

**PROVINCE OF MANITOBA
ANNUAL REPORT
FOR THE YEAR ENDED
MARCH 31, 2005**

**PROVINCE DU MANITOBA
RAPPORT ANNUEL
POUR L'EXERCICE TERMINÉ
LE 31 MARS 2005**

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



**MINISTER OF
FINANCE**

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

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, 2005. 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 \$406 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.

A handwritten signature in black ink, reading 'Greg Selinger'.

Honourable Greg Selinger
Minister of Finance

Office of the Minister of Finance
August, 2005



**MINISTER OF
FINANCE**

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

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 2005. 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'équilibre 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 406 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.

Monsieur Greg Selinger
Ministre des Finances

Bureau du Ministre des Finances
Août 2005

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MINISTER'S MESSAGE

YEAR-END REVIEW

I am pleased to present the Public Accounts of Manitoba for the fiscal year that ended March 31, 2005, and to report on the fiscal and economic work of our government to meet our promises and priorities for the year 2004/05, as presented in Budget 2004.

In addition to these fiscal commitments, our government is undertaking major improvements to the way we report the results or performance of our work to the public. We are committed to providing information that Manitobans need to assess the work we do on their behalf.

In June 2005 I was pleased to release the first Manitoba performance report *Reporting to Manitobans on Performance, a Discussion Document*.

At that time we also released the 2005 *Provincial Sustainability Report*.

Together these reports provide a comprehensive look at the quality of work your government is undertaking on your behalf. They demonstrate the results in the priority areas of economy, people, community, environment and sustainable development. I would refer readers of the Public Accounts who are interested in our government's progress on commitments in these areas to these reports.

Our plan over the coming years is to further develop performance reporting to provide the information Manitobans want to see. In addition, we continue our work toward summary budgeting and reporting in accordance with Public Sector Accounting Board (PSAB) standards. All of these measures take time and commitment, but in

MESSAGE DU MINISTRE

BILAN DE L'ANNÉE

J'ai le plaisir de présenter les comptes publics du Manitoba pour l'exercice qui a pris fin le 31 mars 2005 et de rendre compte des activités économiques et financières accomplies par notre gouvernement dans le but de répondre aux promesses et aux priorités fixées pour l'exercice 2004-2005.



En plus de ces engagements, notre gouvernement a entrepris d'améliorer notablement la façon dont il rend compte au public des résultats ou du rendement de son travail. Nous sommes résolus à fournir les renseignements dont les Manitobains et Manitobaines ont besoin pour évaluer le travail que nous accomplissons en leur nom.

En juin 2005, j'ai eu le plaisir de rendre public le premier rapport sur le rendement du Manitoba intitulé *Rapport aux Manitobains sur le rendement — Document de travail 2005*.

Au même moment, nous avons également publié le *Rapport provincial de 2005 sur la durabilité au Manitoba*.

Pris dans leur ensemble, ces rapports illustrent de façon exhaustive la qualité du travail que votre gouvernement entreprend en votre nom. Ils montrent les résultats obtenus dans les domaines prioritaires que sont l'économie, la population, les collectivités, l'environnement et le développement durable. J'invite les lecteurs des comptes publics qui le désirent à consulter ces rapport pour constater les progrès accomplis par notre gouvernement relativement aux engagements pris à l'égard de ces domaines de priorité.

Au cours des prochaines années, nous prévoyons accentuer encore davantage nos efforts de présentation du rendement, afin de fournir aux Manitobains et Manitobaines les renseignements qu'ils souhaitent voir. De plus, nous continuons à travailler en vue de produire des états récapitulatifs et des budgets sommaires conformes aux normes du CCSP. Toutes ces mesures exigent du temps et de la détermination, mais en bout de ligne, elles permettront

the long run will bring greater transparency and accountability to the work of government.

d'améliorer la transparence et l'obligation de rendre compte du gouvernement relativement au travail qu'il accomplit.

State of the Economy

Our programs and priorities, both fiscal and social, are designed to build the economy. A stronger economy provides more jobs and a better quality of living, contributing to the prosperity Manitoba needs for a healthy future.

