

Le coût du service de la dette par rapport aux recettes indique si la Province peut consacrer davantage de fonds au fonctionnement qu'au coût du service de la dette. Au cours des cinq dernières années, ce rapport est demeuré relativement stable.

Debt Servicing Costs as a Percentage of Provincial Revenue
Coût du service de la dette en pourcentage des recettes



*Year 2000 excludes 1997 and 1999 Flood Recoveries
Source: Public Accounts of Manitoba

Hedged Foreign Debt to Net Debt

The ratio of foreign debt to net debt for 2003/04 is represented as nil because the foreign exchange risk is considered to be fully hedged through the use of derivative instruments such as swaps, forward foreign exchange contracts, future US dollar revenue streams and US dollar sinking funds. The nominal amount of foreign debt is \$6,397 million (2003 - \$7,593). Decreasing the ratio of foreign currency debt to net government debt through hedging activities mitigates the risk of debt servicing costs rising due to changes in foreign currency rates and improves the Province's financial position.

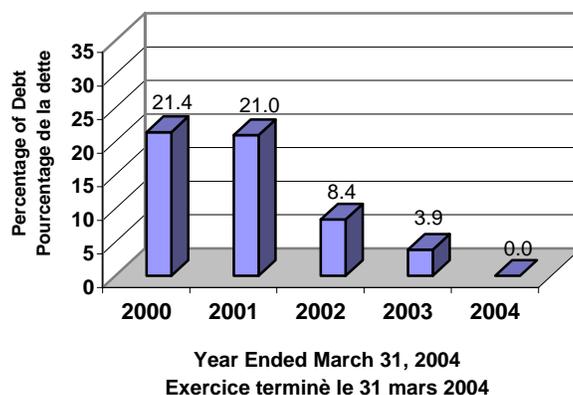
Dettes extérieure protégée et dette nette

Le ratio de la dette extérieure à la dette nette du gouvernement est indiqué comme nul pour 2003-2004, car on considère que le risque du taux d'échange est totalement protégé par des opérations de couverture à l'aide d'instruments dérivés comme les swaps, les contrats de change à terme, les recettes annuelles futures en dollars américains et les fonds d'amortissement en dollars américains. La valeur nominale de la dette extérieure s'élève à 6 397 millions de dollars (au lieu de 7 593 millions en 2003). La diminution du ratio par des activités de couverture réduit le risque d'une hausse du coût du service de la dette associée aux variations du taux de change, et contribue à l'amélioration de la situation financière de la Province.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

Hedged Foreign Debt as a Percentage of Net Debt Dette extérieure protégée en pourcentage de la dette nette



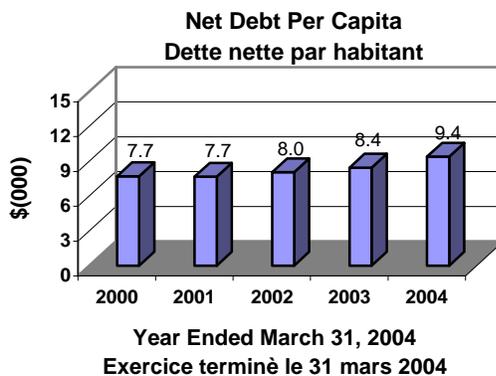
Source: Public Accounts of Manitoba

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 an increase for 2003/04 to approximately \$9,378 due mainly to the restatement of School Board debentures and Manitoba Hydro Electric Board's operating loss.

Dette nette par habitant

Une diminution de la dette nette par habitant signale une réduction du fardeau de la dette par habitant. La dette nette par habitant est demeurée relativement stable au cours des cinq dernières années. En 2003-2004, elle a augmenté à environ 9 378 \$ en raison essentiellement du retraitement des débiteures des commissions scolaires et de la perte d'exploitation de la Régie de l'hydro-électricité du Manitoba.



Source: Public Accounts of Manitoba

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

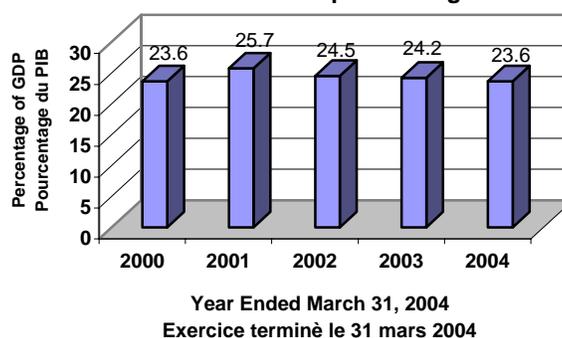
Own Source Revenue to Provincial GDP

A measurement of own-source revenue to provincial GDP indicates the level of taxes and charges the government requires for its operations relative to the economy. Over the last five years, this ratio has remained relatively stable, within a range of 23 - 26%.

Recettes autonomes et PIB provincial

Le rapport entre les recettes autonomes et le PIB provincial indique le niveau d'imposition et de frais requis par le gouvernement pour fonctionner sur le plan économique. Au cours des cinq dernières années, ce rapport est demeuré relativement stable, entre 23 et 26 %.

Own-Source Revenue as a Percentage of GDP
Recettes autonomes en pourcentage du PIB



Source: Public Accounts of Manitoba

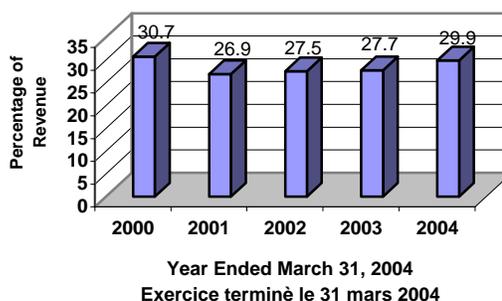
Federal Transfers to Own-Source Revenue

Federal transfers to own-source revenue is a measurement of the Province's dependence on revenues from sources which are outside of its control.

Transferts fédéraux et recettes autonomes

Le pourcentage de recettes autonomes constitué de transferts fédéraux permet de mesurer le degré de dépendance aux recettes provenant de sources dont la Province n'assume pas le contrôle.

Federal Transfer Payments as a Percentage of Own-Source Revenue



Source: Public Accounts of Manitoba

*Year 2000 excludes 1997 and 1999 Flood Recoveries

**PROVINCE OF MANITOBA
OPERATING FUND
DISCUSSION AND ANALYSIS
AND
FINANCIAL INDICATORS**

~

**PROVINCE DU MANITOBA
DISCUSSIONS ET ANALYSES
FONDS DE FONCTIONNEMENT
ET
INDICATEURS FINANCIERS**

OPERATING FUND DISCUSSION AND ANALYSIS

The Operating Fund reflects the central operations of the Government and is the basis for appropriations voted by the Legislature. It is through the Operating Fund that the Province records central government operations, including revenue, program expense, public debt costs and inter-fund transfers to debt/pension repayment and to/from the Fiscal Stabilization Fund. The Special Purpose Operating Fund and Special Funds financial statements provide a means of measuring results compared to voted appropriations and obligations with respect to *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Operating Fund 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.

The following sections detail how the 2003/04 actual results varied from the 2003/04 Budget and the 2002/03 results.

The following pages present a brief analysis of actual results of the Operating Fund for the fiscal year ended March 31, 2004. Included are:

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

FONDS DE FONCTIONNEMENT DISCUSSION ET ANALYSE

Le fonds de fonctionnement renvoie aux opérations centrales du gouvernement et est à la base des autorisations votées par l'Assemblée législative. C'est à partir du fonds de fonctionnement que la Province inscrit ses opérations centrales du gouvernement qui englobent les recettes, les dépenses de programme, le coût de la dette publique et les transferts interfonds consacrés au remboursement de la dette, à l'obligation découlant des régimes de retraite et au Fonds de stabilisation des recettes. Le fonds de fonctionnement pour usage déterminé et les états financiers liés aux fonds spéciaux constituent un moyen de mesurer les résultats par rapport aux autorisations votées et aux obligations découlant de la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables*. Le fonds de fonctionnement ne rend pas compte des résultats des organismes gouvernementaux et des corporations de la Couronne, sauf s'ils ont reçu un financement provenant du fonds de fonctionnement ou contribué au fonds.

Les sections qui suivent expliquent en détail les variations entre les résultats réels de 2003-2004 par rapport aux prévisions de 2003-2004 et aux résultats de 2002-2003.

Les pages qui suivent fournissent une brève analyse des résultats réels du fonds de fonctionnement pour l'exercice terminé le 31 mars 2004. On y trouve :

- une explication des écarts par rapport aux prévisions et à l'exercice précédent;
- des indicateurs financiers propres au fonds de fonctionnement.

OPERATING FUND DETAILS OF BUDGETARY PERFORMANCE

Variance Explanations Compared to Budget

The Operating Fund had a positive balance of \$13 million, \$3 million higher than the budget projection of \$10 million. As previously reported, unforeseen natural disasters in 2003/04 negatively affected the province's finances. As a result, \$71 million in disaster-related expenditures have been excluded in determining the balance for 2003/04, as provided for under Section 3(2) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

Total revenue was \$8 million less than the budget estimates. Revenues dependent on water flows are down from budget due to dry or drought conditions that existed during the year (Water Power Rentals - \$29 million decrease; unrealized Manitoba Hydro distribution of retained earnings of \$52 million). In addition, revenue from Manitoba Lotteries Corporation is \$24 million, or 9.3%, lower than budget primarily due to the impact of Winnipeg's ban on smoking in public places.

These revenue decreases are mainly offset by a \$62 million, or 1.6%, increase in own source taxation revenue and \$31 million from various other departmental revenue sources. The increase in taxation revenue includes \$19 million in Corporation Income Tax, \$17 million in Individual Income Tax, \$12 million in Insurance Corporations Tax and \$6 million in Retail Sales Tax. Equalization revenue was \$26 million, or 1.9%, higher than budget, however this increase was mostly offset by decreases in other sources of revenue from the Government of Canada, resulting in an overall increase of only \$7 million from budget.

Expenditures increased \$183 million, or 2%, in total from the 2003/04 budget levels. The increase includes \$71 million in unbudgeted expenditures for disaster related programming implemented by the Province to address the BSE crisis and to fund the exceptional costs incurred in fighting forest fires during 2003/04. The balance of the expenditure increase relates primarily to health care - \$28 million, \$28 million in Support to Schools, \$21 million in Support for

FONDS DE FONCTIONNEMENT DÉTAILS DU RENDEMENT BUDGÉTAIRE

Explications des écarts par rapport aux prévisions

Nous avons obtenu un bilan positif de 13 millions de dollars au chapitre du Fonds de fonctionnement, soit 3 millions de dollars de plus que les 10 millions de dollars projetés. Tel que rapporté précédemment, des désastres naturels imprévus ont affecté les finances de la Province en 2003-2004. Par conséquent, 71 millions de dollars de dépenses liées à ces désastres n'ont pas été pris en compte pour déterminer le solde de l'exercice 2003-2004, tel que prévu au paragraphe 3(2) de la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables*.

Le total des recettes était de 8 millions de dollars de moins que les prévisions. Les recettes qui dépendent du débit des cours d'eau étaient inférieures aux prévisions à cause de la sécheresse qui a sévi pendant l'année (loyer de l'énergie hydraulique - diminution de 29 millions de dollars; répartition des profits d'Hydro Manitoba - de 52 millions de dollars). Les recettes de la Corporation manitobaine des loteries s'élevaient à 24 millions de dollars ou 9,3 % de moins que les prévisions en raison de l'interdiction de fumer imposée dans les endroits publics à Winnipeg.

Ces baisses de recettes sont compensées surtout par la hausse de 62 millions de dollars ou de 1,6 % des recettes fiscales autonomes (impôt sur les bénéfices des sociétés : 19 millions de dollars; impôt sur le revenu des particuliers : 17 millions de dollars; imposition des compagnies d'assurance : 12 millions de dollars; taxe sur les ventes au détail : 6 millions de dollars) et par la hausse de 31 millions de dollars des recettes provenant de diverses sources ministérielles. Les recettes de péréquation s'élevaient à 26 millions de dollars ou 1,9 % de plus que les prévisions, mais les réductions d'autres sources de revenu du gouvernement du Canada ont fait en sorte que l'augmentation générale n'était que de 7 millions de dollars de plus que les prévisions.

Les dépenses ont augmenté de 183 millions de dollars ou 2 % par rapport aux prévisions de 2003-2004. On y trouve des dépenses non prévues de 71 millions de dollars destinées aux programmes mis sur pied par la Province pour répondre à la crise de l'ESB et au paiement des frais exceptionnels encourus pour lutter contre les feux de forêts en 2003-2004. Le reste de la hausse des dépenses est lié principalement aux soins de santé (28 millions de dollars), au soutien des écoles (28 millions de dollars), au soutien des universités et des

Universities and Colleges, \$10 million in Agriculture Risk Management and Income Support Programs and \$9 million in election costs. Expenditures in most other departments are less than budgeted levels due to in-year expenditure management measures. Public debt servicing costs are \$21 million, or 6.0%, less than budgeted as a result of lower interest rates.

Prior to interfund transfers, the operating fund recorded a net expenditure of \$133 million. The draw on the Fiscal Stabilization Fund was \$171 million, an increase of \$123 million from the budget projection. As required by balanced budget legislation, a transfer of \$96 million was made to the Debt Retirement Fund. For 2003/04, \$75 million of the payment was allocated to address the pension liability, leaving \$21 million for the retirement of general purpose debt.

Comparison to Previous Year

2003/04 revenue of \$7,306 million is an increase of \$285 million, or 4.1%, from the 2002/03 actual level which included the one time \$51 million adjustment in 2002/03 to the federal accounting error estimate. The increase is comprised of a number of increases and decreases, including a \$129 million increase in Corporation Income Tax, reflecting an improvement in national corporate income, a one-time increase of \$164 million for the Canada Health and Social Transfer Supplement, an increase in Equalization entitlements of \$76 million and a \$57 million increase in Retail Sales Tax.

These increases were offset by the previously noted decrease in revenues dependent on water flows (\$31 million), the decrease in revenue from Manitoba Lotteries Corporation (\$30 million) and non-recurring distribution of retained earnings from Manitoba Hydro of \$203 million received in 2002/03.

Total expenditures increased by \$495 million or 7.1% from the 2002/03 actual level. Program expenditures increased primarily in the departments of Health (\$211 million), Education,

collèges (21 millions de dollars), aux programmes de gestion du risque et de soutien au revenu en agriculture (10 millions de dollars) et aux coûts de l'élection (9 millions de dollars). Les dépenses de la plupart des autres ministères étaient inférieures aux prévisions en raison des mises à jour des mesures de gestion des dépenses. Le coût du service de la dette publique était de 21 millions de dollars ou 6,0 % inférieur aux prévisions en raison de la réduction des taux d'intérêt.

Avant les transferts interfonds, le fonds de fonctionnement affichait des dépenses nettes de 133 millions de dollars. L'apport du Fonds de stabilisation des recettes s'élevait à 171 millions de dollars, une hausse de 123 millions de dollars par rapport aux prévisions. Tel qu'exigé en vertu de la loi d'équilibre budgétaire, 96 millions de dollars ont été transférés au Fonds de remboursement de la dette. Ainsi, en 2003-2004, 75 millions de dollars ont été consacrés à l'obligation découlant des régimes de retraite et 21 millions de dollars au remboursement de la dette à portée générale.

Comparaisons avec l'exercice précédent

Les recettes de 7 306 millions de dollars en 2003-2004 représentent une augmentation de 285 millions de dollars ou 4,1 % par rapport aux recettes réelles de 2002-2003, ce qui inclut le rajustement unique de 51 millions de dollars prévu en 2002-2003 à la suite de l'erreur comptable du gouvernement fédéral. La hausse est le résultat de hausses et de baisses diverses, dont la hausse de 129 millions de dollars provenant de l'impôt sur le bénéfice des sociétés, qui signale une amélioration des recettes nationales tirées de l'impôt des sociétés, l'augmentation unique de 164 millions de dollars liée au Transfert canadien en matière de santé et de programmes sociaux, la hausse de 76 millions de dollars provenant des paiements de péréquation et la hausse de 57 millions de dollars provenant de la taxe sur les ventes au détail.

Ces augmentations sont compensées par la réduction déjà mentionnée des recettes qui dépendent du débit des cours d'eau (31 millions de dollars), par la baisse des recettes provenant de la Corporation manitobaine des loteries (30 millions de dollars) et par le répartition des profits d'Hydro Manitoba de 203 millions reçu en 2003-2003.

Le total des dépenses a augmenté de 495 millions de dollars ou 7,1 % par rapport au montant réel de 2002-2003. Les dépenses de programme ont augmenté surtout dans le secteur des dépenses d'urgence

Citizenship and Youth (\$77 million), Emergency Expenditures (\$63 million), Family Services and Housing (\$52 million) and Advanced Education and Training (\$48 million). These increases were primarily reflected in budgeted increases in the 2003 Budget.

(63 millions de dollars) et dans les ministères de la Santé (211 millions de dollars), de l'Éducation, de la Citoyenneté et de la Jeunesse (77 millions de dollars), des Services à la famille et du Logement (52 millions de dollars) et de l'Enseignement postsecondaire et de la Formation professionnelle (48 millions de dollars). Ces augmentations étaient en grande partie des hausses prévues dans le budget de 2003.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS OPERATING FUND / FONDS DE FONCTIONNEMENT

Expenses and Revenue

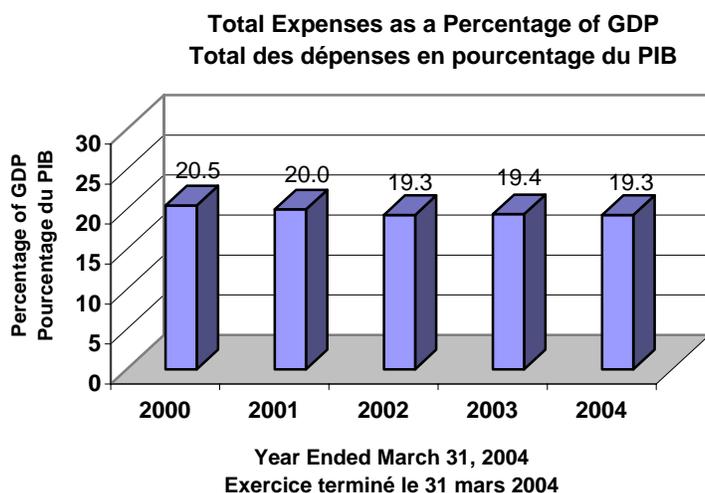
Total expenses in 2003/04 amounted to \$7,439 million, an increase of \$495 million or 7.1% over the 2002/03 fiscal year. Program expenses, that is, total expenses less the cost of servicing debt, increased \$505 million from 2002/03. Program expenses amounted to 18.5% of Gross Domestic Product in 2003/04.

Total revenue in 2003/04 amounted to \$7,306 million, an increase of \$285 million or 4.1% over 2002/03. Federal transfers were \$285 million higher than 2002/03. Corporate income taxes were \$129 million higher, and personal income taxes were \$84 million higher than 2002/03.

Recettes et dépenses

En 2003-2004, le total des dépenses s'élevait à 7 439 000 000 \$, une hausse de 495 millions de dollars ou de 7,1 % comparativement à 2002-2003. Les dépenses de programme, soit le total des dépenses moins le coût du service de la dette, ont augmenté de 505 millions de dollars depuis 2002-2003. En 2003-2004, les dépenses de programme s'élevaient à 18,5 % du Produit intérieur brut.

En 2003-2004, le total des recettes s'élevait à 7 306 000 000 \$, une hausse de 285 millions de dollars ou de 4,1 % comparativement à 2002-2003. Les transferts fédéraux s'élevaient à 285 millions de dollars de plus qu'en 2002-2003. L'impôt sur les sociétés a rapporté 129 millions de dollars de plus et l'impôt des particuliers a rapporté 84 millions de dollars de plus qu'en 2002-2003.