Manitoba's economy is one of the most diversified in Canada. This diversity has contributed to the stable economic growth of the province; over the past five years, Manitoba's real economic growth has been among the most stable among provinces.

In 2004, Manitoba's real Gross Domestic Product (GDP) increased 2.8% to \$35.4 billion. Canadian real GDP increased 2.9% in 2004.

In 2004, Manitoba's population increased by 8,716 persons to 1,170,268 persons. This was the largest population increase since 1986. Employment increased 0.9% to 576,000 persons, with full-time employment leading the growth with an increase of 1.5%. Manitoba's unemployment rate of 5.3% in 2004 was the second-lowest among provinces and well below the Canadian average of 7.2%.

Total capital investment in the province increased 9.9% in 2004 to \$6.8 billion. Private capital investment, which accounts for approximately 75% of total investment, increased 8.1%. Manitoba is the only province to have had increases in private capital investment in each of the last 13 years. Public investment increased 16.0% in 2004.

Manitoba's manufacturing shipments increased 10.1% to \$12.6 billion in 2004. Manufacturing shipments accounted for 65.3% of Manitoba's total foreign exports in 2004.

Farm cash receipts increased 9.4% to \$3.9 billion in 2004 despite the continued closure of the US border to Canadian live cattle exports and cool and wet conditions which impacted crop production. Livestock cash receipts increased 6.8% while crop receipts increased 4.7%. Direct payments increased

Situation de l'économie

Nos programmes et nos priorités, sur le plan fiscal aussi bien que social, sont conçus pour bâtir l'économie. Une économie plus forte offre davantage d'emplois et une meilleure qualité de vie et la prospérité nécessaires à la création d'un avenir serein pour la population manitobaine.

L'économie manitobaine est l'une des plus diversifiées du Canada. Cette diversité a contribué à la croissance économique stable de la province. Au cours des cinq dernières années, la croissance économique réelle du Manitoba a été l'une des plus stables de toutes les provinces.

En 2004, le produit intérieur brut (PIB) réel du Manitoba a augmenté de 2,8 % et atteint 35,4 milliards de dollars. La même année, le PIB réel du Canada a augmenté de 2,9 %.

En 2004, la population du Manitoba s'est accrue de 8 716 personnes et a atteint le chiffre de 1 170 268 habitants. Il s'agit de la plus forte croissance démographique enregistrée depuis 1986. Le nombre d'emplois a augmenté de 0,9 % (576 000 personnes travaillaient), à commencer par les emplois à temps plein qui ont connu une croissance de 1,5 %. En 2004, le taux de chômage au Manitoba s'élevait à 5,3 %, un chiffre nettement inférieur à la moyenne canadienne de 7,2 % et qui plaçait le Manitoba au deuxième rang des provinces ayant le plus bas taux de chômage.

Le total des investissements de capitaux dans la province s'est accru de 9,9 % en 2004, atteignant 6,8 milliards de dollars. Les investissements de capitaux privés, qui représentent environ 75 % de tous les investissements, ont augmenté de 8,1 %. Le Manitoba est la seule province où les investissements de capitaux privés ont augmenté chaque année depuis 13 ans. Les investissements de capitaux publics se sont accrus de 16 % en 2004.

Les livraisons manufacturières du Manitoba ont augmenté de 10,1 % et atteint 12,6 milliards en 2004. Elles représentaient alors 65,3 % des exportations du Manitoba vers l'étranger.

Les recettes monétaires agricoles au Manitoba ont augmenté de 9,4 % et atteint 3,9 milliards de dollars en 2004, malgré la fermeture prolongée de la frontière américaine aux exportations de bovins canadiens vivants, et les conditions climatiques fraîches et humides qui ont eu des répercussions négatives sur les cultures agricoles. Les recettes monétaires tirées de la vente du bétail ont

48.9% to \$459 million.

augmenté de 6,8 % et celles tirées de la vente des cultures de 4,7 %. Les paiements directs se sont accrus de 48,9 % et ont atteint 459 millions de dollars.

Hydro-electricity sales increased in 2004 by 11.9% to \$1.4 billion following two years of declines which were mainly due to low water conditions. Sales in Manitoba, which represent approximately 66% of total sales, increased 4.9% while exports to the US increased 35.2% to \$426 million.

Après deux années de baisse essentiellement due aux conditions de basses eaux, les ventes d'hydroélectricité ont augmenté de 11,9 % et atteint 1,4 milliard de dollars en 2004. Les ventes au Manitoba, qui représentaient environ 66 % des ventes totales, se sont accrues de 4,9 %, alors que les exportations vers les États-Unis ont augmenté de 35,2 % et atteint 426 millions de dollars.

Housing starts increased 5.6% in 2004 to 4,440 units, the largest number of starts since 1988. Single-detached housing starts led the growth with a 10.1% increase to 3,484 units, also the largest number of starts since 1988. Multiple starts declined to 956 units but were still the second-largest number of starts since 1989.

En 2004, les mises en chantier ont augmenté de 5,6 % et atteint 4 440 unités, soit le nombre le plus élevé depuis 1988. En tête de peloton se trouvaient les mises en chantier de maisons individuelles qui ont augmenté de 10,1 % et atteint 3 484 unités, ce qui est également le chiffre le plus élevé depuis 1988. Malgré une diminution de 956 unités par rapport à 2003, le nombre de mises en chantiers d'habitations à logements multiples en 2004 était le plus élevé depuis 1989, à l'exception d'une année.

Manitoba retail sales increased 6.7% to \$11.7 billion in 2004 with all categories of retail outlets posting gains.

Les ventes au détail au Manitoba ont augmenté de 6,7 % et atteint 11,7 milliards de dollars en 2004. Toutes les catégories de points de vente au détail ont réalisé des profits.

The value of Manitoba mineral production increased 36.0% to \$1.4 billion. Solid growth was recorded in all sectors of mineral production with particular strength in the value of metal production which increased 41.1%.

La valeur de la production minérale du Manitoba s'est accrue de 36 % et a atteint 1,4 milliard de dollars. Tous les secteurs de la production minérale ont connu une bonne croissance, en particulier celui de la production de métaux dont la valeur s'est accrue de 41,1 %.

For further information on the economy please see the Economic Report in this volume of the Public Accounts.

Le *Rapport économique* contenu dans ce volume des comptes publics fournit d'autres renseignements sur l'économie.

The Financial Position of the Province

A recap of the Summary financial position and operating results for 2005 and restated 2004 are noted below:

La situation financière de la Province

Un récapitulatif de l'état financier sommaire et des résultats des activités de l'année 2005 et de l'année 2004 (après rajustement) est indiqué ci-dessous :

Summary Financial Position/Situation financière sommaire		
	2005	2004 as restated/ après rajustement
Assets/Actif		
Financial/Financier	<u>\$4,708</u>	<u>\$3,683</u>
Liabilities/Passif		
Net Borrowings/Emprunts nets	\$9,360	\$9,110
Pension/Obligation découlant des régimes de retraite	\$3,761	\$3,571 *
Accounts payable and accrued charges/Comptes créditeurs et charges à payer	<u>\$2,142</u>	<u>\$2,020</u>
	<u>\$15,263</u>	<u>\$14,701</u>
Net Debt/Dette nette	<u>(\$10,555)</u>	<u>(\$11,018)</u>
Non-Financial Assets/Actif non financier		
Tangible Capital Assets/Immobilisations corporelles		
Infrastructure/infrastructure	\$1,213	\$1,186
Other Capital/Assets/Autres immobilisations	<u>\$2,635</u>	<u>\$2,498</u>
	<u>\$3,848</u>	<u>\$3,684</u>
Accumulated Deficit/Déficit accumulé	<u>(\$6,707)</u>	<u>(\$7,334)</u>
Opening Accumulated Deficit/Solde d'ouverture du déficit accumulé	(\$7,334)	(\$6,755)
Adjustments/Rajustements	\$28	\$0
Summary Net Income (Loss)/Sommaire des bénéfices nets (pertes nettes)	<u>\$599</u>	<u>(\$579)</u>
Closing Accumulated Deficit/Solde de clôture du déficit accumulé	<u>(\$6,707)</u>	<u>(\$7,334)</u>
*not restated/non rajusté		