Source: Public Accounts of Manitoba

Debt Service Charges

In 2003/04, the cost of servicing debt issued for the purpose of government programs reached a level of \$337 million. This represented 4.5% of Operating Fund expenses, down from 5.0% in 2002/03.

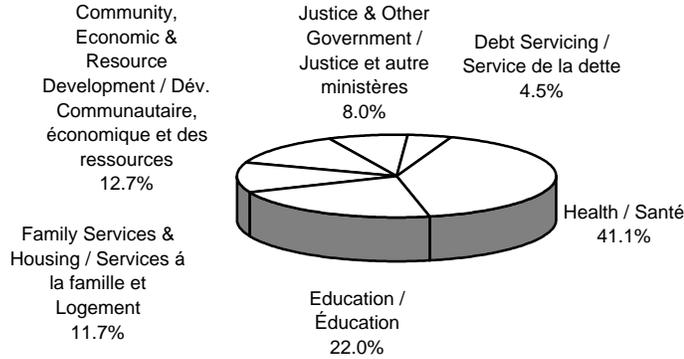
Frais de service de la dette

En 2003-2004, le coût du service de la dette relative aux programmes gouvernementaux a atteint 337 millions de dollars. Ce montant représente 4,5 % des dépenses du fonds de fonctionnement, alors qu'il était de 5 % en 2002-2003.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

OPERATING FUND / FONDS DE FONCTIONNEMENT

Major Expense Categories Dépenses en pourcentage du PIB



Source: Public Accounts of Manitoba

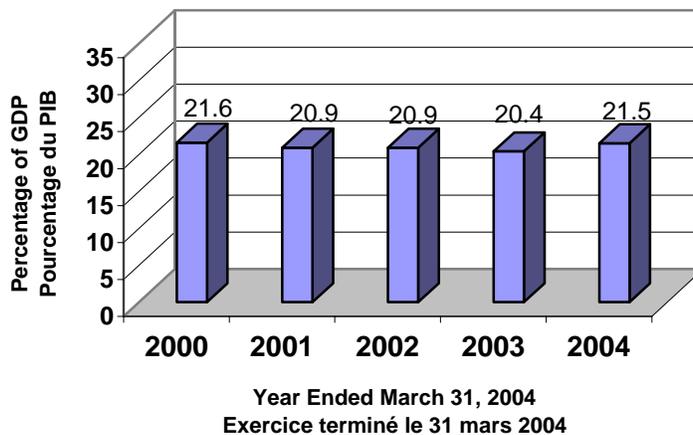
Net Debt to Provincial GDP

A measurement of debt growth in relation to economic growth, the Province's ratio of net debt to GDP remained relatively stable, with increases primarily attributable to changes in accounting standards (see pages 18 and 19).

Dettes nette et PIB de la Province

Le rapport entre la dette nette et le PIB, qui permet de comparer croissance de la dette et croissance économique, est demeuré relativement stable. L'augmentation s'explique principalement par la modification des normes comptables (voir pages 18 et 19).

Net Debt as a Percentage of GDP Dettes nette en pourcentage du PIB



Source: Public Accounts of Manitoba

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

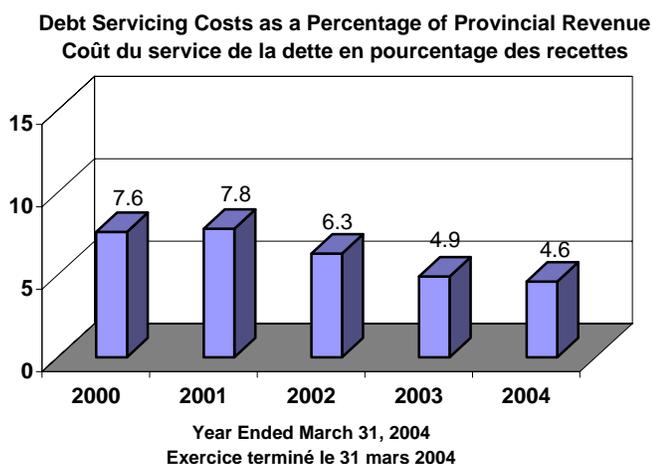
OPERATING FUND / FONDS DE FONCTIONNEMENT

Debt Servicing Costs to Revenue

A measurement of debt servicing costs to revenue indicates whether the Province has more to spend on public programs as opposed to debt servicing costs. In 2003/04, debt servicing costs decreased to 4.6% of revenue, from 4.9% in 2002/03.

Coût du service de la dette et recettes

Le coût du service de la dette par rapport aux recettes indique si la Province peut consacrer davantage de fonds au fonctionnement qu'au coût du service de la dette. En 2003-2004, ce coût a diminué de 4,9 à 4,6 % par rapport à 2002-2003.



Source: Public Accounts of Manitoba

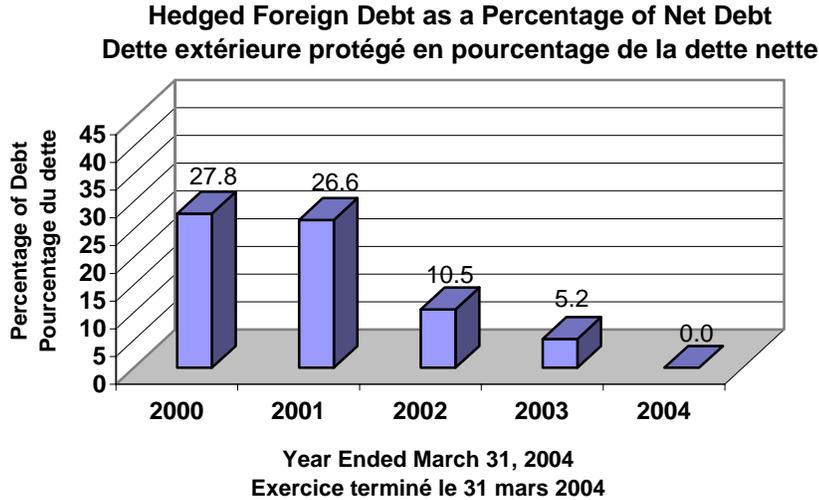
Hedged Foreign Debt to Net Debt

The ratio of foreign debt to net debt for 2003/04 is represented as nil because the foreign exchange risk is considered to be fully hedged through the use of derivative instruments such as swaps, forward foreign exchange contracts, future US dollar revenue streams and US dollar sinking funds. The nominal amount of foreign debt is \$6,397 million (2003 - \$7,593). Decreasing the ratio of foreign currency debt to net government debt through hedging activities mitigates the risk of debt servicing costs rising due to changes in foreign currency rates and improves the Province's financial position.

Dette extérieure protégé et dette nette

Le ratio de la dette extérieure à la dette nette du gouvernement est indiqué comme nul pour 2003-2004, car on considère que le risque du taux d'échange est totalement protégé par des opérations de couverture à l'aide d'instruments dérivés comme les swaps, les contrats de change à terme, les recettes annuelles futures en dollars américains et les fonds d'amortissement en dollars américains. La valeur nominale de la dette extérieure s'élève à 6 397 millions de dollars (au lieu de 7 593 millions en 2003). La diminution du ratio par des activités de couverture réduit le risque d'une hausse du coût du service de la dette associée aux variations du taux de change, et contribue à l'amélioration de la situation financière de la Province.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS OPERATING FUND / FONDS DE FONCTIONNEMENT



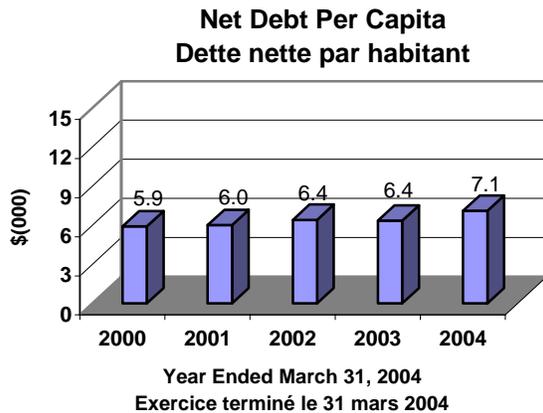
Source: Public Accounts of Manitoba

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, with increases primarily attributable to changes in accounting standards.

Dette nette par habitant

Une diminution de la dette nette par habitant signale une réduction du fardeau de la dette par habitant. La dette nette par habitant est demeurée relativement stable. L'augmentation s'explique principalement par la modification des normes comptables.



Source: Public Accounts of Manitoba

Own Source Revenue to Provincial GDP

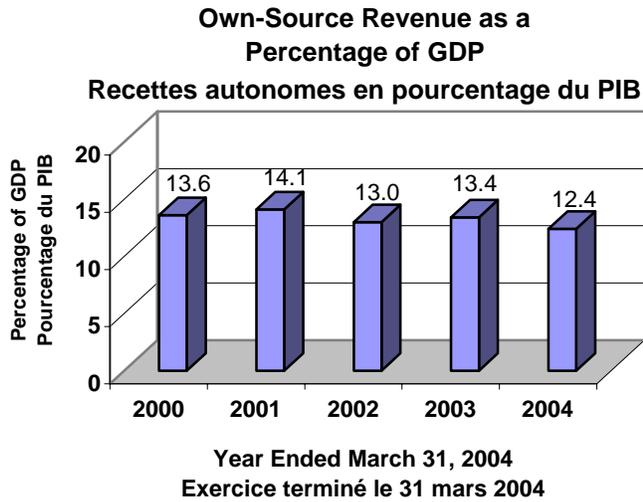
A measurement of own-source revenue to Provincial GDP indicates the level of taxes and charges the government requires for its operations relative to the economy. Over the last five years, this ratio has remained relatively stable.

Recettes autonomes et PIB provincial

Le rapport entre les recettes autonomes et le PIB provincial indique le niveau d'imposition et de frais requis par le gouvernement pour fonctionner sur le plan économique. Au cours des cinq dernières années, ce rapport est demeuré relativement stable.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

OPERATING FUND / FONDS DE FONCTIONNEMENT



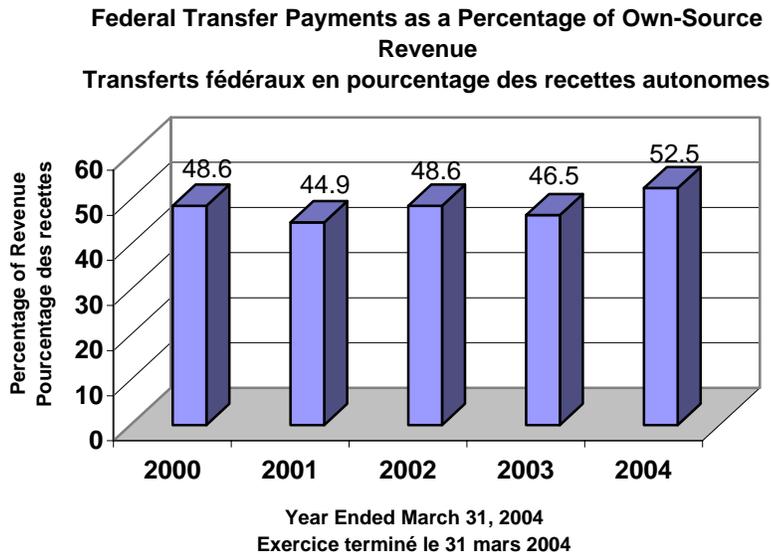
Source: Public Accounts of Manitoba

Federal Transfers to Own-Source Revenue

Federal transfers to own-source revenue is a measurement of the Province's dependence on revenues from sources which are outside of its control.

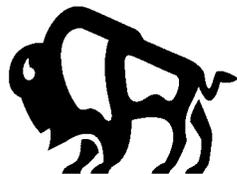
Transferts fédéraux et recettes autonomes

Le pourcentage de recettes autonomes constitué de transferts fédéraux permet de mesurer le degré de dépendance aux recettes provenant de sources dont la Province n'assume pas le contrôle.



Source: Public Accounts of Manitoba

**PUBLIC ACCOUNTS
VOLUME 1
FOR THE YEAR ENDED
MARCH 31, 2004**



**VOLUME 1
DES COMPTES PUBLICS
POUR L'EXERCICE TERMINÉ
LE 31 MARS 2004**

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, 2004 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 Crop Insurance Corporation and the Manitoba Hydro-Electric Board 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.

INTRODUCTION AUX COMPTES PUBLICS DU MANITOBA

Les comptes publics de la Province du Manitoba sont préparés par obligation légale, conformément à la Loi sur la gestion des finances publiques, soit le chapitre 55 de la Codification permanente des lois du Manitoba. Les comptes publics pour l'exercice financier s'étant terminé le 31 mars 2004 comprennent quatre volumes.

Volume 1

Le volume 1 est inséré dans le Rapport annuel du gouvernement et se compose de deux sections.

La section 1, intitulée États financiers sommaires, rend compte de la totalité de l'entité comptable du gouvernement, ce qui comprend toutes les sociétés d'État et toutes les entreprises publiques qui appartiennent au gouvernement ou sont placées directement sous son contrôle. La Société d'assurance-récolte du Manitoba et la Régie de l'hydro-électricité du Manitoba en sont deux exemples. L'annexe 8 des états financiers comprend la liste détaillée de tous les organismes qui composent l'entité comptable.

La section 2, intitulée États financiers du fonds de fonctionnement et des fonds spéciaux, regroupe les états financiers à vocation spéciale. Le fonds de fonctionnement est l'outil dont se sert le gouvernement pour gérer et contrôler le fonctionnement des ministères et des programmes du gouvernement. Le fonds ne tient pas compte des résultats des entreprises publiques et des sociétés d'État, sauf si elles ont perçu du financement provenant du fonds ou si elles ont contribué à ses recettes. C'est par l'intermédiaire du fonds de fonctionnement que le gouvernement rend compte de sa gestion du fonctionnement du gouvernement central, gestion reflétée notamment par la mesure de ses résultats par rapport aux crédits approuvés et par le respect des obligations contenues dans la Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables.

NOTE :

Les volumes 2, 3 et 4 des comptes publics sont publiés séparément. On peut les consulter dans les bibliothèques publiques ou s'en procurer un exemplaire à la Section des publications officielles du ministère de la Culture, du Patrimoine et du Tourisme.

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, individuals, 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.

Volume 2

- Ce volume contient le tableau vérifié des paiements d'indemnisation du secteur public totalisant 50 000 \$ ou plus, qu'il s'agisse des paiements versés à même le fonds de fonctionnement ou de ceux versés par les organismes de service spécial.
- Il indique également, en détail, les paiements non vérifiés totalisant plus de 5 000 \$ et versés à même le fonds de fonctionnement, ou par les organismes de service spécial, à des sociétés, des entreprises, des particuliers et d'autres gouvernements ou organismes gouvernementaux.

Volume 3

- Ce volume contient le détail des états financiers du fonds de fonctionnement.
- Il contient le détail des emprunts et des garanties du fonds de fonctionnement.
- Il contient le détail des recettes et des dépenses du fonds de fonctionnement.
- Il contient des renseignements fournis par obligation légale.
- Il contient des renseignements concernant certains indicateurs financiers du fonds de fonctionnement.
- Il contient un glossaire.

Ces états financiers sont tous non vérifiés, à l'exception des deux suivants :

- le rapport sur les sommes versées aux membres de l'Assemblée législative;
- le Fonds des Affaires du Nord.

Volume 4

- Ce volume contient les états financiers vérifiés des fonds, des organisations, des organismes et des entreprises, y compris l'entité comptable du gouvernement.

SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED

March 31, 2004

TABLE OF CONTENTS	PAGE
Statement of Responsibility	55
Auditor's Report	57
Summary Statement of Financial Position.	59
Summary Statement of Revenue and Expense	60
Summary Statement of Accumulated Deficit	61
Summary Statement of Cash Flow.	62
Notes to the Summary Financial Statements	63
Schedules to the Summary Financial Statements	
Schedule 1 - Summary Statement of Amounts Receivable.	81
Schedule 2 - Summary Statement of Loans and Advances	82
Schedule 3 - Government Enterprises Schedule of Summary Operating Results and Financial Position.	83
Schedule 4 - Summary Statement of Long-Term Investments	84
Schedule 5 - Summary Statement of Tangible Capital Assets.	85
Schedule 6 - Summary Statement of Borrowings.	86
Schedule 7 - Summary Statement of Accounts Payable, Accrued Charges, Provisions and Deferrals.	87
Schedule 8 - Funds, Organizations and Enterprises Comprising the Government Reporting Entity.	88
Schedule 9 - Reconciliation of Operating Fund Budgetary Balance to Summary Net Income.	91
Schedule 10 - Reconciliation of Operating Fund Accumulated Deficit to Summary Accumulated Deficit.	92
Schedule 11 - Summary Statement of Expense by Type.	93
Schedule 12 - Summary Statement of Net Debt	93

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 summary statements of financial position, revenue and expense, accumulated deficit, cash flow, notes and schedules integral 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 in accordance with the accounting policies stated in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

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, liabilities, revenues and expenses 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.

The Government fulfills its accounting and reporting responsibilities, through the Office of the Provincial Comptroller, by maintaining systems of financial management and internal control. The systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with the Financial Administration Act.

The Auditor General expresses an independent opinion on these financial statements. His report, stating the scope of his audit and opinion, appears on the following page.

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 of the Province of Manitoba.

Original signed by

Ewald Boschmann
Deputy Minister of Finance (Acting)

Original signed by

Gerry Gaudreau
Provincial Comptroller

September 27, 2004



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

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

To the Legislative Assembly of the Province of Manitoba

I have audited the summary statement of financial position of the Province of Manitoba as at March 31, 2004 and the summary statements of revenue and expense, accumulated deficit and cash flow for the year then ended. These financial statements are the responsibility of the Government of Manitoba. 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 management, 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 financial position of the Province of Manitoba as at March 31, 2004 and the results of its operations and its cash flow for the year then ended, in accordance with the accounting policies disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

If Canadian generally accepted accounting principles had been used in the preparation of the Summary Financial Statements, assets would increase by \$986 million, liabilities would decrease by \$135 million, the accumulated deficit would decrease by \$1.121 billion, revenues would increase by \$112 million, and expenses would increase by \$103 million.

Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
September 27, 2004

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2004

SCHEDULE		(\$ millions)	
		2004	2003
ASSETS			
	Cash and cash equivalents (Note 2).....	624	712
	Temporary investments (Note 3).....	206	228
1	Amounts receivable.....	746	730
	Inventories.....	28	27
	Portfolio investments (Note 3).....	89	33
2	Loans and advances.....	632	579
3	Equity in Government enterprises (Note 5).....	949	1,369
4	Other long-term investments.....	7	7
	Deferred charge for non-devolved health care facilities (Note 1A4).....	121	133
5	Tangible capital assets.....	1,945	2,001
	Pension assets (Note 12).....	267	151
	Assets of non-devolved health care facilities (Note 1A4).....	805	775
	TOTAL ASSETS	6,419	6,745
LIABILITIES			
6	Borrowings.....	18,042	17,810
	Less: Sinking funds (Note 6).....	(3,024)	(3,939)
	Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	(5,937)	(5,573)
		9,081	8,298
	Less: Unamortized foreign currency fluctuation.....	(89)	(81)
	Net borrowings	8,992	8,217
7	Accounts payable, accrued charges, provisions and deferrals.....	1,890	1,913
	Pension liability (Note 12).....	3,571	3,411
	Liabilities of non-devolved health care facilities (Note 1A4).....	728	698
	TOTAL LIABILITIES	15,181	14,239
12	ACCUMULATED DEFICIT	8,762	7,494

Information concerning the Government's Guarantees, Financial Commitments, Contingencies and Obligations can be found in Notes 7, 8, 9 and 10.