Summary net income increased by \$1,178 million to \$599 million over a 2004 loss of \$579 million. An explanation of the changes in major revenue and expense items between years impacting the net income results of the

Le sommaire des bénéfices nets indique que l'on est passé d'une perte de 579 millions de dollars en 2004 à un bénéfice de 599 millions de dollars, ce qui représente une augmentation de 1 178 millions de dollars. Les conséquences, sur le bénéfice net du fonds de

Operating Fund and Special Funds can be found on pages 32 to 34.

fonctionnement et des fonds spéciaux, des changements intervenus d'une année à l'autre dans les principaux postes de revenus et de dépenses sont expliquées en page 32 à 34.

The \$627 million reduction in the accumulated deficit balance for 2005 over 2004 as restated reflects the impact of the net income. Changes in Government accounting policies including the Government's adoption of PSAB recommendations are all explained on page 62, note 4.

Entre 2004 (en tenant compte des chiffres après rajustement) et 2005, le bénéfice net a eu pour conséquences une diminution de 627 millions de dollars du solde du déficit cumulé. Les changements apportés aux conventions comptables du gouvernement, y compris l'adoption des recommandations du CCSP, sont expliqués en page 62 (note 4).

Indicators

For many years now, we have reported on the Government's financial health in the context of the current economic and financial environment as measured by a number of important financial indicators. The indicators of sustainability, flexibility and vulnerability of a government's financial condition were developed by the Canadian Institute of Chartered Accountants in a 1997 research study and are used in varying degrees by most governments.

a. Sustainability

Sustainability measures a government's ability to maintain its programs while at the same time stabilizing the need to increase its borrowings and interest charges. If it can achieve this, these interest costs will not start to consume more and more of its budget which will mean that it can maintain or improve its future sustainability.

A key financial indicator ratio that we have used to measure sustainability is Net Debt to Provincial Gross Domestic Product (GDP). Net Debt represents how much of the government's current outstanding borrowings would not be covered if all of its financial assets were liquidated. A stable Net Debt to GDP ratio means that the cost of government programs is not outpacing revenue or the growth of the provincial economy. See page 25 for Manitoba results.

b. Flexibility

Flexibility refers to a government's present and future ability to meet the needs of its commitments or expenses.

Indicateurs

Depuis de nombreuses années déjà, nous rendons compte de la santé financière du gouvernement dans le contexte économique et financier du moment, en utilisant quelques indicateurs financiers importants. Ces indicateurs (viabilité, souplesse et vulnérabilité) permettent de mesurer l'état des finances d'un gouvernement. Ils ont été mis au point par l'Institut Canadien des Comptables Agréés dans le cadre d'une étude technique datant de 1997. La plupart des gouvernements les utilisent dans une mesure plus ou moins grande.

a. Viabilité

La viabilité est la mesure dans laquelle un gouvernement est capable de maintenir ses programmes tout en stabilisant le besoin de recourir à de nouveaux emprunts ainsi que l'augmentation des frais d'intérêts qui en découle. Les gouvernements qui y parviennent font en sorte que ces frais d'intérêts n'entament pas une part toujours plus grande de leur budget, et ils peuvent, par conséquent, maintenir ou améliorer leur viabilité future.

L'un des principaux indicateurs financiers que nous utilisons pour mesurer la viabilité est le ratio de la dette nette au produit intérieur brut (PIB) provincial. La dette publique nette correspond au montant actuel d'emprunts non remboursés qui demeurerait si tous les actifs financiers du gouvernement étaient liquidés. Un ratio stable de la dette nette au PIB signifie que le coût des programmes du gouvernement ne dépasse pas le niveau des revenus ou la croissance de l'économie provinciale. Voir les résultats du Manitoba en page 25.

b. Souplesse

La souplesse est la mesure dans laquelle un gouvernement est capable, aujourd'hui et dans l'avenir, de répondre aux besoins découlant de ses engagements ou de ses dépenses.