SUMMARY STATEMENT OF REVENUE AND EXPENSE

For the Year Ended March 31, 2004

	(\$ millions)	
	2004	2003
REVENUE		
Manitoba Collections:		
Retail sales tax.....	1,064	1,007
Fuel taxes.....	233	231
Levy for health and education.....	268	257
Mining tax.....	22	18
Other taxes.....	480	461
Fees and other revenue.....	1,174	1,109
Government Enterprise Transfers (Schedule 3):		
Liquor Control Commission.....	174	166
Manitoba Hydro.....	-	203
Manitoba Lotteries Corporation.....	235	266
Income taxes:		
Corporation income tax.....	289	160
Individual income tax.....	1,720	1,636
Federal transfers:		
Equalization.....	1,414	1,338
Canada Health and Social Transfer.....	917	756
Medical Equipment Fund.....	21	16
Health Reform Fund.....	37	-
Primary Care Transition Fund.....	7	1
Shared cost and other.....	320	294
TOTAL REVENUE.....	8,375	7,919
EXPENSES		
Health.....	3,301	2,955
Education	2,169	2,059
Family Services and Housing.....	965	930
Community, Economic and Resource Development.....	1,042	960
Justice and Other Government.....	753	724
Debt Servicing (Note 14).....	329	367
TOTAL EXPENSES (Schedule 11).....	8,559	7,995
NET LOSS BEFORE EXTRAORDINARY ITEM.....	(184)	(76)
Adjustment to estimate for Federal accounting error.....	-	51
NET LOSS.....	(184)	(25)
Decrease in equity in government enterprises (Schedule 3).....	(420)	(159)
SUMMARY NET LOSS (Schedule 9)	(604)	(184)

SUMMARY STATEMENT OF ACCUMULATED DEFICIT

For the Year Ended March 31, 2004

	(\$ millions)	
	2004	2003
Opening accumulated deficit.....	(7,571)	(7,257)
Tangible capital assets (Note 4A).....	(227)	(6)
Deferred revenue (Note 4B).....	16	-
Restatement of amortization of assets under construction (Note 4C).....	3	-
Recognition of judges accrued pension (Note 4D).....	(19)	-
Restatement of Legal Aid private bar fees (Note 4E).....	(4)	-
Restatement of School Board debentures (Note 4F).....	(433)	-
Net income stabilization account.....	-	(19)
Restatement of pension liability related to RHA employees.....	-	(11)
Municipal Tax Sharing.....	-	(23)
Net assets of devolved health care facilities		
Adjustment re: accrual of employee future benefits.....	-	(7)
Restatement of net assets to liabilities.....	-	4
Employee future benefits of non-devolved health care facilities.....	-	(69)
Repurchase of serial debentures.....	-	1
Summary net loss for the year.....	<u>(604)</u>	<u>(184)</u>
	<u>(8,839)</u>	<u>(7,571)</u>
Equity in non-devolved health care facilities (Note 1C).....	<u>77</u>	<u>77</u>
Closing accumulated deficit (Schedule 10).....	<u><u>(8,762)</u></u>	<u><u>(7,494)</u></u>

SUMMARY STATEMENT OF CASH FLOW

For the Year Ended March 31, 2004

	(\$millions)	
	2004	2003
Cash and cash equivalents provided by (used in)		
Operating activities:		
Summary net loss for the year.....	(604)	(184)
Changes in non-cash items:		
Temporary investments.....	22	(28)
Amounts receivable.....	(22)	142
Valuation allowance.....	28	21
Inventories.....	(1)	(1)
Portfolio investments.....	(56)	(3)
Accounts payable, accrued charges, provisions and deferrals.....	(23)	(41)
Pension liability.....	160	194
Amortization of foreign currency fluctuation.....	3	17
Amortization of debt discount.....	8	10
Amortization of investment discounts and premiums.....	(2)	(14)
Disposal of tangible capital assets.....	4	13
Restatement of amortization.....	230	-
Amortization of tangible capital assets.....	139	130
Adjustment to Accumulated Deficit - Other	(664)	(130)
	<u>(778)</u>	<u>126</u>
Changes in equity in government enterprises.....	420	159
	<u>(358)</u>	<u>285</u>
Investing activities:		
Made.....	(1,279)	(640)
Realized.....	542	986
Acquisition of tangible capital assets.....	(317)	(270)
	<u>(1,054)</u>	<u>76</u>
Financing activities:		
Debt issued.....	3,325	2,853
Debt redeemed.....	(2,776)	(3,354)
Changes in sinking funds.....	775	189
	<u>1,324</u>	<u>(312)</u>
Changes in cash and cash equivalents.....	(88)	49
Cash and cash equivalents, beginning of year.....	712	663
Cash and cash equivalents, end of year.....	<u>624</u>	<u>712</u>

**NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

1. SIGNIFICANT ACCOUNTING POLICIES

A. General Basis of Accounting

The Summary Financial Statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) 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 practise to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are not restated. If Canadian GAAP had been used to record changes in accounting policies and correction of errors, the comparative figures of the financial statements and the opening balance of the accumulated deficit would have changed.
- 2) The process of establishing the completeness and reasonableness of the estimated historical cost of the tangible capital assets is ongoing. 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. If Canadian GAAP had been used to record the infrastructure tangible capital assets, management estimates that, at March 31, 2004, the tangible capital assets would increase by \$1,138 million, the accumulated deficit would decrease by \$1,128 million and expenses would decrease by a net amount of \$10 million.
- 3) The CICA recommends certain standards for reporting tangible capital assets and net debt. Although the Government has adopted the standards related to tangible capital assets, it has not fully adopted the recommended presentation of net debt. Summary Net Debt (Schedule 12) provides a reconciliation from accumulated deficit to net debt. If Canadian GAAP was used net debt would appear on the Summary Statement of Financial Position and there would be a Summary Statement of Changes in 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. In 2000/01, the Province began a program of financing the debt for major capital acquisitions of the non-devolved health care facilities. 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 is amortized over the same period as the term of the debt issue. The annual net income (loss) of the non-devolved health care facilities is recorded in the Summary Statement of Accumulated Deficit instead of the Summary Statement of Revenue and Expense. The assets and liabilities are not adjusted on a basis consistent with the accounting policies of the Government reporting entity. If Canadian GAAP had been used to record these transactions, assets would decrease by \$152 million (2003 - \$155 million), liabilities would decrease by \$135 million (2003 - \$146 million), accumulated deficit would increase by \$17 million (2003 - \$9 million), revenues would increase by \$112 million (2003 - \$103 million) and expenses would increase by \$113 million (2003 - \$103 million).

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 Special Purpose 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, except when transactions which would significantly affect the Summary Financial Statements occur during the intervening period. 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

Government of Canada Receipts

Generally, entitlements from the Government of Canada for transfer payments, the transfer having been authorized and any eligibility criteria met, as well as for the Province's share of individual and corporation income tax pursuant to the Federal-Provincial Tax Collection Agreements are recorded on a cash basis for cash receipts received up to March 31 plus an accrual of prior period adjustments determined before June 30 each year.

Other Revenue

All other 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. 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 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. It is reflected as a reduction in individual and corporation income tax revenues.
- 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 forward foreign exchange 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 also 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 and these gains and losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.
- 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 monthly 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 foreign 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 currency fluctuation between year ends are amortized monthly over the remaining life of the investment and included with debt servicing expense. Expenses and other transaction charges incurred on the purchase of investments during

SUMMARY FINANCIAL STATEMENTS

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) Premiums paid on interest rate options are amortized monthly starting from the date the income is received over the period of the applicable agreement. If the option is exercised, the premium is amortized over the period from the date of receipt to the maturity date of the agreement. If the option is not exercised, any unamortized premium will be immediately taken into revenue.
- 7) Inventories held for resale are recorded at the lower of cost and net realizable value.
- 8) Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land	Indefinite
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
Maintenance and road construction 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. Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Assets under construction are not amortized until the asset is available to be put into service.

- 9) Intangible assets and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources, are not recognized in Government financial statements. 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.
- 10) During the 2000/01 fiscal 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. 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.

During the 2002/03 fiscal year, the Federal Government created a Diagnostic and Medical Equipment Fund for investment in new medical equipment. The Province's share of this fund was \$54 million. Funding from the Diagnostic and Medical Equipment Fund has been treated as deferred revenue and will be brought into revenue based on actual purchase of equipment according to a defined schedule.

- 11) 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. Use of Estimates

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

2. CASH AND CASH EQUIVALENTS

Cash equivalents are recorded at cost. Market values approximate cost. Investment revenue earned on cash equivalents during the year was \$18 million (2003 - \$12 million).

3. TEMPORARY AND PORTFOLIO INVESTMENTS

Temporary investments are recorded at the lower of cost and market value. As at March 31, 2004, the cost of temporary investments was \$206 million (2003 - \$228 million) with a market value of \$206 million (2003 - \$228 million). Investment revenue earned on the temporary investments funds during the year was \$10 million (2003 - \$6 million). Portfolio investments are recorded at the lower of cost and net realizable value. As at March 31, 2004, the carrying value of portfolio investments was \$89 million (2003 - \$33 million). Portfolio investments earned \$2 million during the year (2003 - \$2 million).

4. ADJUSTMENTS TO ACCUMULATED DEFICIT

A. Tangible Capital Assets

During the year, tangible capital assets acquired in prior fiscal years (cost of \$6 million and accumulated amortization of \$3 million) were identified and recorded. Accordingly, the accumulated deficit was decreased by \$3 million.

During the year, the Province made adjustments to the calculation of the accumulated amortization of the tangible capital assets held by the Manitoba Housing and Renewal Corporation, to be consistent with the Province's accounting policy. This correction has resulted in a decrease in tangible capital assets of \$229 million, a decrease in expenses of \$1 million and a corresponding increase in accumulated deficit of \$230 million.

B. Deferred Revenue

During the year, as a result of a change in the designation of certain special funds held by the University of Manitoba from externally restricted funds to internally restricted funds, deferred revenue decreased by \$15 million and accordingly the accumulated deficit decreased by \$15 million.

Certain Crown organizations adopted a policy of distinguishing restricted contributions from unrestricted contributions. Prior to 2003/04 all contributions were accounted for as restricted contributions. As restricted contributions are recognized as revenue when the related expenses are incurred and unrestricted contributions are recognized as revenue when received, this resulted in a decrease in the accumulated deficit of \$1 million.

C. Amortization of Assets Under Construction

During the year, amortization on assets under construction, recorded by a Crown organization in prior years, was identified and adjusted to zero in accordance with Government policies for these assets. Accordingly, the accumulated deficit was decreased by \$3 million.

D. Judges Pension Adjustment

During the year, an actuarial valuation report of the Government's liability to the judges under the Supplemental Pension Benefit Plan was completed as at March 31, 2003. In accordance with the formula, the Government's actuarial liability related to prior fiscal years, of \$19 million, was identified and recorded.

SUMMARY FINANCIAL STATEMENTS

Accordingly, the accumulated deficit was increased by \$19 million.

E. Legal Aid Private Bar Fees

During the year, The Legal Aid Service Society of Manitoba changed its accounting policy with respect to private bar fees and disbursements to the accrual basis. Prior to this fiscal year, these fees and disbursements were recognized as expenditures based upon the lawyers billing dates rather than the date of providing the required services. This accounting change has resulted in an increase in accounts payable of \$4 million and a corresponding increase in accumulated deficit of \$4 million.

F. Restatement of School Board Debentures

The Province has provided funds to school boards to finance capital acquisitions through loans and in turn has held the school board debentures as portfolio investments. The Province provides funding to the school boards to repay these debentures. Canadian GAAP requires the investment in these debentures to be recorded as a grant. This has resulted in an increase in loans payable to MPIC of \$271 million, a decrease in sinking funds of \$185 million, an increase in expenses of \$23 million and a corresponding increase in accumulated deficit of \$433 million.

5. 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.

Equity in Government enterprises is comprised of:

	(\$ millions)	
	2004	2003
Restricted Equity in Government Enterprises:		
Manitoba Hydro-Electric Board	734	1,170
Manitoba Public Insurance Corporation	144	108
Workers Compensation Board	<u>56</u>	<u>75</u>
	<u>934</u>	<u>1,353</u>
Unrestricted Equity in Government Enterprises:		
Leaf Rapids Town Properties Ltd	1	2
Manitoba Hazardous Waste Management Corporation	1	1
Manitoba Lotteries Corporation	5	5
Manitoba Product Stewardship Corporation	4	5
Manitoba Public Insurance Corporation	<u>4</u>	<u>3</u>
	<u>15</u>	<u>16</u>
Equity in Government Enterprises	<u>949</u>	<u>1,369</u>

SUMMARY FINANCIAL STATEMENTS

6. SINKING FUNDS

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2004, sinking funds had a cost of \$3,024 million (2003 - \$3,939 million) and a market value of \$3,261 million (2003 - \$4,081 million). Investment revenue earned on the sinking funds during the year was \$231 million (2003 - \$254 million).

Section 60 of *The Financial Administration Act* authorizes the Minister of Finance to provide for the creation and management of sinking funds for the orderly retirement of debt. The Minister of Finance may authorize, by directive, the amount, if any, to be allocated to the Province's sinking fund. The Province's sinking fund currently provides for the repurchase of foreign debt and the pre-funding of maturing debt issues. In addition, the Province's sinking fund is invested principally in securities issued or guaranteed by Canadian provinces.

As provided by *The Manitoba Hydro Act*, the Manitoba Hydro-Electric Board (Hydro) is required to provide, prior to its fiscal year end in each year, amounts for sinking funds which are not less than the sum of i.) 1% of the principal amount of Hydro's outstanding debt on the preceding March 31 and, ii.) 4% of the balance of cash and book value of securities in the sinking fund at such date. Sinking funds are invested in Government bonds and the bonds of highly rated corporations and financial institutions. Interest earned on money and securities in the sinking fund is paid to Hydro.

The sinking funds are allocated as follows:

	(\$ millions)	
	2004	2003
Province of Manitoba	2,216	2,891
Manitoba Hydro-Electric Board	728	976
Regional Health Authorities	78	70
University of Manitoba	<u>2</u>	<u>2</u>
 Total sinking funds	 <u>3,024</u>	 <u>3,939</u>

Sinking funds are invested as follows:

	(\$ millions)	
	2004	2003
Cash and cash equivalents	460	865
Portfolio investments	<u>2,564</u>	<u>3,074</u>
	<u>3,024</u>	<u>3,939</u>

7. GUARANTEES

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

	Authorized Limit	(\$ millions)	
		2004	2003
Canada Mortgage and Housing Corporate Mortgages	1	1	1
Manitoba Business Start Program	5	1	1
Manitoba Agriculture Credit Corporation (Note a)		52	52
Manitoba Housing & Renewal Corporation (Note b)		6	4
Co-operative Loans & Loans Guarantee Board (Note c)	1	0	1
Rural Entrepreneur Assistance Program (Note d)	11	4	4
Manitoba Student Financial Assistance Program (Note e)	20	12	12
Rural Municipality of Richot	1	1	1
Winnipeg Symphony Orchestra Inc.	2	<u>1</u>	<u>1</u>
		78	77
Manitoba Grow Bonds		<u>8</u>	<u>8</u>
Total guarantees outstanding		<u>86</u>	<u>85</u>

SUMMARY FINANCIAL STATEMENTS

The provisions for losses on guaranteed loans are determined by a review of individual guaranties. The provision represents the best estimate of probable claims against the guarantee. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guaranties. Provision for future losses on guaranties in the amount of \$20 million (2003 - \$17 million) has been recorded in the accounts. Debt guaranteed by the Province is guaranteed as to principal and interest until the debt is matured or redeemed.

Note a – The Manitoba Agriculture Credit Corporation has guaranteed loans under the following programs:
 Guaranteed Operating Loan Program – guaranties each participating lending institution 12 ½% of the respective value of loans made under this program.
 Manitoba Cattle Feeder Associations Loans Guaranties – for each association guarantee 25% of the loan to a maximum guarantee of \$1 million.
 Diversification Loan Guarantee Program – guaranties 25% of loans made by participating lenders, for the diversification or farm value-added activities, to a maximum individual guaranteed loan allowable of \$3 million.
 Enhanced Diversification Loan Guarantee Program – eliminated lender pooling of guaranties and the maximum of \$3 million for qualifying loans.

Note b – The Manitoba Housing and Renewal Corporation has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts.

Note c – The Co-operative Loans & Loans Guarantee Board is empowered to make loans or guarantee loans to co-operative organizations in Manitoba. The terms of these guaranties vary per each guarantee and are subject to change on Board approval.

Note d – The Province provides guaranties on new and expanding small or home business loans, with a five year term.

Note e – The Government guaranties three types of student loans issued in the past ten years:

- i. Guaranteed loans: issued by the CIBC from April 1, 1993 to December 31, 1994. These loans are fully guaranteed should the loan be deemed to be in default.
- ii. Limited risk loans: issued by the CIBC from January 2, 1995 to December 31, 1997 and issued by the Royal Bank from June 2, 1997 to July 31, 2000. The Government only guaranties those loans in default that have been issued to credit abusers, insolvent creditors and minors.
- iii. Non-risk loans: issued by the Royal Bank from August 1, 2000 to July 31, 2001. The Government has agreed to guarantee and purchase any loan deemed to be in default.

8. FINANCIAL COMMITMENTS

A. Funding 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 Budget. The Government reporting entity 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)	
			2004	2003
Future commitments:	Government	Other		
	Enterprises			
Tangible capital assets,				
infrastructure and capital grants	151	174	325	348
Rental of tangible capital assets	49	151	200	145
Housing construction and approved mortgages	<u>—</u>	<u>11</u>	<u>11</u>	<u>12</u>
	<u>200</u>	<u>336</u>	<u>536</u>	<u>505</u>

SUMMARY FINANCIAL STATEMENTS

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 \$86 million (2003- \$77 million).

Subsequent to the year end, Manitoba Lotteries Corporation committed to the replacement of video lottery terminals in locations where admittance is age restricted. The estimated cost of these replacements is \$75 million.

The Manitoba Hydro-Electric Board made a commitment to commence construction of an office building in downtown Winnipeg on or before September 3, 2007.

The Province has undertaken to expand the Red River Floodway. Through the Manitoba Floodway Expansion Authority Inc., the Province is a party to a funding agreement with the Government of Canada for a \$240 million expansion project and has committed to provide \$120 million towards the \$240 million expansion project.

In December 2001, the Government entered into a funding agreement with the City of Winnipeg and the TN Arena Limited Partnership regarding the True North Entertainment Complex. The Province's maximum commitment, after Federal Infrastructure contributions, is \$14 million (2003 - \$14 million). The Province has fulfilled its commitment by contributing \$14 million as at March 31, 2004 (2003 - \$3 million).

B. Capital Commitments

The Government has made commitments against future appropriations that cover the purchase or development of tangible capital assets. Funding is provided annually from appropriations of the Capital Budget. These commitments as at March 31 are as follows:

	2004 (\$ millions)
Computer Hardware and Software	1
Construction and Maintenance Equipment	3
Equipment	<u>2</u>
	<u>6</u>

9. CONTINGENCIES

The Government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2004 in the accounts where the final results are uncertain.

A. Disaster Financial Assistance

A provision has been made at March 31, 2004 for all flood claims and other disaster financial assistance. The final amount of the Government's share of these costs under shared cost agreements is uncertain at the date these financial statements were issued.

B. Northern Development Projects

The Province is contingently liable for legal claims associated with past Manitoba Hydro-Electric Board related northern development projects. The outcome of these claims is not determinable at this time.

10. TREATY LAND ENTITLEMENT OBLIGATIONS

To meet Manitoba's obligation under treaty land entitlement (TLE) agreements, approximately 2,351 acres of provincial Crown land will be transferred to Canada for the Rolling River First Nation. This will help strengthen their economic development. Manitoba continues to work with Canada and First Nations on a number of initiatives leading to greater self-government in areas such as land and child and family services delivery.

SUMMARY FINANCIAL STATEMENTS

Manitoba's obligations under the treaty Land Entitlement Framework Agreement requires the setting aside of 985,949 acres of Crown land. To date 843,650 acres have been selected by the Entitlement First Nations. The Crown lands will be transferred according to the Natural Resources Transfer Agreement, including mines and minerals and other interests normally reserved for the Province under the Crown Land Act or any other statute.

11. ENVIRONMENTAL ISSUES

There are currently no accounting standards for environmental liabilities recommended for senior Governments by the CICA, other than those that apply to corporate entities related to environmental damage they have created. Because of its role, Government will in all probability assume costs where those responsible cannot or will not accept liability for their actions. The Province is in the process of cataloguing suspected contaminated mine and petroleum sites. This catalogue will include a determination of the liable party, an assessment of the nature and level of contamination, the need for clean-up versus containment, and a quantification of the estimated cost for clean-up. Once standards are established by the CICA for senior Governments for the recognition and disclosure of these liabilities, their application in the Manitoba setting will be reviewed to determine the appropriate accounting treatment. In addition, the Manitoba Hydro-Electric Board will incur future costs associated with the assessment and remediation of contaminated lands and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment.

12. PENSION PLANS

The Government of the Province of Manitoba supports eight 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), the Brandon University Retirement Plan, the Judges' Supplemental Pension Plan, and the Winnipeg Child and Family Services Employee Benefits Retirement Plan (WCFSP). 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 Balanced 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 for the year ended March 31, 2004 was \$17 million (2003 - \$9 million), the Government set aside \$75 million (2003 - \$48 million) in the Pension Assets Fund. These funds are separately invested and maintained in trust accounts with Civil Service Superannuation Board (CSSB) and Teachers' Retirement Allowances Fund (TRAF) for the Government and are increased by the rate of return of the funds. The Pension Assets Fund's balance as at March 31, 2004 was \$267 million (2003 - \$151 million).

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. Information about the economic assumptions used in the most recent actuarial valuations is provided below. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Real Rate of Return	Inflation Rate	Investment Rate of Return
Civil Service	December 31, 2001	4.0%	2.75%	6.75%
Teachers'	January 1, 2001	4.0%	3.0%	7.0%
MLA	March 31, 2003	4.0%	2.75%	6.75%
University of Manitoba	December 31, 2001	4.0%	3.0%	7.0%
Brandon University	December 31, 2003	3.5%	2.5%	6.0%
HEPP	December 31, 2003	3.5%	3.0%	6.5%
Judges' Supplemental	March 31, 2003	3.25%	2.75%	6.0%

SUMMARY FINANCIAL STATEMENTS

The WCFSP was established effective December 29, 2003 and the actuarial valuation of this plan has not yet been completed. During the year, no amendments were made to any of the plans.

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

	(\$ millions)		
	Pension Expense 2004	2004	Pension Liability 2003
Civil Service Plan			
Pension Liability	144	1,497	1,446
Unamortized Net Actuarial Gains		48	55
Teachers' Plan			
Pension Liability	195	2,066	1,926
Unamortized Actuarial Losses		(95)	(48)
Members of the Legislative Assembly			
Pension Liability	2	28	29
Unamortized Actuarial Gains		4	3
Judges' Supplemental Pension Plan	2	21	-
Other Plans	<u>21</u>	<u>2</u>	<u>-</u>
	<u>364</u>	<u>3,571</u>	<u>3,411</u>

The pension liabilities of Government enterprises are disclosed in Schedule 3.

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, 2004, the CSP had approximately 39,800 (2003 – 39,000) 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, 2004 was \$34 million (2003 - \$30 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, 2004 amounted to \$68 million (2003 - \$65 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, 2004, payments of \$85 million (2003 - \$79 million) were made to the CSSF.

An actuarial report was completed for CSSF as of December 31, 2001, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability for accounting purposes has been calculated to be \$1,545 million as at March 31, 2004 (2003 - \$1,501 million), which includes net unamortized actuarial gains of \$48 million (2003 - \$55 million). The December 31, 2001 report disclosed an actuarial loss of \$50 million which will be amortized over the 15 year expected average remaining service life of the employee groups. This actuarial loss has been combined with the actuarial gain from the December 31, 1998 actuarial report. The 2004 combined amortization was a \$7 million decrease to expenses (2003 - \$7 million).

B. Teachers' Plan

The Teachers' Pensions 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, 2004, the Teachers' Retirement Allowances Fund (TRAF) had approximately 30,900 (2003 - 29,500) 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. 83.5% of contributions are used to fund basic benefits and 16.5% 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, 2004, amounted to \$51 million (2003 - \$53 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, 2004, payments of \$102 million (2003 - \$91 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2001, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. For the year ended March 31, 2004, the actuary provided a calculation of the Government's liability on an indexed basis. The Government's net liability for accounting purposes has been calculated to be

\$1,971 million as at March 31, 2004 (2003 - \$1,878 million), which includes unamortized actuarial losses of \$95 million (2003 - \$48 million). The actuary's calculation disclosed an actuarial loss of \$51 million which will be amortized over the 13 year expected average remaining service life of the employee groups, commencing in the 2004/05 fiscal year. This actuarial loss has been combined with the actuarial loss from the January 1, 2001 actuarial report. The 2004 amortization expense was \$4 million (2003 - \$5 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 to April, 1995. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2004, there are 116 (2003 - 119) 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 report was completed for the MLA plan as of March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability for accounting purposes has been calculated to be \$32 million as at March 31, 2004 (2003 - \$32 million), which includes unamortized actuarial gains of \$4 million (2003 - \$3 million). The March 31, 2003 report disclosed an actuarial gain of \$2 million which will be amortized over the 10 year expected average remaining service life of the MLAs. This actuarial gain has been combined with the actuarial gain from the March 31, 2000 actuarial report. The 2004 combined amortization was a \$0.6 million decrease to expenses (2003 - \$0.4 million).

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.

D. University of Manitoba

The University of Manitoba administers the University of Manitoba Pension Plan (1970), The University of Manitoba GFT Pension Plan (1986) and The University of Manitoba Pension Plan (1993). These are trustee pension plans. The Trustees are responsible for the custody of the plans' assets and issuance of annual financial statements, which do not form part of the Province's Summary Financial Statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the plans and the matching contribution is adequate to fund the plans and the current level of funding satisfies the requirements of *The Manitoba Pensions Benefit Act*. The plans are not indexed.

As at December 31, 2003, the University of Manitoba Pension Plans had 5,119 active members (2002 - 4,902), and 846 pensioners (2002 - 789). The plans do not offer deferred pension elections.

The actuarial present value of accrued pension benefits has been determined using the projected unit credit actuarial cost method and assumptions developed by reference to expected long-term market conditions. An actuarial valuation effective December 31, 2001 was completed in 2002 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2003. As at December 31, 2003, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of \$1 million (2002 - \$1 million) and \$17 million (2002 - \$4 million), respectively. The University of Manitoba cannot access this surplus and as a result, no asset has been recorded in the Province's Summary Financial Statements.

The University of Manitoba recognized expenses equal to its contributions of \$12 million (2003 - \$11 million) for the 1970 Plan and for the 1993 Plan for the fiscal year ended March 31, 2004. Employee contributions equalled the employer contributions.

The next full actuarial valuation of the plans will be as at December 31, 2003 and will be completed in 2004.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan; therefore there is no requirement for an actuarial valuation of this plan. The University's contributions to this plan were \$1 million in 2004 (2003 - \$1 million).

E. Brandon University

The Brandon University administers the Brandon University Retirement Plan, which is a trustee pension plan. The Trustees are responsible for the custody of the Plan's assets and issuance of annual financial statements, which do not form part of the Province's Summary Financial Statements.

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established April 1, 1974 for the benefit of the employees of Brandon University. The funding for the plan requires a matching contribution from the University and the employees. The surplus from the plan and the matching contribution is adequate to fund the plan and the current level of funding satisfies the requirements of *The Manitoba Pensions Benefit Act*.

As at December 31, 2003, the Brandon University Retirement Plan had 458 active members (2002 - 435), 183 pensioners (2002 - 177), and 38 deferred pensioners (2002 - 37).

The actuarial present value of accrued pension benefits has been determined using the accrued benefit method prorated on service and using assumptions recommended by the actuary and approved by the Trustees. An actuarial valuation was made as at December 31, 2003 by Eckler Partners Ltd., a firm of consulting actuaries. As at December 31, 2003, the Brandon University Retirement Plan was in an actuarial surplus of \$3 million (2002 - \$2 million). The Brandon University cannot access this surplus and as a result, no asset has been recorded in the Province's Summary Financial Statements.

The Brandon University recognized expenses equal to its contributions of \$1 million (2003 - \$1 million). Employee contributions equalled the employer contributions.

The next full actuarial valuation of the plan will be as at December 31, 2006 and will be completed in 2007.

F. Healthcare Employees Pension Plan - Manitoba

The Healthcare Employees Pension Plan - Manitoba (HEPP) was established in 1997 to meet the retirement needs of Manitoba's healthcare employees and their beneficiaries. Benefits accrued from January 1, 1997 are administered in accordance with the HEPP Plan Text and governing agreements. Benefits accrued up to and including December 31, 1996 are administered in accordance with previous plans. HEPP is governed by an independent, 12 member Board of Trustees representing both union and employer participants. The Trustees are responsible for the custody of the plan's assets and issuance of annual financial statements, which do not form part of the Province's Summary Financial Statements.

HEPP is a defined benefit pension plan. The lifetime pension calculation is based on an amount equal to:

- 1.5% of a member's highest average earnings up to the Canada Pension Plan Yearly Maximum Pensionable Earnings (YMPE), and,
- 2.0% of a member's highest average earnings over the YMPE,
- multiplied by a member's years of contributory service. The highest average earnings are determined by averaging the best five years of annualized pensionable earnings in the past eleven years prior to termination, retirement or death.

Ad hoc cost of living adjustments (COLAs) to pension benefits are reviewed every year. Members who retired on or before July 1, 2000, disabled members and deferred vested members received a 2.34% ad hoc COLA effective January 1, 2002. COLAs were not granted for year ended December 31, 2003.

As at December 31, 2003, HEPP had 34,865 active and disabled members (2002 – 33,178), 4,822 deferred vested members (2002 – 4,961), and 8,971 retired members (2002 – 8,524). There are currently 185 participating employers (2002 - 187).

The Plan Text requires that an annual actuarial valuation be performed on both a going concern basis and a solvency basis by an independent actuary. Towers Perrin, a firm of consulting actuaries, prepared the most recent actuarial valuation as at December 31, 2003, using the projected unit credit actuarial cost method. As at December 31, 2003, HEPP had a going concern actuarial surplus of \$11 million (2002 - \$67 million). The employers cannot access this surplus and as a result, no asset has been recorded in the Province's Summary Financial Statements.

G. Judges' Supplemental Pension Plan

The supplemental pension benefit for judges was determined to be the difference between the total pension benefits for judges, including the amendments introduced by Judicial Compensation Committees, and the formula pension available under the Civil Service Superannuation Act (CSSA) as described above in note 12A.

The present supplemental pension benefit for judges was effective July 1, 1992. It was based upon the first Judicial Compensation Committee report of June 7, 1991. Since that time, four successive Judicial Compensation Committees have been duly appointed and amendments have been implemented to the supplemental benefits available under the Judges' Supplemental Pension Plan.

The current supplemental pension, including amendments introduced by the most recent Judicial Compensation Committee, is summarized as follows:

- The supplemental pension plus the pension provided under the CSSA results in an accrual rate of 3.00% for each year of service as a judge,
- A cap of 70% of earnings on the combined judge's supplemental pension and Civil Service Superannuation Pension,
- The overall limit that the judge's supplemental service not exceed 23.5 years.

As at March 31, 2004, there are 61 (2003 – 57) plan members who are entitled to receive future pension benefits in accordance with the plan.

An actuarial report was completed for the Judges' Supplemental Pension Plan as at March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's liability for accounting purposes has been calculated to be \$21 million as at March 31, 2004 (2003 - \$19 million).

H. Winnipeg Child and Family Services Employee Benefits Retirement Plan

The Winnipeg Child and Family Services Employee Benefits Retirement Plan (the WCFSP) was established effective December 29, 2003. The WCFSP applies to employees of the former Winnipeg Child and Family Services who transferred to the Department of Family Services and Housing and the terms apply to those who retire or terminate employment on or after December 29, 2003. These employees were previously members of the United Way Agencies' Employee Benefits Retirement Plan (UWARP). Under a Special Pension Transfer Agreement, the services and benefits earned by those employees were transferred from UWARP to the WCFSP.

At March 31, 2004, the WCFSP had 562 active members, 129 pensioners and 69 deferred pensioners.

The lifetime pension calculation equals 2% of the member's highest average pensionable earnings in any three non-overlapping periods of 12 consecutive months, less 0.6% of the average CPP earnings for the same period multiplied by years of pensionable service.

SUMMARY FINANCIAL STATEMENTS

Members are required to contribute 4.5% of pensionable earnings up to the CPP maximum and 6% on pensionable earnings over the maximum.

The employer is required to make monthly contributions actuarially determined to provide for the normal cost of the benefits accruing to members and to provide for the proper amortization of any unfunded liability or solvency deficiency. Currently that contribution has been established at an amount equal to employee contributions. In addition, the Government will be required to make a one-time payment to cover an estimated solvency deficiency of \$1.9 million. This amount has been accrued in these statements. With this one-time payment, the plan is expected to be fully funded as at March 31, 2004.

The WCFSP will reflect the pension benefits earned by its members for service until June 27, 2004. No further pensionable service entitlements will accrue in the WCFSP after June 27, 2004. Subsequent to June 27, 2004, the active members of the WCFSP will become members of the Civil Service Plan (CSP) and will begin earning pension benefit entitlements under the CSP. The pension benefits for all future service of the former WCFSP members will accrue under the CSP.

13. AMOUNTS HELD IN TRUST

The Government held certain fiduciary trusts for investment or administration at March 31, 2004, totalling \$399 million (2003 - \$455 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, 2004 totalling \$125 million (2003 - \$138 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)	
	2003	2002
Civil Service Superannuation Fund	2,758	2,422
University of Manitoba Pension Plans	846	751
Brandon University Retirement Plan	<u>77</u>	<u>70</u>
	<u>3,681</u>	<u>3,243</u>

14. DEBT SERVICING

Debt servicing costs of \$561 million (2003 - \$494 million) are net of cost recoveries and interest income of \$878 million for the year ended March 31, 2004 (2003 - \$955 million), which includes \$530 million as at March 31, 2004 (2003 - \$582 million) from Government enterprises. Government enterprises debt servicing costs of \$497 million (2003 - \$489 million) are reported on Schedule 3.

15. WATER POWER RENTALS

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of \$65 million (2003 - \$97 million), is included in the Summary Statement of Revenue and Expense under the Manitoba Collections category. These rentals are paid for the use of water resources in the operation of Hydro's hydroelectric generating stations. Water rental rates during the year were \$3.34 per megawatt hour (MW.h) (2003 - \$3.34 per MW.h).

16. GUARANTEE FEES

Hydro remits guarantee fees to the Government based on the Hydro debt that the Province guarantees on their behalf. The guarantee fees paid by Hydro for the year ended March 31, 2004 were \$70 million (2003 - \$74 million).

17. REVENUE FROM GOVERNMENT ENTERPRISES

Under the *Workplace Safety and Health Act of Manitoba*, The Workers' Compensation Board supports the administrative expenses incurred by the Department of Labour and Immigration for The Workplace Safety and Health program and the Worker Advisor Office. The amount for the year ended March 31, 2004 was \$6 million (2003 - \$6 million).

The Manitoba Lotteries Corporation provided \$2 million in funding for the year ended March 31, 2004 (2003 - \$2 million) to the Addictions Foundation of Manitoba for problem gambling services programming. Hydro paid Corporation Capital Tax of \$33 million for the year ended March 31, 2004 (2003 - \$33 million).

18. PURCHASE OF WINNIPEG HYDRO

The Purchase of Winnipeg Hydro Act received Royal Assent on August 9, 2002. In the 2003 fiscal year, the Manitoba Hydro-Electric Board entered into an agreement with the City of Winnipeg to purchase all of the net assets of Winnipeg Hydro. The consideration principally consisted of annual payments to the City of Winnipeg of \$25 million per annum in years 2002 to 2006, \$20 million per annum in years 2007 to 2010, and \$16 million per annum in year 2011 and each year thereafter. Winnipeg Hydro was an electric utility with 94,000 customers and annual revenues of \$125 million.

19. THE 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. It is reflected as a reduction in individual and corporation income tax revenues. This amounted to \$80 million for the year ended March 31, 2004 (2003 - \$78 million). The Province has accrued a liability of \$21 million (2003 - \$21 million) for the municipal share of individual and corporate income taxes for the first quarter of 2004.

20. AMOUNTS DUE TO THE FEDERAL GOVERNMENT

The March 31, 2003 financial statements disclosed that the net impact of the federal settlement related to the Federal Accounting Error for the period of 1997 to 1999 was a \$91 million loan payable owing to the Federal Government over a ten-year period commencing in 2004/05. As at March 31, 2004, this loan payable has been reduced to \$89 million by offsetting an adjustment to unapplied taxes.

To offset negative adjustments to the 2004 Equalization payments, the Federal Government provided a net loan payable to the Province of \$38 million. Repayment of this loan payable is scheduled to begin in April, 2005 and continue over a five year period. Similarly, to offset negative adjustments to the 2004 Canada Health and Social Transfer (CHST) entitlements, the Federal Government provided a net loan payable to the Province of \$9 million. Repayment of this loan payable is scheduled to begin in April, 2005 and continue over a five year period.

21. FOREIGN EXCHANGE RISK

The Province of Manitoba recognizes that currency risks can be inherent to normal business operations. The Province's general philosophy is to minimize any foreign currency risks associated with capital market activities. The Province uses derivative instruments such as swaps and forward foreign exchange contracts as well as uses

US dollar sinking funds to hedge these risks. Derivatives must be related to specific underlying liability or investment requirements and are not used for activities such as trading, speculation, leveraging or any other activities that are not related to the Province's normal business activities. The current portfolio of foreign debt is fully hedged through the use of derivative instruments and US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of \$89 million (2003 - \$81 million). In accordance with the Province's accounting policies reflected in Notes 1(E)2 and (E)4, the balance of the unamortized foreign exchange fluctuation account will be charged to debt servicing expense over the remaining term of the related debt. The Canadian dollar equivalent of the aggregate amount, by major currency, estimated to be required in each of the next five years and thereafter to meet sinking fund or retirement provisions for the foreign denominated debt is disclosed in Schedule 6.

In accordance with the Manitoba Hydro-Electric Board's (Hydro) Exposure Management Program, revenues used as hedges are firm US dollar export revenues which are translated at the historical book value exchange rates of the respective US dollar denominated debt obligations to which the firm revenues are linked and for which they, together, form an effective hedge. For purposes of bridging the timing of US dollar denominated debt maturities and the US dollar revenue streams used to hedge those debt maturities, Hydro utilizes US dollar sinking funds.

22. CANADIAN BLOOD SERVICES

Most provinces including Manitoba are members of and provide funding to Canadian Blood Services, which operates the Canadian blood system. The March 31, 2003 audited financial statements indicate that a wholly owned subsidiary – CBS Insurance Company Limited provides for the contingent liabilities for risks related to operation of the blood system. The actuarially determined provision for future insurance claims – reported and unreported related to insured events that occurred prior to March 31, 2003 is \$135 million. The related assets as at March 31, 2003 total \$171 million. The subsidiary also had a re-insurance contract for additional coverage of \$750 million.

Based upon the above, as at March 31, 2003, the Province of Manitoba's share of the provision for future claims is offset with designated assets which at that point exceed the provision. In addition, there is re-insurance to cover an additional \$750 million in claims of insured events occurring on or before March 31, 2003. March 31, 2004 numbers are not available for comparison.

23. COMPARATIVE FIGURES

Certain of the 2003 financial statement figures have been reclassified to be consistent with the 2004 presentation.