One indicator of flexibility is Own-Source Revenue to Provincial Gross Domestic Product (GDP). This indicator reflects how much revenue is raised in the provincial economy through taxation and levies. See page 28 for Manitoba's results.

c. Vulnerability

Vulnerability is the degree to which a government becomes vulnerable to major sources of funds that are outside of its ability to control or influence.

There are multiple indicators of vulnerability (see pages 27 and 28 for a few of Manitoba's vulnerability results), including a government's debt held in foreign currencies. At the end of 2004/05 the Manitoba Government's debt is held in Canadian dollars, or hedged to Canadian dollars, (Manitoba Hydro-Electric Board will continue to have debt held in U.S. dollars) thus eliminating any risks related to foreign currency fluctuations.

Another vulnerability measure relates to the fiscal position of the Government of Canada. This is due to the significant role that federal transfer payments play in funding services delivered by provincial governments, such as health, education and social services.

The Government of Canada is in a strong fiscal position; it has run significant surpluses since 1997/98. From 1997/98 to 2003/04, the federal government recorded a cumulative surplus of \$61 billion. Notwithstanding recent new federal investments in health care and Equalization payments to provinces, the 2005 federal budget projects a \$29.5 billion cumulative surplus over the next 6 years. Government commentators believe actual surpluses will be higher over the forecast period.

In September of 2004, the federal government agreed to a ten-year agreement for health care funding that provides for stable and significant increases each year in health care transfers to provinces. A federal review is currently underway of the allocation of entitlements to provinces under the Equalization Program for 2006/07.

L'un des indicateurs de la souplesse est le ratio des recettes propres au produit intérieur brut (PIB) provincial. Cet indicateur révèle la quantité de recettes générées par l'économie provinciale grâce à l'imposition et aux prélèvements. Voir les résultats du Manitoba en page 28.

c. Vulnérabilité

La vulnérabilité est la mesure dans laquelle un gouvernement est dépendant de ressources importantes sur lesquelles il n'exerce pas d'influence.

De multiples indicateurs permettent d'apprécier la vulnérabilité d'un gouvernement (voir quelques-uns des résultats du Manitoba dans ce domaine en page 27 à 28). L'un de ces indicateurs est le montant de la dette détenue en devises étrangères. À la fin de 2004-2005, la dette du gouvernement du Manitoba était détenue ou protégée en dollars canadiens (la Régie de l'hydro-électricité du Manitoba continuera de détenir une dette en dollars américains), ce qui élimine les risques posés par les fluctuations des devises étrangères.

La situation financière du gouvernement du Canada est un autre indicateur de la vulnérabilité d'une province. En effet, les paiements de péréquation du gouvernement fédéral jouent un rôle primordial dans le financement des services fournis par les gouvernements provinciaux, notamment dans les domaines de la santé, de l'éducation et des services sociaux.

La situation financière du gouvernement du Canada est très bonne. Depuis 1997-1998, le gouvernement fédéral a dégagé d'importants excédents budgétaires et, en 2003-2004, son excédent accumulé s'élevait à 61 milliards de dollars. Malgré les nouveaux investissements que le gouvernement fédéral a consacrés récemment aux soins de santé et aux paiements de péréquation versés aux provinces, le budget fédéral 2005 prévoit un excédent accumulé de 29,5 milliards de dollars au cours des six prochaines années. Les analystes croient que le montant réel de l'excédent sera encore plus élevé.

En septembre 2004, le gouvernement fédéral a accepté une entente de financement des soins de santé d'une durée de dix ans. Elle prévoit une augmentation régulière et significative des transferts aux provinces relatifs aux soins de santé. Le gouvernement fédéral examine actuellement la question de l'attribution des droits de péréquation aux provinces dans le cadre du programme de péréquation pour 2006-2007.

Transition to Summary Budgeting and Financial Reporting

Manitoba continues to improve accountability and transparency in its budgeting and financial reporting, and has made steady progress towards the adoption of generally accepted accounting principles. We have put in place a plan to improve fiscal management and transparency. The end result will see financial reporting that is timely, comprehensive and in full compliance with the standards set for Canadian governments.

The Government has committed to the full implementation of summary budgeting and financial reporting for 2007/08. At that time, we intend to produce a set of public disclosure documents that will be timely, comprehensive and consistent with generally accepted accounting principles (GAAP) for senior governments.

Benefits of the transition to summary budgeting and financial reporting include:

- increased confidence in the Province's financial reporting;
- promotion of consistency, transparency and accountability in reporting;
- use of widely-accepted benchmarks for reporting;
- enhanced credibility with bond-rating agencies;
- elimination of criticism around the use of two sets of financial reports prepared on different bases;
- ability to compare and contrast financial performance on a consistent basis with that of other jurisdictions; and
- consistency with having all capital assets amortized within the Government Reporting Entity.

Compliance with Balanced Budget Legislation

The Manitoba Government has satisfied the requirements of the Balanced Budget Legislation and also has a positive balance on a summary basis.

Transition vers la production d'états récapitulatifs et de budgets sommaires

Le Manitoba continue d'améliorer l'obligation de rendre compte et la transparence relativement à la production d'états récapitulatifs et de budgets sommaires. Nous avons mis en place un plan qui vise à améliorer la gestion et la transparence financières. Le résultat final sera la production de rapports financiers à jour, complets et totalement conformes aux normes fixées pour les administrations publiques canadiennes.

Le gouvernement s'est engagé à ce que son initiative de production d'états récapitulatif et de budgets sommaires soit entièrement mise en œuvre d'ici 2007-2008. À ce moment-là, nous comptons être en mesure de produire une série de documents de divulgation publique qui seront à jour, complets et conformes aux principes comptables généralement reconnus pour les gouvernements fédéral, provinciaux et territoriaux.

La production d'état récapitulatifs et de budgets sommaires présentera notamment les avantages suivants :

- confiance accrue dans l'information financière du gouvernement;
- amélioration de la cohérence, de la transparence et de l'obligation de rendre compte relatives à l'information financière;
- utilisation de modèles de communication de l'information financière communément admis;
- renforcement de la crédibilité auprès des agences de cotation des titres;
- élimination des critiques portant sur l'utilisation de deux séries de rapports financiers établis selon des principes différents;
- possibilité de comparer les résultats financiers avec ceux d'autres provinces et de faire ressortir les différences, et cela de façon constante;
- cohérence résultant de l'amortissement de tous les actifs financiers dans le périmètre comptable du gouvernement.

Respect des mesures législatives sur l'équilibre budgétaire

Le gouvernement du Manitoba a satisfait à toutes les exigences prévues dans les mesures législatives sur l'équilibre budgétaire et l'état financier sommaire montre un solde excédentaire.

In Budget 2004 we predicted no draw from the rainy day fund for the first time since 1996, while continuing to pay down \$98.5 million in debt and pension liabilities. For the 2004/05 fiscal year there was no draw from the Fiscal Stabilization Fund. The year-end balance of the fund is \$485.9 million, and is \$407.0 higher than the March 2004 balance.

This increase is a combined result of increases in federal transfers and own-source revenue. The increase in federal transfer funds in 2004/05 is primarily due to the federal government pre-funding the first five years of their commitment to reduce waiting times as well as other health related programs. The 2004 Budget provided for a \$96 million contribution to pay down debt and pension liabilities. The actual 2004/05 contribution for this purpose was \$98.5 million.

Manitoba's borrowing costs are among the lowest in Canada, and Budget 2004 set and achieved a goal to reduce this cost. In 2004/05, general purpose debt costs were forecast to be \$239 million, a decrease of \$32 million or 12% from the 2003/04 adjusted vote of \$271. Actual net general purpose debt cost, in the Operating Fund, for 2004/05 was \$241 million (gross - \$731 million), a decrease of \$30 million over the 2003/04 adjusted vote. This decrease was primarily attributable to the decline in interest rates.