SCHEDULE 1

SUMMARY STATEMENT OF AMOUNTS RECEIVABLE

As at March 31, 2004

	(\$ millions)	
	2004	2003
TAXATION REVENUE:		
Corporation capital tax.....	1	2
Corporation income tax.....	54	48
Gasoline tax.....	14	14
Health and education levy.....	24	23
Individual income tax.....	114	107
Insurance corporation tax.....	13	12
Motive fuel tax.....	7	7
Retail sales tax.....	109	104
Revenue Act, 1964, part 1.....	7	8
Tobacco tax.....	17	15
	<u>360</u>	<u>340</u>
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Canada health and social transfer.....	1	17
Municipal corporations.....	57	58
Provincial and territories.....	16	10
Shared cost programs/agreements.....	129	124
Other.....	8	4
	<u>211</u>	<u>213</u>
INTEREST:		
Province of Manitoba sinking fund.....	48	59
Other investments.....	11	11
	<u>59</u>	<u>70</u>
OTHER:		
Health and social services.....	52	44
Liquor Control Commission.....	10	12
Manitoba Hydro-Electric Board.....	9	12
Manitoba Lotteries Corporation.....	4	4
Morris MacDonald School Division.....	1	1
Sundry departmental revenue.....	57	47
Other.....	89	87
	<u>222</u>	<u>207</u>
	852	830
Less: Allowances.....	<u>106</u>	<u>100</u>
	<u>746</u>	<u>730</u>

SCHEDULE 2

SUMMARY STATEMENT OF LOANS AND ADVANCES

As at March 31, 2004

	(\$ millions)	
	2004	2003
GOVERNMENT ENTERPRISES:		
Liquor Control Commission.....	5	5
Manitoba Hydro-Electric Board.....	6,493	6,375
Manitoba Lotteries Corporation.....	173	174
	<u>6,671</u>	<u>6,554</u>
OTHER:		
Loans and Mortgages - Note 1.....	670	602
Hudson Bay Mining and Smelting Co. Ltd - Note 2.....	20	21
Manitoba Potash Corporation - Note 3.....	3	3
Manitoba student loans - Note 4.....	19	12
Regional family services agencies - Note 5.....	8	7
Rural economic development initiatives program - Note 6.....	3	3
Treaty Indian fuel tax.....	1	1
Other.....	3	4
	<u>727</u>	<u>653</u>
Less: Valuation allowance.....	101	79
	<u>626</u>	<u>574</u>
	7,297	7,128
Less: Sinking funds provided for repayment of applicable debt.....	728	976
	<u>6,569</u>	<u>6,152</u>
Less: Debt incurred for and repayable by the Manitoba-Hydro Electric Board and Manitoba Lotteries Corporation.....	5,937	5,573
	<u>632</u>	<u>579</u>
NET LOANS AND ADVANCES		

The government enterprises loans and advances portfolio is due in varying annual amounts to the year 2042, bearing interest rates from nil to 13.375%

Note 1

Agricultural direct lending and special assistance program mortgages, due in varying annual amounts to the year 2032, bearing interest rates ranging from 2.25% to 14.5%.

Housing direct lending and special assistance program mortgages, due in varying annual amounts to the year 2024, bearing interest rates ranging from 0.0% to 13.5%.

Business development assistance loans, due in varying annual amounts to the year 2013, bearing interest rates ranging from nil to 9.875%.

Northern business development and fishing industry assistance loans, due in varying annual amounts to the year 2008, bearing interest rates ranging from 3.25% to 6.75%.

Note 2 - environmental improvement loan, due in varying amounts to the year 2008, bearing no interest and guaranteed with an irrevocable letter of credit.

Note 3 - advances, repayable on the Corporation generating revenue or the sale of the Province's interest, bearing interest at prime less 3/4%.

Note 4 - student loans, payment and interest free until 6 to 12 months past the completion of studies, due 114 to 174 months after that time, carrying interest at prime plus 2.5%.

Note 5 - advances to provide family services agencies with interim funding to meet daily operating expenses related to providing services, to be repaid when no longer required, bearing no interest.

Note 6 - Community Works Program loans, repayable at the end of the 5 to 10 year term, bearing no interest.

SUMMARY FINANCIAL STATEMENTS

GOVERNMENT ENTERPRISES
SCHEDULE OF SUMMARY OPERATING RESULTS AND FINANCIAL POSITION
For the Year Ended March 31, 2004
(\$ millions)

SCHEDULE 3

	UTILITY	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 2004	TOTAL 2003
RESULTS OF OPERATIONS						
Revenues from operations	1,781	993	1,056	-	3,830	3,802
Expenses: From operations	1,730	975	638	1	3,344	2,837
Debt servicing	487	-	10	-	497	489
Total expenses	2,217	975	648	1	3,841	3,326
Net income	(436)	18	408	(1)	(11)	476
Transfers to the government	-	-	(409)	-	(409)	(635)
Net increase (decrease) in equity in government enterprises	<u>(436)</u>	<u>18</u>	<u>(1)</u>	<u>(1)</u>	<u>(420)</u>	<u>(159)</u>
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	6	89	34	1	130	210
Amounts receivable	378	226	20	-	624	609
Portfolio investments	-	2,071	-	2	2,073	1,847
Capital assets	7,262	42	180	-	7,484	7,262
Pension assets	556	-	-	-	556	457
Other assets	712	103	79	-	894	1,225
Total assets	<u>8,914</u>	<u>2,531</u>	<u>313</u>	<u>3</u>	<u>11,761</u>	<u>11,610</u>
Liabilities:						
Accounts payable, accrued liabilities and deferred revenue	998	422	82	-	1,502	1,519
Long-term debt:						
Owing to the government	5,808	-	178	1	5,987	5,634
Owing to others	867	-	1	-	868	867
Provision for future benefits: Pension obligations	507	90	43	-	640	560
Future cost of existing claims	-	1,815	-	-	1,815	1,661
Total liabilities	<u>8,180</u>	<u>2,327</u>	<u>304</u>	<u>1</u>	<u>10,812</u>	<u>10,241</u>
Equity in government enterprises	<u>734</u>	<u>204</u>	<u>9</u>	<u>2</u>	<u>949</u>	<u>1,369</u>

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

SCHEDULE 4

SUMMARY STATEMENT OF LONG-TERM INVESTMENTS

As at March 31, 2004

	(\$ millions)	
	2004	2003
OTHER INVESTMENTS, AT COST		
Common shares -		
Manitoba Potash Corporation - 490,000 shares.....	5	5
Preferred shares -		
3863620 Canada Limited - 11,000,000 shares.....	11	11
Special shares -		
Crocus Investment Fund - 2,000,000 shares.....	2	2
Debentures -		
Municipalities.....	2	2
Profit sharing agreement -		
Hudson Bay Mining and Smelting re: Ruttan Mine.....	11	11
Other -		
Limited partnership investments.....	9	9
	<u>40</u>	<u>40</u>
Less: Valuation allowance.....	33	33
	<u>7</u>	<u>7</u>

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF TANGIBLE CAPITAL ASSETS
For the Year Ended March 31, 2004
(\$ millions)

SCHEDULE 5

	Land	Buildings	Vehicles	Aircraft and Vessels	Machinery Equipment and Furniture	Construction and Maintenance Equipment	Computer Hardware and Software	Leasehold Improvements	Assets Under Construction	Totals 2004	Totals 2003
Opening Cost (*)	52	1,901	85	48	667	58	383	24	212	3,430	3,180
Add:											
Additions during the year	2	199	12	10	63	5	44	6	(27)	314	270
Assets acquired in prior years (**)	2	4	-	-	-	-	-	-	-	6	12
Less:											
Disposals during the year	-	(4)	(7)	-	(13)	(1)	(22)	-	(3)	(50)	(22)
Land capitalization adjustment	-	-	-	-	-	-	-	-	-	-	(6)
Closing Cost	56	2,100	90	58	717	62	405	30	182	3,700	3,434
Accumulated Amortization											
Opening (*)	-	878	44	27	473	38	192	7	-	1,659	1,306
Add:											
Amortization	-	47	9	3	43	2	32	3	-	139	130
Assets acquired in prior years (**)	-	3	-	-	-	-	-	-	-	3	12
Less:											
Accumulated amortization on disposals	-	(4)	(6)	-	(13)	(1)	(22)	-	-	(46)	(15)
Closing Accumulated Amortization	-	924	47	30	503	39	202	10	-	1,755	1,433
Net Book Value of Tangible Capital Assets	56	1,176	43	28	214	23	203	20	182	1,945	2,001

* Opening numbers have been restated for devolved entity and for restatement of Manitoba Housing and Renewal Corporation (Note 4A).

** During the year, assets with a total net book value of \$3 million, acquired in prior fiscal years (Note 4A) were identified and recorded. (2003 - \$NIL million NBV)

** During the year the Province capitalized \$0.5 million of interest relating to assets under construction. (2003 - \$0.9 million)

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF BORROWINGS

SCHEDULE 6

As at March 31, 2004

(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan	Loans and Mortgages	Promissory Notes and Treasury Bills	Totals	
	Cdn	US	Cdn	Cdn	Cdn	2004	2003
2004.....	-	-	-	-	-	-	2,881
2005.....	1,240	-	119	-	440	1,799	1,278
2006.....	1,480	265	126	-	-	1,871	1,744
2007.....	1,157	655	150	-	-	1,962	1,946
2008.....	1,293	-	90	-	-	1,383	1,218
2009.....	2,016	323	106	-	-	2,445	1,388
2004-2009.....	7,186	1,243	591	-	440	9,460	10,455
2010-2014 Operating Fund.....	2,469	1,025	396	-	-	3,890	3,332
2015-2024 Operating Fund.....	2,842	917	15	-	-	3,774	3,703
2025-2043 Operating Fund.....	1,916	-	-	-	-	1,916	1,916
2005-2015 Government of Canada.....	-	-	-	136	-	136	-
2005-2018 Government Enterprises.....	-	-	-	316	-	316	-
2004-2043 Crown Organizations.....	70	-	-	300	-	370	409
2010-2043.....	7,297	1,942	411	752	-	10,402	9,360
Total borrowings.....	14,483	3,185	1,002	752	440	19,862	19,815
Reduced by:							
Unamortized debt issue costs.....	(16)	(6)	-	-	-	(22)	(25)
Province of Manitoba debt issues held as investments in sinking funds and cash and cash equivalents.....	(1,798)	-	-	-	-	(1,798)	(1,980)
	<u>12,669</u>	<u>3,179</u>	<u>1,002</u>	<u>752</u>	<u>440</u>	<u>18,042</u>	<u>17,810</u>
				March 31/04 Cdn \$ Valuation (See Note)	March 31/03 Cdn \$ Valuation (See Note)		
Borrowings payable in:							
Canadian dollars				13,465	12,222		
Foreign issues hedged to Canadian dollars				3,211	3,349		
U.S. dollars				2,228	3,305		
Foreign issues hedged to U.S. dollars				958	939		
Total borrowings				<u>19,862</u>	<u>19,815</u>		

Note 1: The hedges are derivative contracts which include swaps and forward foreign exchange contracts.

Note 2: The Canadian dollar valuation is calculated using the foreign currency exchange rates in effect at each March 31 adjusted for any forward foreign exchange contracts entered into for settlement after year-end.

Note 3: Interest rates on these borrowings fall into one of three categories:

- i) Fixed with rates ranging from 2.96% to 14.06%.
- ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 1.93% and the highest set at 2.29% as at March 31, 2004.
- iii) Floating U.S. - U.S. Dollar LIBOR (London Interbank Offering Rate) setting, established quarterly, with the lowest rate currently set at 1.21% and the highest set at 1.43% as at March 31, 2004.

SCHEDULE 7

**SUMMARY STATEMENT OF ACCOUNTS PAYABLE,
ACCRUED CHARGES, PROVISIONS AND DEFERRALS**

As at March 31, 2004

	(\$ millions)	
	2004	2003
Accounts payable.....	<u>632</u>	<u>706</u>
Accrued charges:		
Interest accrued on borrowings and trust funds.....	<u>230</u>	<u>239</u>
Other accrued liabilities:		
Canadian Farm Income Program	7	30
Canadian Agricultural Income Stabilization.....	52	-
Community Access Program.....	-	2
Compensation for Victims of Crime.....	18	18
Disaster assistance.....	3	2
Flood claims.....	15	43
Hepatitis C assistance.....	7	8
Land acquisition claims.....	2	2
Manfor Ltd. divestiture.....	2	2
Net Income Stabilization Account Program (NISA).....	2	23
Provision for housing renovations.....	-	7
Ruttan Mines clean-up.....	5	5
Salaries and benefits.....	557	480
Tripartite Land Assembly Program.....	3	3
Other.....	<u>4</u>	<u>9</u>
	<u>677</u>	<u>634</u>
Provision for future losses on guarantees.....	<u>20</u>	<u>17</u>
Deferred Revenue		
Government of Canada - Advances re: Shared Cost Programs Not Yet Claimed.....	121	87
Vehicle Registration.....	34	31
Research and Special Funds.....	100	107
Deferred Contributions Related to Future Expense.....	30	43
Tuition and Education Fees.....	12	9
Other.....	<u>34</u>	<u>40</u>
	<u>331</u>	<u>317</u>
	<u><u>1,890</u></u>	<u><u>1,913</u></u>

**FUNDS, ORGANIZATIONS AND ENTERPRISES
COMPRISING THE GOVERNMENT REPORTING ENTITY****CONSOLIDATED FUND:
OPERATING FUND AND
SPECIAL FUNDS:**

Abandonment Reserve Fund
Debt Retirement Fund
Farm Machinery and Equipment Act Fund
Fiscal Stabilization Fund
Land Titles Assurance Fund
Manitoba Law Reform Commission
Mining Community Reserve
Mining Rehabilitation Reserve
Pension Assets Fund
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
Economic Innovation and Technology Council
General Child and Family Services Authority
Helen Betty Osborne Foundation
Horse Racing Commission
Insurance Council of Manitoba
Keewatin Community College
Legal Aid Services Society of Manitoba
Manitoba Adolescent Treatment Centre Inc.

**SCHEDULE 8
(cont'd)**

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 Floodway Expansion Authority Inc.
 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)
 Assiniboine Regional Health Authority Inc.
 Brandon Regional Health Authority Inc.
 Burntwood Regional Health Authority Inc.
 Churchill RHA Inc.
 Interlake Regional Health Authority
 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.
 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.
4719671 Manitoba Ltd. - Manitoba Opportunities Fund

GOVERNMENT ENTERPRISES: (Schedule 3) (Note 5)

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

SCHEDULE 9

**RECONCILIATION OF OPERATING FUND BUDGETARY BALANCE
TO SUMMARY NET INCOME**

As at March 31, 2004

	(\$ millions)				
	2003-04 Summary Budget	2003-04 Operations per Entity Financial Statements	Adjustments on Consolidation	2003-04 Summary Net Income (loss)	2002-03 Summary Net Income (loss)
OPERATING FUND AND SPECIAL FUNDS					
Operating Fund and Special Funds	64	(85)	2	(83)	82
CROWN ORGANIZATIONS					
Assiniboine Community College	-	-	-	-	1
CancerCare Manitoba	-	(1)	(1)	(2)	8
Brandon University	-	(1)	(1)	(2)	-
Child and Family Services of Western Manitoba	(1)				
Keewatin Community College	-	1	-	1	-
Manitoba Agricultural Credit Corporation	-	(10)	-	(10)	-
Manitoba Arts Council	-	-	-	-	(1)
Manitoba Crop Insurance Corporation	(29)	50	-	50	4
Manitoba Habitat Heritage Corporation	-	-	-	-	1
Manitoba Housing and Renewal Corporation	-	1	(1)	-	-
Manitoba Water Services Board	-	-	-	-	(1)
Public Schools Finance Board	-	4	2	6	1
Red River College	-	2	24	26	6
Regional Health Authorities	-	-	(1)	(1)	6
Special Operating Agencies Financing Authority	(8)	16	(13)	3	3
University of Manitoba	-	54	(27)	27	52
Venture Manitoba Tours	-	-	-	-	2
TOTAL CROWN ORGANIZATIONS	(38)	116	(18)	98	82
GOVERNMENT ENTERPRISES					
Leaf Rapids Town Properties Ltd.	-	(1)	-	(1)	-
Manitoba Hazardous Waste Management Corporation	-	-	-	-	(4)
Manitoba Liquor Control Commission	173	-	174	174	166
Manitoba Hydro - Electric Board	71	(436)	-	(436)	71
Manitoba Lotteries Corporation	260	-	235	235	266
Manitoba Product Stewardship Corporation	-	(1)	-	(1)	(1)
Manitoba Public Insurance Corporation	24	37	-	37	(22)
Workers Compensation Board	-	(19)	-	(19)	-
	528	(420)	409	(11)	476
Less: Adjustments on Consolidation	(485)	-	(409)	(409)	(635)
TOTAL GOVERNMENT ENTERPRISES (Schedule 3)	43	(420)	-	(420)	(159)
NON-DEVOLVED HEALTH CARE FACILITIES					
EMPLOYEE FUTURE BENEFITS	-	(17)	-	(17)	(6)
PENSION LIABILITY INCREASE	(179)	(184)	2	(182)	(183)
TOTAL SUMMARY NET LOSS	(110)	(590)	(14)	(604)	(184)

SCHEDULE 10

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

As at March 31, 2004

(\$ millions)

	Accumulated Surplus (Deficit) March 31,2003	2003-04 Summary Net Income (loss)	Adjustments to Accumulated Surplus (Deficit)	Accumulated Surplus (Deficit) March 31,2004
OPERATING FUND AND SPECIAL FUNDS				
Operating Fund and Special Funds	(6,475)	(83)	(791)	(7,349)
CROWN ORGANIZATIONS				
Addictions Foundation of Manitoba	4	-	-	4
Assiniboine Community College	9	-	1	10
Brandon University	41	(2)	-	39
CancerCare Manitoba	43	(2)	2	43
Child and Family Services of Western Manitoba	1	-	-	1
Communities Economic Development Fund	1	-	(1)	-
Economic Innovation and Technology Council	1	-	(1)	-
Keewatin Community College	4	1	-	5
Manitoba Adolescent Treatment Centre	2	-	-	2
Manitoba Agricultural Credit Corporation	3	(10)	-	(7)
Manitoba Arts Council	(1)	-	1	-
Manitoba Crop Insurance Corporation	291	50	-	341
Manitoba Development Corporation	4	-	(1)	3
Manitoba Gaming Control Commission	2	-	-	2
Manitoba Habitat Heritage Corporation	2	-	2	4
Manitoba Health Services Insurance Plan	(1)	-	2	1
Manitoba Water Services Board	(1)	-	-	(1)
Public Schools Finance Board	(4)	6	-	2
Red River College	20	26	13	59
Regional Health Authorities	214	(1)	46	259
Rehabilitation Centre for Children	-	-	1	1
Special Operating Agencies Financing Authority	51	3	-	54
University of Manitoba	331	27	15	373
Venture Manitoba Tours	5	-	-	5
Winnipeg Child and Family Services	(1)	-	1	-
	<u>1,021</u>	<u>98</u>	<u>81</u>	<u>1,200</u>
GOVERNMENT ENTERPRISES				
Leaf Rapids Town Properties Ltd.	2	(1)	-	1
Liquor Control Commission	-	174	(174)	-
Manitoba Hazardous Waste Management Corporation	1	-	-	1
Manitoba Hydro - Electric Board	1,170	(436)	-	734
Manitoba Lotteries Corporation	5	235	(235)	5
Manitoba Product Stewardship Corporation	5	(1)	-	4
Manitoba Public Insurance Corporation	111	37	-	148
Workers Compensation Board	75	(19)	-	56
	<u>1,369</u>	<u>(11)</u>	<u>(409)</u>	<u>949</u>
Adjustments on Consolidation	-	(409)	409	-
	<u>1,369</u>	<u>(420)</u>	<u>-</u>	<u>949</u>
NON-DEVOLVED HEALTH CARE FACILITIES	<u>77</u>	<u>-</u>	<u>-</u>	<u>77</u>
NON-DEVOLVED HEALTH CARE FACILITIES DEBENTURES	-	-	24	24
EMPLOYEE FUTURE BENEFITS	(75)	(17)	-	(92)
PENSION LIABILITY	(3,411)	(182)	22	(3,571)
TOTAL SUMMARY BALANCES	<u>(7,494)</u>	<u>(604)</u>	<u>(664)</u>	<u>(8,762)</u>

Note - Differences may result from rounding.