Meeting our commitment to reduce taxes

In our second mandate we committed to reduce education taxes on farmland by 20%, including the commitment to reduce farm education property taxes in 2005 by 5% as a first step. Both of these commitments were exceeded. For 2004, education property taxes on farmland were reduced by 33% through the Farmland School Tax Rebate. The Rebate has increased to 50% for 2005.

Our commitments in 2004 included a number of tax changes, including a reduction of the Personal Income Tax middle bracket and

À l'occasion du Budget 2004, nous avons annoncé que, pour la première fois depuis 1996, aucun prélèvement ne serait effectué dans le fonds de réserve en cas d'imprévu. En même temps, nous avons continué à consacrer des fonds, plus exactement 98.5 millions de dollars, au remboursement de la dette et de l'obligation provinciale découlant des régimes de retraite. Au cours de l'exercice 2004-2005, il n'y a eu aucun retrait du Fonds de stabilisation des recettes. Le solde du fonds en fin d'exercice s'élevait à 485,9 millions de dollars, soit 407,0 millions de dollars de plus que le solde de mars 2004.

Cette augmentation résulte de la croissance combinée des transferts fédéraux et de nos recettes autonomes. L'augmentation des paiements de transfert fédéraux en 2004 est principalement due à la décision du gouvernement fédéral d'attribuer à l'avance les sommes correspondant aux cinq premières années de son engagement de réduction des listes d'attente ainsi que les fonds affectés à d'autres programmes de santé. Le Budget 2004 prévoyait consacrer 96 millions de dollars au remboursement de la dette et de l'obligation découlant des régimes de retraite. En fait, ce sont 98,5 millions de dollars qui ont été alloués à cette fin en 2004-2005.

Le coût d'emprunts du Manitoba figure parmi les plus bas du Canada. Le Budget 2004 avait fixé pour objectif une diminution de ce coût, et l'objectif a été atteint. En 2004-2005, le montant prévu du coût de la dette générale était de 239 millions de dollars, soit une baisse de 32 millions de dollars, ou 12 %, par rapport au crédit après rajustement de 2003-2004 qui s'élevait à 271 millions de dollars. Le coût réel net de la dette générale, dans le fonds de fonctionnement, s'est élevé à 241 millions de dollars en 2004-2005 (le coût brut était de 731 millions de dollars), soit une diminution de 30 millions de dollars par rapport au crédit après rajustement de 2003-2004. Cette diminution est principalement attribuable à la diminution des taux d'intérêt.

Nous avons tenu notre engagement de réduire les taxes et les impôts

Dans le cadre de notre second mandat, nous nous sommes engagés à réduire de 20 % les taxes scolaires sur les terres agricoles, en commençant par une baisse de 5 % en 2005. Ces deux engagements ont été dépassés. En 2004, les taxes scolaires payées sur les terres agricoles ont diminué de 33 % grâce au Crédit de taxes scolaires pour les propriétaires de terres agricoles, qui est passé à 50 % en 2005.

Nos engagements pour 2004 comprenaient plusieurs changements d'ordre fiscal, notamment une diminution de l'impôt sur le revenu des particuliers pour la tranche

Corporate Income Tax. To this end, the following changes were made:

intermédiaire d'imposition et une réduction de l'impôt sur les bénéfices des sociétés. Voici la liste de ces changements :