SCHEDULE 11**SUMMARY STATEMENT OF EXPENSE BY TYPE**

For the Year Ended March 31, 2004

	(\$ millions)	
	2004	2003
Personnel Services.....	2,730	2,447
Grants/Transfer Payments.....	2,959	2,987
Transportation.....	104	96
Communications.....	62	45
Supplies and Services.....	828	748
Social Assistance Related.....	647	617
Other Operating.....	493	396
Debt Servicing - Provincial Departments.....	409	416
- Crown Organizations.....	152	78
Minor Capital.....	36	35
Amortization of Tangible Capital Assets.....	139	130
	<u>8,559</u>	<u>7,995</u>

SCHEDULE 12**SUMMARY STATEMENT OF NET DEBT**

For the Year Ended March 31, 2004

	(\$ millions)	
	2004	2003
Accumulated deficit, end of year.....	8,762	7,494
Tangible capital assets.....	1,945	2,001
Deferred charges for non-devolved health care facilities	121	133
Assets of non-devolved health care facilities.....	<u>805</u>	<u>775</u>
	11,633	10,403
Less:		
Liabilities of non-devolved health care facilities.....	<u>728</u>	<u>698</u>
SUMMARY NET DEBT	<u>10,905</u>	<u>9,705</u>

Note: Net debt is the excess of liabilities over financial assets. Tangible capital assets, deferred charges and net assets of non-devolved health care facilities are not considered to be financial assets since they cannot be immediately converted into cash to pay down liabilities. Net debt represents how much the government would have to borrow in total, after liquidating its financial assets, in order to pay all of its liabilities.

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

TABLE OF CONTENTS	PAGE
Statement of Responsibility	99
Auditor's Report.	101
Special Purpose Statement of Financial Position.	103
Special Purpose Statement of Revenue and Expense.	104
Special Purpose Statement of Calculation of Balance under the Balanced Budget Act.	105
Special Purpose Statement of Accumulated (Deficits) Surpluses.	106
Special Purpose Statement of Cash Flow.	107
Notes to the Financial Statements.	108
Schedules to the Financial Statements	
Schedule 1 - Amounts Receivable.	125
Schedule 2 - Loans and Advances.	126
Schedule 3 - Long-Term Investments.	127
Schedule 4 - Amounts Held in Trust for Investment or Administration and Trust Assets.	128
Schedule 5 - Tangible Capital Assets.	129
Schedule 6 - Schedule of Borrowings.	130
Schedule 7 - Accounts Payable, Accrued Charges, Provisions and Deferrals.	131
Schedule 8 - Operating Revenue and Expense.	132
Schedule 9 - Changes in Other Special Funds.	133
Schedule 10 - Expense by Type.	134
Schedule 11 - Net Debt.	134

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 special purpose statement of financial position, a special purpose statement of revenue and expense, a special purpose statement of calculation of balance under the Balanced Budget Act, a special purpose statement of accumulated (deficits) surpluses, a special purpose statement of cash flow, notes and schedules integral to the statements. Together, they present, 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, in accordance with the accounting policies stated in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

The Government is responsible for the integrity and objectivity of the Special Purpose Operating Fund and Special Funds financial statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets, liabilities, revenues and expenses 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 fulfills its accounting and reporting responsibilities, through the Office of the Provincial Comptroller, by maintaining systems of financial management and internal control. The systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with the Financial Administration Act.

The Auditor General expresses an independent opinion on these financial statements. His report, stating the scope of his audit and opinion, appears on the following page.

These special purpose 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 of the Province of Manitoba.

Original signed by

Ewald Boschmann
Deputy Minister of Finance (Acting)

Original signed by

Gerry Gaudreau
Provincial Comptroller

September 27, 2004



Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITOR'S REPORT

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

To the Members of the Legislative Assembly of the Province of Manitoba

These financial statements report transactions and events of the Operating Fund and Special Funds only. Significant financial activities of the Government occur outside of these funds. Therefore, readers should not use these special purpose financial statements to understand and assess the Government's overall management of public financial affairs and provincial resources.

The Summary Financial Statements are more complete financial statements. Their purpose is to report the full nature and extent of the overall financial affairs and resources of the Province of Manitoba for which the Government is responsible.

Please refer to the Summary Financial Statements to understand and assess the Government's management of public financial affairs and provincial resources as a whole.

In accordance with Section 9 of The Auditor General 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, 2004 and the special purpose statements of revenue and expense, calculation of balance under the balance budget act, accumulated (deficits) surpluses and cash flow for the year then ended. These special purpose financial statements are the responsibility of the Government of Manitoba. My responsibility is to express an opinion on these special purpose financial statements based on my audit.

Except as explained in the following paragraph, 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.

Scope Limitation

My opinion on these financial statements does not include an opinion on the amount recorded as emergency expenses excluded in the determination of a positive balance under section 3(2) of The Balanced Budget, Debt Repayment and Taxpayer Accountability Act. There is an absence of suitable, generally accepted criteria for use in determining an amount for emergency expenditures as called for by the Balanced Budget, Debt Repayment and Taxpayer Accountability Act (Act). As a result, the amount is not susceptible to audit verification and I express no opinion on the amount.

Section 3(2) of the Act indicates that the government is not required to include an expenditure, required in the fiscal year as a result of a natural or other disaster in Manitoba that could not have been anticipated and affects the province or a region of the province in a manner that is of urgent public concern, in determining whether there is a positive or negative balance for a fiscal year.

Section 3(3) of the Act indicates that a declaration by the Lieutenant Governor in Council that, in the opinion of the Lieutenant Governor in Council, an expenditure as described in the preceding paragraph has occurred is conclusive for the purposes of the Act of the fact that the expenditure occurred and in that amount.

Section 3(4) of the Act indicates that the declaration as described in the preceding paragraph shall include a description of the expenditure and why it was necessary.

The government has complied with the above sections in preparing these special purpose financial statements.

Opinion

In my opinion, which does not include an opinion on the amount of the emergency expenditures, these Special Purpose Financial Statements present in all material respects, the financial position of the Operating Fund and Special Funds as at March 31, 2004, and the results of its operations and its cash flow for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Exceptions from Generally Accepted Accounting Principles

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles for the public sector (GAAP), are solely for the information and use of the Members of the Legislative Assembly for the purpose of determining compliance with the Balanced Budget, Debt Repayment and Taxpayer Accountability Act. The financial statements are not intended to be and should not be used by lenders, bond rating agencies, citizens, or anyone other than the specified users or for any other purpose. Specifically, these statements should not be used to assess the fiscal performance of the government as this information is only available in the Summary Financial Statements.

The Special Purpose Statement of Revenue and Expense along with the Special Purpose Statement of Calculation of Balance under the Balanced Budget Act should be analyzed in two parts. The first part, showing the calculation of Net Result for the year, has been determined using the accounting policies described in Note 1 to the Special Purpose Financial Statements. These accounting policies differ materially from Canadian GAAP as described in Note 1, and therefore do not result in fair presentation. The second part is where the Net Result for the year is adjusted as authorized by The Balanced Budget, Debt Repayment and Taxpayer Accountability Act to determine a Positive Balance as defined by the Act. These adjustments, specifically inter-fund transfers and the elimination of disaster related expenses, would not be included in the Special Purpose Statement of Revenue and Expense and a Special Purpose Statement of Calculation of Balance under the Balanced Budget Act would not be produced had Canadian GAAP been used.

If Canadian GAAP had been used in the preparation of the Special Purpose Financial Statements, assets would increase by \$2.727 billion, liabilities would increase by \$3.019 billion, the accumulated deficit would increase by \$292 million, revenues would increase by \$705 million, and expenses would increase by \$1.217 billion.



Jon W. Singleton, CA•CISA
Auditor General

Winnipeg, Manitoba
September 27, 2004

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

As at March 31, 2004

SCHEDULE	(\$ millions)	
	2004	2003
ASSETS		
	72	167
1	559	563
2	603	785
	267	151
	497	446
	<u>1,998</u>	<u>2,112</u>
4	2,265	2,063
5	415	399
	<u>4,678</u>	<u>4,574</u>
LIABILITIES		
6	17,700	17,404
	(2,946)	(3,869)
	(5,937)	(5,573)
	8,817	7,962
	(89)	(81)
	8,728	7,881
7	1,034	1,105
	9,762	8,986
4	2,265	2,063
	<u>12,027</u>	<u>11,049</u>
ACCUMULATED (DEFICITS) SURPLUSES		
	(7,897)	(7,037)
	79	235
	267	151
	180	152
9	22	24
11	<u>(7,349)</u>	<u>(6,475)</u>

Information concerning Long Term Investments can be found on Schedule 3.
 Information concerning the Government's Guarantees, Financial Commitments,
 Contingencies and Pension Liability can be found in Notes 5, 6, 7 and 10.

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

For the Year Ended March 31, 2004

(\$ millions)

	Operating Fund Budget	Actual	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds	Total 2004	Total 2003
OPERATING REVENUE (Schedule 8)								
Manitoba Collections.....	2,336	2,360	-	-	-	5	2,365	2,301
Income Taxes.....	1,973	2,009	-	-	-	-	2,009	1,796
Federal Transfers.....	2,508	2,515	-	-	-	-	2,515	2,230
Crown Corporations.....	497	422	-	-	3	-	425	649
Interest Earned.....	-	-	2	7	38	1	48	6
	<u>7,314</u>	<u>7,306</u>	<u>2</u>	<u>7</u>	<u>41</u>	<u>6</u>	<u>7,362</u>	<u>6,982</u>
OPERATING EXPENSES (Schedules 8 & 10)								
	<u>7,256</u>	<u>7,439</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>7,445</u>	<u>6,948</u>
NET RESULT FOR THE YEAR BEFORE EXTRAORDINARY ITEM								
	<u>58</u>	<u>(133)</u>	<u>2</u>	<u>7</u>	<u>41</u>	<u>-</u>	<u>(83)</u>	<u>34</u>
EXTRAORDINARY ITEM								
Adjustment to estimate for Federal accounting error.....	-	-	-	-	-	-	-	51
NET RESULT FOR THE YEAR								
	<u>58</u>	<u>(133)</u>	<u>2</u>	<u>7</u>	<u>41</u>	<u>-</u>	<u>(83)</u>	<u>85</u>
INTERFUND TRANSFERS								
Transfer to Debt Retirement Fund.....	(96)	(96)	-	96	-	-	-	-
Transfer for Pensions.....	-	-	-	(75)	75	-	-	-
Transfer from Fiscal Stabilization Fund.....	48	171	(171)	-	-	-	-	-
Transfer from Mining Community Reserve.....	-	-	-	-	-	(2)	(2)	(3)
Transfer from Positive balance to Fiscal Stabilization Fund under Section 9 (a) of the Act.....	(10)	(13)	13	-	-	-	-	-
	<u>(58)</u>	<u>62</u>	<u>(158)</u>	<u>21</u>	<u>75</u>	<u>(2)</u>	<u>(2)</u>	<u>(3)</u>
NET RESULT FOR THE YEAR AFTER INTERFUND TRANSFERS								
	<u>-</u>	<u>(71)</u>	<u>(156)</u>	<u>28</u>	<u>116</u>	<u>(2)</u>	<u>(85)</u>	<u>82</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CALCULATION OF BALANCE
UNDER THE BALANCED BUDGET ACT
For the Year Ended March 31, 2004**

	(\$ millions)	
	2004	2003
Operating Revenue.....	7,306	6,970
Operating Expenses.....	<u>7,439</u>	<u>6,944</u>
NET RESULT FOR THE YEAR BEFORE EXTRAORDINARY ITEM	(133)	26
EXTRAORDINARY ITEM		
Adjustment to estimate for Federal accounting error.....	<u>-</u>	<u>51</u>
NET RESULT FOR THE YEAR BEFORE ADJUSTMENT UNDER SECTION 3 (2) OF THE ACT	(133)	77
Elimination of Disaster Expenditures as Declared under Section 3 (2) of the Act (Note 23).....	<u>71</u>	<u>-</u>
NET RESULT FOR THE YEAR AFTER ADJUSTMENT UNDER SECTION 3 (2) OF THE ACT	<u>(62)</u>	<u>77</u>
INTERFUND TRANSFERS		
To the Debt Retirement Fund.....	(96)	(96)
From the Fiscal Stabilization Fund.....	<u>171</u>	<u>23</u>
	<u>75</u>	<u>(73)</u>
POSITIVE BALANCE FOR PURPOSES OF BALANCED BUDGET LEGISLATION	<u><u>13</u></u>	<u><u>4</u></u>

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

For the Year Ended March 31, 2004

(\$ millions)

	Operating Fund	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds (Schedule 9)	Total 2004	Total 2003
Accumulated (Deficits) Surpluses,							
Beginning of Year.....	(7,037)	235	152	151	24	(6,475)	(6,617)
Tangible Capital Assets (Note 4A).....	3	-	-	-	-	3	(6)
Devolution of Winnipeg Child and Family Services (Note 4B).....	(2)	-	-	-	-	(2)	-
Legal Aid Private Bar Fees (Note 4C).....	(4)	-	-	-	-	(4)	-
Valuation Allowance (Note 4D).....	(230)	-	-	-	-	(230)	-
Pension Adjustment (Note 4E).....	(41)	-	-	-	-	(41)	-
Red River College Loan (Note 4F).....	(13)	-	-	-	-	(13)	-
School Debentures (Note 4G).....	(433)	-	-	-	-	(433)	-
Hospital Debentures (Note 4H).....	(69)	-	-	-	-	(69)	-
Net Income Stabilization Account.....	-	-	-	-	-	-	(19)
Municipal Tax Sharing.....	-	-	-	-	-	-	(23)
Transfer from Trust Liabilities to create Pension Assets Fund.....	-	-	-	-	-	-	107
Repurchase of Serial Debentures.....	-	-	-	-	-	-	1
Net Result for the Year after Interfund Transfers.....	<u>(71)</u>	<u>(156)</u>	<u>28</u>	<u>116</u>	<u>(2)</u>	<u>(85)</u>	<u>82</u>
Accumulated (Deficits) Surpluses, End of Year (Schedule 11).....	<u>(7,897)</u>	<u>79</u>	<u>180</u>	<u>267</u>	<u>22</u>	<u>(7,349)</u>	<u>(6,475)</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CASH FLOW**

For the Year Ended March 31, 2004

	(\$ millions)	
	2004	2003
Cash and Cash Equivalents Provided by (Used in)		
Operating Activities:		
Net Result for the year after Interfund Transfers - Operating Fund.....	(71)	-
- Special Funds.....	(14)	82
Changes in non-cash items:		
Amounts Receivable.....	4	149
Valuation Allowance.....	242	(27)
Accounts Payable, Accrued Charges, Provisions and Deferrals.....	(71)	(162)
Amortization of Foreign Currency Fluctuation.....	3	17
Amortization of Debt Discount.....	8	10
Amortization of Investment Discounts and Premiums.....	(2)	(14)
Amortization of Tangible Capital Assets.....	28	30
Amortization of Tangible Capital Assets charged to Special Operating Agencies.....	2	1
Tangible Capital Assets Adjustment.....	(4)	6
Adjustment to Accumulated Deficit - Other.....	(789)	(48)
	<u>(664)</u>	<u>44</u>
Investing Activities:		
Made.....	(1,362)	(599)
Realized.....	577	986
Acquisition of Tangible Capital Assets.....	(42)	(45)
	<u>(827)</u>	<u>342</u>
Financing Activities:		
Debt Issued.....	3,343	2,875
Debt Redeemed.....	(2,776)	(3,354)
Changes in Sinking Funds.....	829	133
	<u>1,396</u>	<u>(346)</u>
Changes in Cash and Cash Equivalents.....	(95)	40
Cash and Cash Equivalents, beginning of year.....	<u>167</u>	<u>127</u>
Cash and Cash Equivalents, end of year.....	<u><u>72</u></u>	<u><u>167</u></u>

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004**

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 Canadian generally accepted accounting principles (GAAP) for senior Governments as recommended by the Canadian Institute of Chartered Accountants (CICA), with the following exceptions:

- 1) Liabilities for unfunded pension benefits have not been recorded in the Special Purpose Financial Statements. If Canadian GAAP had been used in the recording of pension transactions, liabilities and the accumulated deficit would increase by \$3,569 million (2003 - \$3,411 million) and expenses would increase by \$182 million (2003 - \$183 million).
- 2) The liabilities for unfunded employee future benefits associated with health care facilities and family service agencies for which the Government has funding responsibility are not recorded in the Special Purpose Financial Statements. If Canadian GAAP had been used in the recording of the employee future benefits transactions, liabilities and the accumulated deficit would increase by \$245 million (2003 - \$209 million) and expenses would increase by \$36 million (2003 - \$27 million).
- 3) 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 Special Purpose Financial Statements. If Canadian GAAP had been used to record these transactions, assets would increase by \$2,086 million, liabilities would decrease by \$795 million, the accumulated deficit would decrease by \$2,881 million, revenue would increase by \$705 million and expenses would increase by \$958 million.
- 4) 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 practise to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are not restated. If Canadian GAAP had been used to record changes in accounting policies and correction of errors, the comparative figures of the financial statements and the opening balance of the accumulated deficit would have changed.
- 5) The process of establishing the completeness and reasonableness of the estimated historical cost of the tangible capital assets is ongoing. 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. If Canadian GAAP had been used to record the infrastructure tangible capital assets, management estimates that, at March 31, 2004, the tangible capital assets would have increased by \$1,138 million, accumulated deficit would have decreased by \$1,128 million and expenses would have decreased by a net amount of \$10 million.
- 6) The CICA recommends certain standards for reporting tangible capital assets and net debt. Although the Government has adopted the standards related to tangible capital assets, it has not fully adopted the recommended presentation of net debt. Net Debt (Schedule 11) provides a reconciliation from accumulated deficit to net debt. If Canadian GAAP was used net debt would appear on the Special Purpose Statement of Financial Position and there would be a Special Purpose Statement of Changes in Net Debt.
- 7) 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 devolved and non-devolved health care facilities is recorded as a deferred charge and amortized over the same period of time as the term of the debt issue. If Canadian GAAP had been used to record these transactions, the deferred charge asset would decrease by \$497 million (2003 - \$446 million) and the accumulated deficit would increase by \$497 million (2003 - \$446 million) and expenses would increase by \$51 million (2003 - \$54 million).

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 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.

Pension Assets Fund - This Fund was established under the authority of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The purpose of the Fund is to set aside designated assets, pursuant to section 8 of the Act, for the future retirement of the Government's pension liability.

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 above 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. It is reflected as a reduction in individual and corporation income tax revenues.
- 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) **Government of Canada Receipts** - Generally, entitlements from the Government of Canada for transfer payments, the transfer having been authorized and any eligibility criteria met, as well as for the Province's share of individual and corporation income tax pursuant to the Federal-Provincial Tax Collection Agreements are recorded on a cash basis for cash receipts received up to March 31 plus an accrual of prior period adjustments determined before June 30 each year.
- 2) **Other Revenue** – All other 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. 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.
- 3) **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 as well as items 4) and 5) noted below.

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.

- 4) **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 MLAs 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.

- 5) **Employee Future Benefits** - The Government does not record liabilities for the unfunded cost of employee future benefits earned by employees of health care facilities and family service agencies.

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 forward foreign exchange contract entered into 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 also 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 and these gains and losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.
- 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 foreign 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 currency fluctuation between year ends are amortized monthly over the remaining life of the investment and included with debt servicing expense. 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) Premiums paid on interest rate options are amortized monthly starting from the date the income is received over the period of the applicable agreement. If the option is exercised, the premium is amortized over the period from the date of receipt to the maturity date of the agreement. If the option is not exercised, any unamortized premium will be immediately taken into revenue.
- 6) Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land	Indefinite
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
Maintenance and road construction 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. Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Assets under construction are not amortized until the asset is available to be put into service.

- 7) Intangibles assets and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recognized in Government financial statements. 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.
- 8) During the 2000/01 fiscal 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. 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.

During the 2002/03 fiscal year, the Federal Government created a Diagnostic and Medical Equipment Fund for investment in new medical equipment. The Province's share of this fund was \$54 million. Funding from the Diagnostic and Medical Equipment Fund has been treated as deferred revenue and will be brought into revenue based on actual purchases of equipment according to a defined schedule.

- 9) 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. Use of Estimates

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

2. CASH AND CASH EQUIVALENTS

Cash equivalents are recorded at cost. Market values approximate cost. Investment revenue earned on cash equivalents during the year was \$3 million (2003 - \$4 million).

3. SINKING FUNDS

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2004, sinking funds had a cost of \$2,946 million (2003 - \$3,869 million) and a market value of \$3,183 million (2003 - \$4,011 million). Investment revenue earned on the sinking funds during the year was \$231 million (2003 - \$253 million).

Section 60 of *The Financial Administration Act* authorizes the Minister of Finance to provide for the creation and management of sinking funds for the orderly retirement of debt. The Minister of Finance may authorize, by directive, the amount, if any, to be allocated to the Province's sinking fund. The Province's sinking fund currently provides for the repurchase of foreign debt and the pre-funding of maturing debt issues. In addition, the Province's sinking fund is invested principally in securities issued or guaranteed by Canadian provinces.

The sinking funds are allocated as follows:

	(\$ millions)	
	2004	2003
Province of Manitoba	2,216	2,891
Manitoba Hydro-Electric Board	728	976
University of Manitoba	<u>2</u>	<u>2</u>
Total sinking funds	<u>2,946</u>	<u>3,869</u>

Sinking funds are invested as follows:

	(\$ millions)	
	2004	2003
Cash and cash equivalents	467	865
Portfolio investments	<u>2,479</u>	<u>3,004</u>
	<u>2,946</u>	<u>3,869</u>

4. ADJUSTMENTS TO ACCUMULATED DEFICIT

A. Tangible Capital Assets

During the year, tangible capital assets acquired in prior fiscal years (cost of \$6 million and accumulated amortization of \$3 million) were identified and recorded. Accordingly, the accumulated deficit was decreased by \$3 million.

B. Transfer of Net Liabilities

Under Order in Council #114/2003, as of April 1, 2003, Winnipeg Child and Family Services Agency was dissolved and the assets, liabilities and responsibilities of the agency were assumed by the Province of Manitoba. Prior to this date the agency was operated as a Government organization and was consolidated in the Summary Financial Statements. It was not included as part of the Special Purpose Financial Statements. The inclusion into the Special Purpose Financial Statements has resulted in an increase in assets of \$1 million, tangible capital assets of \$1 million, liabilities of \$4 million and a corresponding increase in accumulated deficit of \$2 million.

C. Legal Aid Private Bar Fees

During the year, the Legal Aid Services Society of Manitoba changed its accounting policies with respect to private bar fees and disbursements to the accrual basis. Prior to this fiscal year, these fees and disbursements were recognized as expenditures based upon the lawyers billing dates rather than the date of providing services. It is the policy of the Province to record any changes in the annual operations of the Legal Aid Services Society in the Special Purpose Financial Statements. This accounting change has resulted in an increase in accounts payable of \$4 million and a corresponding increase in accumulated deficit of \$4 million.

D. Valuation Allowance

It is the policy of the Government to create or change valuation allowances to reflect the estimated realizable value of loans made to crown agencies, boards and commissions. This assessment is based on a review of the organization's most recent financial statements and any accumulated deficit adjusted by prospective recoveries from future operations. Because it was determined that Manitoba Housing and Renewal Corporation (MHRC), in prior years, had not been amortizing their tangible capital assets in accordance with Canadian GAAP, MHRC's accumulated deficit, for the year ended March 31, 2003, was understated and had to be increased to reflect additional accumulated amortization. As a result, there was an increase made to the MHRC valuation allowance of \$229 million, an increase in accumulated deficit of \$230 million and a decrease in expense of \$1 million.

E. Pension Adjustment

Revenue from the Manitoba Liquor Control Commission (MLCC) was recorded at the gross amount as allocated by MLCC. MLCC does not reduce the revenue allocation for the revenue received from the Province offsetting the change in their pension liability. This has resulted in the recognition of a loan payable of \$43 million to MLCC, an increase in accumulated deficit of \$41 million, and a decrease in revenue of \$2 million.

F. Red River College Loan

The Province undertook to finance through borrowings, the downtown campus for Red River College (RRC). The proceeds of the borrowing were then advanced to RRC and a commitment given to RRC to provide future appropriation funding to support the repayment of the advances to the Province. This advance should have been treated as a grant when advanced. This has resulted in a decrease in assets of \$34 million, an increase in accumulated deficit of \$13 million and an increase in expenses of \$21 million.

G. School Debentures

The Province has provided funds to school boards to finance capital acquisitions through loans and in turn has held the school board debentures as portfolio investments. The Province provides funding to the school boards to repay these debentures. Canadian GAAP requires the investment in these debentures to be recorded as a grant. This has resulted in an increase in loans payable to MPIC of \$271 million, a decrease in sinking funds of \$185 million, an increase in accumulated deficit of \$433 million and an increase in expenses of \$23 million.

H. Hospital Debentures

The Province has provided funds to hospitals to finance capital acquisitions through loans and in turn has held the hospital debentures as portfolio investments. The Province provides funding to the hospitals to repay these debentures. Canadian GAAP requires the investment in these debentures to be recorded as a grant. This has resulted in an increase in accounts payable of \$24 million, a decrease in sinking funds of \$46 million, an increase in accumulated deficit of \$69 million and an increase in expenses of \$1 million.

5. GUARANTEES

OPERATING FUND AND SPECIAL FUNDS – SPECIAL PURPOSE FINANCIAL STATEMENTS

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

	Authorized	(\$ millions)	
		2004	2003
Debt issued by Government enterprises and Crown organizations (Note a)		914	971
Manitoba Grow Bonds		8	8
Promissory notes, bank loans, lines of credit and other			
Manitoba Business Start Program (Note b)	5	1	1
Rural Entrepreneur Assistance Program (Note b)	11	4	4
Manitoba Student Financial Assistance Program (Note c)	20	12	12
Assiniboine Community College	2	0	0
Keewatin Community College	2	0	0
Red River College	5	0	0
Manitoba Housing and Renewal Corporation	2	0	0
Venture Manitoba Tours Ltd.	9	8	8
Miscellaneous	3	<u>3</u>	<u>2</u>
		950	1,006
Less: Sinking funds		<u>30</u>	<u>26</u>
Total guarantees outstanding		<u>920</u>	<u>980</u>

Provision for future losses on guarantees in the amount of \$18 million (2003 - \$16 million) has been recorded in the accounts. The provision for losses on guaranteed loans is determined annually by a review of individual guarantees. The provision represents the best estimate of probable claims against the guarantee. Where circumstances indicate the likelihood of claims arising, the provisions are established for those loan guarantees. Debt guaranteed by the Province is guaranteed as to principal and interest until the debt is matured or redeemed.

Note a – The Government guarantees and administers Manitoba HydroBonds. The bonds carry fixed and variable coupon rates that range from 3.1% to 10.0%. Manitoba HydroBonds are redeemable at the option of the holder.

Note b – The Government provides guarantees on new and expanding small or home business loans, with a five year term.

Note c – The Government guarantees three types of student loans issued in the past ten years:

- i. Guaranteed loans: issued by the CIBC from April 1, 1993 to December 31, 1994. These loans are fully guaranteed should the loan be deemed to be in default.
- ii. Limited risk loans: issued by the CIBC from January 2, 1995 to December 31, 1997 and issued by the Royal Bank from June 2, 1997 to July 31, 2000. The Government only guarantees those loans in default that have been issued to credit abusers, insolvent creditors and minors.
- iii. Non-risk loans: issued by the Royal Bank from August 1, 2000 to July 31, 2001. The Government has agreed to guarantee and purchase any loan deemed to be in default.

6. FINANCIAL COMMITMENTS

A. Funding Commitments for Capital Acquisitions

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 Budget. The Government has also made future commitments against appropriations under long-term contracts that cover the rental of tangible capital assets. These financial

OPERATING FUND AND SPECIAL FUNDS – SPECIAL PURPOSE FINANCIAL STATEMENTS

commitments as at March 31 are as follows:

	(\$ millions)	
	2004	2003
Financial arrangements for completed projects:		
Hospitals and personal care homes	210	194
Manitoba Housing and Renewal Corporation	184	187
Brandon University	<u>2</u>	<u>2</u>
	<u>396</u>	<u>383</u>
Future commitments:		
Infrastructure and capital grants	41	48
Rental of tangible capital assets	<u>101</u>	<u>107</u>
	<u>142</u>	<u>155</u>
	<u>538</u>	<u>538</u>

In addition to the approved outstanding debt for hospitals and personal care homes, lines of credit up to \$98 million (2003 - \$68 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.

The Province has undertaken to expand the Red River Floodway. Through the Manitoba Floodway Expansion Authority Inc., the Province is a party to a funding agreement with the Government of Canada for a \$240 million expansion project and has committed to provide \$120 million towards the \$240 million expansion project.

In December 2001, the Government entered into a funding agreement with the City of Winnipeg and the TN Arena Limited Partnership regarding the True North Entertainment Complex. The Province's maximum commitment, after Federal Infrastructure contributions, is \$14 million (2003 - \$14 million). The Province has fulfilled its commitment by contributing \$14 million as at March 31, 2004 (2003 - \$3 million).

B. Capital Commitments

The Government has made commitments against future appropriations that cover the purchase or development of tangible capital assets. Funding is provided annually from appropriations of the Capital Budget. These commitments as at March 31 are as follows:

	(\$ millions)
	2004
Computer Hardware and Software	1
Construction and Maintenance Equipment	3
Equipment	<u>2</u>
	<u>6</u>

C. Operating Commitments

The Government has made commitments against future appropriations that cover operating commitments and agreements through future contracts. Funding is provided annually from appropriations of the Operating Budget. These commitments as at March 31 are \$6 million.

7. CONTINGENCIES

The Government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2004 in the accounts where the final results are uncertain.

A. Disaster Financial Assistance

A provision has been made at March 31, 2004 for all flood claims and other disaster financial assistance. The final amount of the Government's share of these costs under shared cost agreements is uncertain at the date these financial statements were issued.

B. Northern Development Projects

The Province is contingently liable for legal claims associated with past Manitoba Hydro-Electric Board related northern development projects. The Province has provided for all claims that have been settled to date. The outcome of unsettled claims is not determinable at this time.

8. TREATY LAND ENTITLEMENT OBLIGATIONS

To meet Manitoba's obligation under treaty land entitlement (TLE) agreements, approximately 2,351 acres of provincial Crown land will be transferred to Canada for the Rolling River First Nation. This will help strengthen their economic development. Manitoba continues to work with Canada and First Nations on a number of initiatives leading to greater self-government in areas such as land and child and family services delivery.

Manitoba's obligations under the Treaty Land Entitlement Framework Agreement requires the setting aside of 985,949 acres of Crown land. To date, 843,650 acres have been selected by the Entitlement First Nations. The Crown lands will be transferred according to the Natural resources Transfer Agreement, including mines and minerals and other interests normally reserved for the Province under the Crown Land Act or any other statute.

9. ENVIRONMENTAL ISSUES

There are currently no accounting standards for environmental liabilities recommended for senior Governments by the CICA, other than those that apply to corporate entities related to environmental damage they have created. Because of its role, Government will in all probability assume costs where those responsible cannot or will not accept liability for their actions. The Province is in the process of cataloguing suspected contaminated mine and petroleum sites. This catalogue will include a determination of the liable party, an assessment of the nature and level of contamination, the need for clean-up versus containment, and a quantification of the estimated cost for clean-up. Once standards are established by the CICA for senior Governments for the recognition and disclosure of these liabilities, their application in the Manitoba setting will be reviewed to determine the appropriate accounting treatment.

10. PENSION LIABILITY

The Government of the Province of Manitoba supports five separate pension plans. These include the Civil Service Plan (CSP), the Teachers' Plan (TP), the Members of the Legislative Assembly Plan (MLAP), the Judges' Supplemental Pension Plan, and the Winnipeg Child and Family Services Employee Benefits Retirement Plan (WCFSP).

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 for the year ended March 31, 2004 was \$17 million (2003 - \$9 million), the Government set aside \$75 million (2003 - \$48 million) in the Pension Assets Fund. These funds are separately invested and maintained in trust accounts with Civil Service

Superannuation Board (CSSB) and Teachers' Retirement Allowances Fund (TRAF) for the Government and are increased by the rate of return of the funds. The Pension Assets Fund's balance as at March 31, 2004 was \$267 million (2003 - \$151 million).

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. Information about the economic assumptions used in the most recent actuarial valuations is provided below. Demographic assumptions used in the valuations reflect the experience of the plans.

Plan	Latest Valuation	Real Rate of Return	Inflation Rate	Investment Rate of Return
Civil Service	December 31, 2001	4.0%	2.75%	6.75%
Teachers'	January 1, 2001	4.0%	3.0%	7.0%
MLA	March 31, 2003	4.0%	2.75%	6.75%
Judges' Supplemental	March 31, 2003	3.25%	2.75%	6.0%

The WCFSP was established effective December 29, 2003 and the actuarial valuation of this plan has not yet been completed. During the year, no amendments were made to any of the plans.

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, 2004, the CSP had approximately 27,600 (2003 – 27,900) 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, 2004, was \$34 million (2003 - \$30 million).

Effective December 15, 2000, the CSP was amended to include improved benefits. The cost of the plan amendments was 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, 2004 amounted to \$45 million (2003 - \$45 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, 2004, payments of \$60 million (2003 - \$57 million) were made to the CSSF.

An actuarial report was completed for CSSF as of December 31, 2001, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability has been calculated to be \$1,543 million as at March 31, 2004 (2003 - \$1,500 million), which includes net unamortized actuarial gains of \$48 million (2003 - \$55 million).

B. Teachers' Plan

The Teachers' Pensions 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, 2004, the Teachers' Retirement Allowances Fund (TRAF) had approximately 30,900 (2003 - 29,500) 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. 83.5% of contributions are used to fund basic benefits and 16.5% 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, 2004, amounted to \$51 million (2003 - \$53 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, 2004, payments of \$102 million (2003 - \$91 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2001, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. For the year ended March 31, 2004, the actuary provided a calculation of the Government's liability on an indexed basis. The Government's net liability has been calculated to be \$1,971 million as at March 31, 2004 (2003 - \$1,878 million), which includes unamortized actuarial losses of \$95 million (2003 - \$48 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 to April, 1995. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2004, there are 116 (2003 – 119) 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 report was completed for the MLA plan as of March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's net liability has been calculated to be \$32 million as at March 31, 2004 (2003 - \$32 million), which includes unamortized actuarial gains of \$4 million (2003 - \$3 million).

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.

D. Judges' Supplemental Pension Plan

The supplemental pension benefit for judges was determined to be the difference between the total pension benefits for judges, including the amendments introduced by Judicial Compensation Committees, and the formula pension available under the Civil Service Superannuation Act (CSSA) as described above in note 10A.

The present supplemental pension benefit for judges was effective July 1, 1992. It was based upon the first Judicial Compensation Committee report of June 7, 1991. Since that time, four successive Judicial Compensation Committees have been duly appointed and amendments have been implemented to the supplemental benefits available under the Judges' Supplemental Pension Plan.

The current supplemental pension, including amendments introduced by the most recent Judicial Compensation Committee, is summarized as follows:

- The supplemental pension plus the pension provided under the CSSA results in an accrual rate of 3.00% for each year of service as a judge,
- A cap of 70% of earnings on the combined judge's supplemental pension and Civil Service Superannuation Pension,
- The overall limit that the judge's supplemental service not exceed 23.5 years.

As at March 31, 2004, there are 61 (2003 – 57) plan members who are entitled to receive future pension benefits in accordance with the Plan.

An actuarial report was completed for the Judges' Supplemental Pension Plan as at March 31, 2003, which determined the Government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. The Government's liability for accounting purposes has been calculated to be \$21 million as at March 31, 2004 (2003 - \$19 million).

E. Winnipeg Child and Family Services Employee Benefits Retirement Plan

The Winnipeg Child and Family Services Employee Benefits Retirement Plan (the WCFSP) was established effective December 29, 2003. The WCFSP applies to employees of the former Winnipeg Child and Family Services who transferred to the Department of Family Services and Housing and the terms apply to those who retire or terminate employment on or after December 29, 2003. These employees were previously members of the United Way Agencies' Employee Benefits Retirement Plan (UWARP). Under a

Special Pension Transfer Agreement, the services and benefits earned by those employees were transferred from UWARP to the WCFSP.

At March 31, 2004, the WCFSP had 562 active members, 129 pensioners and 69 deferred pensioners.

The lifetime pension calculation equals 2% of the member's highest average pensionable earnings in any three non-overlapping periods of 12 consecutive months, less 0.6% of the average CPP earnings for the same period multiplied by years of pensionable service.

Members are required to contribute 4.5% of pensionable earnings up to the CPP maximum and 6% on pensionable earnings over the maximum.

The employer is required to make monthly contributions actuarially determined to provide for the normal cost of the benefits accruing to members and to provide for the proper amortization of any unfunded liability or solvency deficiency. Currently that contribution has been established at an amount equal to employee contributions. In addition, the Government will be required to make a one-time payment to cover an estimated solvency deficiency of \$1.9 million. This amount has been accrued in these statements. With this one-time payment, the plan is expected to be fully funded as at March 31, 2004.

The WCFSP will reflect the pension benefits earned by its members for service until June 27, 2004. No further pensionable service entitlements will accrue in the WCFSP after June 27, 2004. Subsequent to June 27, 2004, the active members of the WCFSP will become members of the Civil Service Plan (CSP) and will begin earning pension benefit entitlements under the CSP. The pension benefits for all future service of the former WCFSP members will accrue under the CSP.

11. EMPLOYEE FUTURE BENEFITS LIABILITY - HEALTH CARE FACILITIES AND FAMILY SERVICES AGENCIES

Various funded organizations, primarily health care facilities and child and family service agencies have recorded liabilities for employee future benefits in their financial statements totalling \$245 million (2003 - \$209 million).

12. EXPENSES IN EXCESS OF LEGISLATIVE AUTHORITY

The budget estimate amounts disclosed in the Special Purpose Statement of Revenue and Expense (originally published in the Estimates of Expenditure) exclude \$177 million in supplemental estimates and special warrants. The original budget estimate amounts plus the \$177 million in supplemental estimates and special warrants becomes the revised estimates, against which expenses in excess of Legislative Authority is determined.

Based upon the revised estimates, the following voted appropriations were over expended as a result of adjustments after March 31, 2004.

	(\$ millions)
Finance	
Taxation	2
Education, Citizenship and Youth	
Support to Schools	25
Agriculture, Food and Rural Initiative	
Risk Management and Income Support Programs	3
Advanced Education and Training	
Support for Universities and Colleges	21

13. 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 Allowances Fund. The transfer was made in accordance with subsection 8 (4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Government transferred \$75 million from the Debt Retirement Fund for the specific purpose of reducing pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. This transfer was made in accordance with subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The balance in the pension assets fund as at March 31, 2004 was \$267 million (2003 - \$151 million).

14. 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 special purpose financial statements of the Operating Fund for each fiscal year. The Special Purpose Statement of Calculation of Balance Under the Balanced Budget shows a positive balance of \$13 million. Using the disclosed basis of accounting, the Government is therefore in compliance with the Act.

In April 2004 an amount of \$96 million was transferred from the Operating Fund in accordance with subsection 8 (4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Debt Retirement Fund Allocation Committee approved an allocation of \$75 million for the future retirement of the pension obligation. Subsequently, in accordance with subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, which requires the balance in the Debt Retirement Fund to be transferred to the Operating Fund at least once every 5 years for the purpose of reducing general purpose debt, the Government transferred \$202 million from the Debt Retirement Fund to the Operating Fund. This transfer comprised the fund balance of \$180 million as at March 31, 2004 plus the 2004/05 net transfer in of \$22 million including interest earned to the date of transfer in April 2004.

15. WATER POWER RENTALS

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of \$65 million (2003-\$97 million), is included in the Special Purpose Statement of Revenue and Expense under the Manitoba Collections category. These rentals are paid for the use of water resources in the operation of Hydro's hydroelectric generating stations. Water rental rates during the year were \$3.34 per megawatt hour (MW.h) (2003 - \$3.34 per MW.h).

16. GUARANTEE FEES

Hydro remits guarantee fees to the Government based on the Hydro debt that the Province guarantees on their behalf. The guarantee fees paid by Hydro for the year ended March 31, 2004 were \$70 million (2003 - \$74 million).

17. REVENUE FROM WORKERS' COMPENSATION BOARD

Under *The Workplace Safety and Health Act of Manitoba*, The Workers' Compensation Board supports the administrative expenses incurred by the Department of Labour and Immigration for The Workplace Safety and Health program and the Worker Advisor Office. The amount for the year ended March 31, 2004 was \$6 million (2003 - \$6 million).

18. DISTRIBUTION FROM MANITOBA HYDRO-ELECTRIC BOARD

The Manitoba Hydro Amendment Act was proclaimed on August 9, 2002. This amendment required the Manitoba Hydro-Electric Board to distribute up to \$288 million of its retained earnings to the Government by the end of its 2003/04 fiscal year. No distribution was received in 2003/04 fiscal year (2003 - \$203 million) due to the required threshold level of net income was not achieved by the Manitoba Hydro-Electric Board.

19. THE 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. It is reflected as a reduction in individual and corporation income tax revenues. This amounted to \$80 million for the year ended March 31, 2004 (2003 - \$78 million). The Province has accrued a liability of \$21 million (2003 - \$21 million) for the municipal share of individual and corporate income taxes for the first quarter of 2004.

20. AMOUNTS DUE TO THE FEDERAL GOVERNMENT

The March 31, 2003 financial statements disclosed that the net impact of the federal settlement related to the Federal Accounting Error for the period of 1997 to 1999 was a \$91 million loan payable owing to the Federal Government over a ten-year period commencing in 2004/05. As at March 31, 2004, this loan payable has been reduced to \$89 million by offsetting an adjustment to unapplied taxes.

To offset negative adjustments to the 2004 Equalization payments, the Federal Government provided a net loan payable to the Province of \$38 million. Repayment of this loan payable is scheduled to begin in April, 2005 and continue over a five year period. Similarly, to offset negative adjustments to the 2004 Canada Health and Social Transfer (CHST) entitlements, the Federal Government provided a net loan payable to the Province of \$9 million. Repayment of this loan payable is scheduled to begin in April, 2005 and continue over a five year period.

21. FOREIGN EXCHANGE RISK

The Province of Manitoba recognizes that currency risks can be inherent to normal business operations. The Province's general philosophy is to minimize any foreign currency risks associated with capital market activities. The Province uses derivative instruments such as swaps and forward foreign exchange contracts as well as uses US dollar sinking funds to hedge these risks. Derivatives must be related to specific underlying liability or investment requirements and are not used for activities such as trading, speculation, leveraging or any other activities that are not related to the Province's normal business activities. The current portfolio of foreign debt is fully hedged through the use of derivative and US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of \$89 million (2003 - \$81 million). In accordance with the Province's accounting policies reflected in Notes 1(E)2 and (E)4, the balance of the unamortized foreign exchange fluctuation account will be charged to debt servicing expense over the remaining term of the related debt. The Canadian dollar equivalent of the aggregate amount, by major currency, estimated to be required in each of the next five years and thereafter to meet sinking fund or retirement provisions for the foreign denominated debt is disclosed in Schedule 6.

22. CANADIAN BLOOD SERVICES

Most provinces, including Manitoba, are members of and provide funding to Canadian Blood Services, which operates the Canadian blood system. The March 31, 2003 audited financial statements indicate that a wholly owned subsidiary – CBS Insurance Company Limited provides for the contingent liabilities for risks related to operations of the blood system. The actuarially determined provisions for future insurance claims – reported and unreported related to insured events that occurred prior to March 31, 2003 is \$135 million. The related assets as

at March 31, 2003 total \$171 million. The subsidiary also had a re-insurance contract for additional coverage of \$750 million.

Based upon the above, as at March 31, 2003, the Province of Manitoba's share of the provision for futures claims is offset with designated assets which at that point exceed the provision. In addition, there is re-insurance to cover an additional \$750 million in claims of insured events occurring on or before March 31, 2003. March 31, 2004 numbers are not available for comparison.

23. DISASTER EXPENDITURES

Under Section 3 (2) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, the Government is not required to include in the determination of the annual operating balance, an expenditure required in the fiscal year as a result of a natural or other disaster in Manitoba that could not have been anticipated and affects the Province or a region of the Province in a manner that is of urgent public concern. Expenditures totalling \$71 million that relate primarily to excessive forest fire suppression expenses and Bovine Spongiform Encephalopathy (BSE) are considered to qualify for exemption under this section.

24. COMPARATIVE FIGURES

Certain of the 2003 financial statement figures have been reclassified to be consistent with the 2004 presentation.

AMOUNTS RECEIVABLE

SCHEDULE 1

As at March 31, 2004

	(\$ millions)	
	2004	2003
Taxation Revenue:		
Corporation Capital Tax.....	1	2
Corporation Income Tax.....	54	48
Gasoline Tax.....	14	14
Health and Education Levy.....	24	23
Individual Income Tax.....	114	107
Insurance Corporation Tax.....	13	12
Motive Fuel Tax.....	7	7
Retail Sales Tax.....	109	104
Revenue Act, 1964, Part 1.....	7	8
Tobacco Tax.....	17	15
	<u>360</u>	<u>340</u>
Government of Canada and Other Governments:		
Shared Cost Programs/Agreements.....	127	123
Canada Health and Social Transfer.....	1	17
Municipal corporations.....	5	3
	<u>133</u>	<u>143</u>
Interest Income:		
Province of Manitoba Sinking Fund.....	48	59
Other Investments.....	9	9
	<u>57</u>	<u>68</u>
Other:		
Liquor Control Commission.....	10	12
Manitoba Crop Insurance Corporation.....	1	-
Manitoba Hydro-Electric Board.....	9	12
Manitoba Lotteries Corporation.....	3	4
Morris MacDonald School Division	1	1
Regional Health Authorities.....	9	8
Social Allowance.....	14	14
Special Operating Agencies.....	3	6
Sundry Departmental Revenue.....	57	47
Sundry.....	1	1
	<u>108</u>	<u>105</u>
	658	656
Less: Valuation Allowance	99	93
	<u>559</u>	<u>563</u>

LOANS AND ADVANCES

SCHEDULE 2

As at March 31, 2004

(\$ millions)

	Crown Organizations, and Government Enterprises	Other (Note)	2004 Total	2003 Total
Due 1 Year or Less.....	162	34	196	664
Due Over 1 Year.....	7,401	20	7,421	6,777
Total.....	7,563	54	7,617	7,441
Less: Sinking Funds.....	730	-	730	978
	6,833	54	6,887	6,463
Less: Valuation Allowance.....	336	11	347	105
	6,497	43	6,540	6,358
Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	5,937	-	5,937	5,573
Net.....	560	43	603	785

The government enterprises loans and advances portfolio is due in varying annual amounts to the year 2042, bearing interest rates from nil to 13.375%.

Note:

Environmental improvement loan, due in varying amounts to the year 2008, bearing no interest and guaranteed by an irrevocable letter of credit	19	21
Advances to Manitoba Potash Corporation, repayable on the Corporation generating revenue or the sale of the Province's interest, bearing interest at prime less 3/4%	3	3
Student loans, payment and interest free until 6 to 12 months past the completion of studies, due 114 to 174 months after that time, carrying interest at prime plus 2.5%	19	12
Community work program loans, repayable at the end of the 5 to 10 year term, bearing no interest	3	3
Advances to provide health care agencies with interim funding to meet daily operating expenses related to operations, repayable when no longer needed, bearing no interest	8	7
Miscellaneous	2	5
	54	51

LONG-TERM INVESTMENTS

SCHEDULE 3

As at March 31, 2004

	(\$ millions)			
	Crown Corporations	Other	2004 Total	2003 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
	<u>12</u>	<u>18</u>	<u>30</u>	<u>30</u>
Less: Valuation Allowance.....	12	18	30	30
Net.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

SCHEDULE 4

As at March 31, 2004

	(\$ millions)	
	2004	2003
AMOUNTS HELD IN TRUST		
Government Enterprises.....	1,507	1,335
Crown Organizations.....	638	623
Fiduciary and Other Government Related Trusts.....	<u>120</u>	<u>105</u>
	<u><u>2,265</u></u>	<u><u>2,063</u></u>
 TRUST ASSETS		
Cash and Cash Equivalents.....	797	851
Sinking Funds.....	32	28
Funds on Deposit for Investment and Administration.....	<u>1,436</u>	<u>1,184</u>
	<u><u>2,265</u></u>	<u><u>2,063</u></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 \$125 million (2003 - \$138 million) in the form of bonds and other securities not reflected in the above numbers.

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

TANGIBLE CAPITAL ASSETS

For the Year Ended March 31, 2004

(\$ millions)

SCHEDULE 5

	Land	Buildings- Brick Mortar and Steel	Build- ings- Wood Frame	Vehicles	Aircraft and Vessels	Mach. Equip't and Furn.	Road Construction and Maintenance Equipment	Computer Hardware and Software	Assets Under Construction	Lease- hold Improve- ments	Totals	
											2004	2003
Opening costs	13	293	28	2	47	16	58	237	40	3	737	698
Add:												
Additions during the year	-	5	-	-	3	1	5	13	15	-	42	45
Assets acquired in prior years/ devolved (*)	2	5	1	-	-	-	-	-	-	-	8	-
Less:												
Disposals during the year	-	-	-	-	-	-	(1)	(16)	-	-	(17)	-
Settlements of Assets under construction	-	5	1	-	7	-	-	9	(22)	-	-	-
Land capitalization adjustment	-	-	-	-	-	-	-	-	-	-	-	(6)
Closing costs	<u>15</u>	<u>308</u>	<u>30</u>	<u>2</u>	<u>57</u>	<u>17</u>	<u>62</u>	<u>243</u>	<u>33</u>	<u>3</u>	<u>770</u>	<u>737</u>
Accumulated Amortization												
Opening accum'd amortization	-	151	24	2	27	10	38	86	-	-	338	307
Add:												
Amortization	-	7	1	-	3	1	2	14	-	-	28	30
Amortization charged to SOAs	-	-	-	-	-	-	-	2	-	-	2	1
Assets acquired in prior years/ devolved (*)	-	4	-	-	-	-	-	-	-	-	4	-
Less:												
Disposals	-	-	-	-	-	-	(1)	(16)	-	-	(17)	-
Closing accum'd amortization	<u>-</u>	<u>162</u>	<u>25</u>	<u>2</u>	<u>30</u>	<u>11</u>	<u>39</u>	<u>86</u>	<u>-</u>	<u>-</u>	<u>355</u>	<u>338</u>
Net Book Value of Tangible Capital Assets	<u>15</u>	<u>146</u>	<u>5</u>	<u>-</u>	<u>27</u>	<u>6</u>	<u>23</u>	<u>157</u>	<u>33</u>	<u>3</u>	<u>415</u>	<u>399</u>

* During the year, assets with a total net book value of \$4 million, acquired in prior fiscal years (\$3 million - Note 4A) or through devolvement (\$1million - Note 4B) were identified and recorded. (2003 - nil net book value)

** During the year the Province capitalized \$0.5 million of interest relating to assets under construction. (2003 - \$0.9 million)

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

SCHEDULE OF BORROWINGS

SCHEDULE 6

As at March 31, 2004
(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan	Promissory Notes and Treasury Bills	Loans Payable	Totals	
	Cdn	US	Cdn	Cdn		2004	2003
2004.....	-	-	-	-	-	-	2,881
2005.....	1,240	-	119	440	-	1,799	1,278
2006.....	1,480	265	126	-	-	1,871	1,744
2007.....	1,157	655	150	-	-	1,962	1,946
2008.....	1,293	-	90	-	-	1,383	1,218
2009.....	2,016	323	106	-	-	2,445	1,388
2004-2009.....	<u>7,186</u>	<u>1,243</u>	<u>591</u>	<u>440</u>	<u>-</u>	<u>9,460</u>	<u>10,455</u>
2010-2014.....	2,469	1,025	396	-	-	3,890	3,332
2015-2024.....	2,842	917	15	-	-	3,774	3,703
2025-2043.....	1,916	-	-	-	-	1,916	1,916
2005-2018 Government Enterprises.....	-	-	-	-	341	341	-
2005-2015 Government of Canada.....	-	-	-	-	136	136	-
2010-2043.....	<u>7,227</u>	<u>1,942</u>	<u>411</u>	<u>-</u>	<u>477</u>	<u>10,057</u>	<u>8,951</u>
Total Borrowings.....	14,413	3,185	1,002	440	477	19,517	19,406
Reduced by:							
Unamortized Debt Issue Costs.....	(16)	(6)	-	-	-	(22)	(25)
Province of Manitoba debt issues held as investments in sinking funds and in cash and cash equivalents.....	<u>(1,795)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,795)</u>	<u>(1,977)</u>
	<u>12,602</u>	<u>3,179</u>	<u>1,002</u>	<u>440</u>	<u>477</u>	<u>17,700</u>	<u>17,404</u>

	March 31/04 Cdn \$ Valuation (See Note)	March 31/03 Cdn \$ Valuation (See Note)
Borrowings payable in:		
Canadian dollars	13,120	11,813
Foreign issues hedged to Canadian	3,211	3,349
U.S. dollars	2,228	3,305
Foreign issues hedged to U.S. dolla	958	939
Total borrowings	<u>19,517</u>	<u>19,406</u>

Note 1: The hedges are derivative contracts which include swaps and forward foreign exchange contracts.

Note 2: The Canadian dollar valuation is calculated using the foreign currency exchange rates in effect at each March 31 adjusted for any forward foreign exchange contracts entered into for settlement after year-end.

Note 3: Interest rates on these borrowings fall into one of three categories:

- i) Fixed with rates ranging from 2.96% to 14.06%.
- ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 1.93% and the highest set at 2.29% as at March 31, 2004.
- iii) Floating U.S. - U.S. Dollar LIBOR (London Interbank Offering Rate) setting, established quarterly, with the lowest rate currently set at 1.21% and the highest set at 1.43% as at March 31, 2004.

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

SCHEDULE 7

As at March 31, 2004

	(\$ millions)	
	2004	2003
Accounts Payable.....	333	411
Accrued Charges:		
Interest Accrued on Provincial Borrowings and Trust Funds.....	224	239
Other Accrued Liabilities:		
Canadian Agricultural Income Stabilization Program.....	52	-
Canadian Farm Income Program.....	7	30
Communities Economic Development Fund.....	2	1
Community Access Program.....	-	2
Compensation for Victims of Crime.....	17	18
Crown Organizations - Vacation Liability.....	11	13
Disaster Assistance.....	3	2
Fairford First Nation.....	7	6
Flood Claims.....	15	43
Hepatitis C Assistance.....	7	8
Infrastructure Works Program.....	1	1
Land Acquisition Claims.....	2	2
Manfor Ltd. Divestiture.....	2	3
Net Income Stabilization Account Program (NISA).....	2	23
Ruttan Mines Clean-up.....	5	5
Salaries and Benefits.....	96	80
Salaries and Benefits - Severance.....	117	118
Tripartite Land Assembly Program.....	3	3
Other.....	4	4
Provision for Future Losses on Guarantees.....	18	16
Deferred Revenue		
Government of Canada - Advances re: Shared Cost Programs Not Yet Claimed.....	55	22
Vehicle Registration.....	34	31
Other.....	17	24
	<u>1,034</u>	<u>1,105</u>

SCHEDULE 8

OPERATING REVENUE AND EXPENSE

For the Year Ended March 31, 2004

(\$ millions)

	2004	2003	
	Budget Estimate (Note 12)	Actual	Actual
OPERATING REVENUE			
Manitoba Collections:			
Retail Sales Tax.....	1,058	1,064	1,007
Fuel Taxes.....	231	233	231
Levy for Health and Education.....	263	268	257
Mining Tax.....	17	22	18
Other Taxes.....	473	481	461
Fees and Other Revenue.....	294	292	323
Income Taxes:			
Corporation Income Tax.....	270	289	160
Individual Income Tax.....	1,703	1,720	1,636
Federal Transfers:			
Equalization.....	1,388	1,414	1,338
Canada Health and Social Transfer.....	764	753	756
Canada Health and Social Transfer Supplement.....	164	164	-
Diagnostic Medical Equipment Fund.....	6	8	-
Health Reform Fund.....	36	37	-
Medical Equipment Fund.....	18	13	16
Primary Health Care Transition Fund.....	8	7	1
Shared Cost and Other.....	124	119	119
Crown Corporations.....	497	422	647
TOTAL OPERATING REVENUE.....	7,314	7,306	6,970
OPERATING EXPENSES			
Health.....	3,032	3,060	2,849
Education.....	1,592	1,639	1,513
Family Services and Housing.....	873	869	818
Community, Economic and Resource Development.....	918	966	882
Justice and Other Government.....	595	595	561
Debt Servicing.....	331	310	321
	<u>7,341</u>	<u>7,439</u>	<u>6,944</u>
Less: Budgeted Underexpenditure.....	85	-	-
TOTAL OPERATING EXPENSES (Schedule 10).....	7,256	7,439	6,944

CHANGES IN OTHER SPECIAL FUNDS

SCHEDULE 9

For the Year Ended March 31, 2004

(\$ millions)

	Mining Community Reserve	Quarry Rehabilitation Reserve Fund	Other Funds	Total 2004	Total 2003
Surplus, Beginning of Year.....	<u>15</u>	<u>6</u>	<u>3</u>	<u>24</u>	<u>26</u>
Revenue.....	1	1	4	6	5
Expenses.....	<u>-</u>	<u>2</u>	<u>4</u>	<u>6</u>	<u>4</u>
Net Revenue over Expenses.....	1	(1)	-	-	1
Transfers.....	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>	<u>3</u>
Net Result for the Year.....	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>(2)</u>	<u>(2)</u>
Surplus, End of Year.....	<u><u>14</u></u>	<u><u>5</u></u>	<u><u>3</u></u>	<u><u>22</u></u>	<u><u>24</u></u>

EXPENSE BY TYPE

SCHEDULE 10

For the Year Ended March 31, 2004

	(\$ millions)	
	2004	2003
Personnel Services.....	825	732
Grants/Transfer Payments.....	4,915	4,743
Transportation.....	56	49
Communications.....	31	21
Supplies and Services.....	369	336
Social Assistance Related.....	638	557
Other Operating.....	216	106
Debt Servicing - General.....	310	321
- Departments.....	27	26
Minor Capital.....	24	22
Amortization.....	28	31
	<u>7,439</u>	<u>6,944</u>

Note: Debt servicing costs shown above are net of cost recoveries and interest income of \$881 million as at March 31, 2004 (2003 - \$968 million), which includes \$530 million as at March 31, 2004 (2003 - \$582 million) from government enterprises.

NET DEBT

SCHEDULE 11

For the Year Ended March 31, 2004

	(\$ millions)	
	2004	2003
Accumulated deficit, end of year.....	7,349	6,475
Deferred charge for health care facilities.....	497	446
Tangible capital assets.....	<u>415</u>	<u>399</u>
NET DEBT	<u><u>8,261</u></u>	<u><u>7,320</u></u>

Note: Net debt is the excess of liabilities over financial assets. Neither tangible capital assets nor the deferred charge for health care facilities are considered to be financial assets since they cannot be immediately converted into cash to pay down liabilities. Net debt represents how much the government would have to borrow in total, after liquidating its financial assets, in order to pay all of its liabilities.