- The middle bracket Personal Income Tax rate was reduced from 14.9% to 14.0% for 2004.
- The general Corporation Income Tax rate was reduced from 16.0% to 15.5% for 2004.
- The threshold of income eligible for the small business Corporation Income Tax rate was increased from \$320,000 to \$360,000 for 2004.
- The Retail Sales Tax was changed to include certain legal, accounting, architectural, engineering, security and private investigation services, commencing July 1, 2004.
- For bank, trust and loan companies, the Corporation Capital Tax base was changed to include subordinated debt in the calculation of taxable paid-up capital, effective for fiscal years ending after April 19, 2004.
- Effective April 19, the Tobacco Tax rates were increased as follows: from 15.5 cents to 17.5 cents per cigarette, from 14.5 cents to 16.5 cents per gram of fine cut tobacco, and from 13.0 cents to 15.0 cents per gram of raw leaf tobacco.
- Liquor markups were adjusted to raise an additional \$10 million in 2004/05.
- The Motive Fuel Tax rate on diesel fuel was equalized with the Gasoline Tax rate to 11.5 cents per litre effective May 1.
- Land Transfer Tax was increased, effective July 5, 2004, from 1.5% to 2.0% on the portion of the value of property in excess of \$200,000.
- The Film and Video Production Tax Credit was extended to March 1, 2008. A 5% frequent filming incentive and a 5% rural and Northern incentive were introduced.
- A 10% corporation income tax Odour Control Tax Credit was introduced.
- Le taux d'imposition sur le revenu des particuliers est passé de 14,9 % à 14 % pour la tranche intermédiaire en 2004.
- Le taux de l'impôt sur les bénéfices des sociétés est passé de 16 % à 15,5 % en 2004.
- Le plafond de revenu admissible au taux d'imposition des petites entreprises est passé de 320 000 \$ à 360 000 \$ en 2004.
- La taxe sur les ventes au détail a été modifiée afin d'inclure certains services dans les domaines du droit, de la comptabilité, de l'architecture, du génie, de la sécurité et des enquêtes privées, à partir du 1^{er} juillet 2004.
- L'assiette de l'impôt sur le capital des corporations a été modifiée pour les établissements bancaires, les sociétés de fiducie et les sociétés de prêts afin d'inclure les créances de second rang dans le calcul du capital libéré imposable, pour les exercices se terminant après le 19 avril 2004.
- Une augmentation des taux de la taxe sur le tabac est entrée en vigueur le 19 avril. Les taux sont passés de 15,5 % à 17,5 % par cigarette, de 14,5 % à 16,5 % par gramme de tabac haché fin et de 13 % à 15 % par gramme de tabac naturel en feuilles.
- La marge commerciale des produits de la Société des alcools du Manitoba a été rajustée afin de générer 10 millions de dollars supplémentaires en 2004-2005.
- Le 1^{er} mai, le taux de la taxe sur le carburant pour le diesel a été aligné sur le taux de l'essence qui est de 11,5 cents le litre.
- Le 5 juillet 2004, le taux de la taxe sur les transferts fonciers a augmenté, passant de 1,5 % à 2 % sur la portion de la valeur du bien au-delà de 200 000 \$.
- Le crédit d'impôt du Manitoba pour la production de films et de vidéos a été prolongé jusqu'au 1^{er} mars 2008. On y a ajouté deux crédits de 5 % chacun visant à encourager la production fréquente ainsi que les productions dans les régions rurales et du Nord.
- Un crédit d'impôt de 10 % sur les bénéfices des sociétés a été adopté pour lutter contre l'émission d'odeurs.

Tax relief to homeowners is part of our investment in education, and we have reduced education property taxes every year by increasing the tax credit or reducing the Education Support Levy (ESL) on residential

L'allègement fiscal destiné aux propriétaires fait partie de notre investissement dans l'éducation. Nous avons réduit chaque année les impôts fonciers en matière d'éducation en augmentant le crédit d'impôt ou en diminuant la taxe résidentielle d'aide à l'éducation. Le gouvernement est en

property. The government is on track to meet its Budget 2002 commitment to phase-out the residential Education Support Levy over five years. The mill rate was reduced again in 2004, to 4.56 mills. This is a 42% reduction from the mill rate of 7.92 that applied in 2001.

On June 10, 2004, the Province passed Bill 10, *The Gas Tax Accountability Act*, into law. This legislation reassures Manitobans that road-use fuel taxes are reinvested into roads and municipal infrastructure. To ensure transparency, the road-use fuel taxes and amounts expended on roadway and municipal infrastructure must be reported. The first accounting is contained in the 2004/05 Public Accounts and reports \$217.7 million in revenue and \$297.5 million in expenses. When expenditures exceed revenue, the difference is made up through general revenues.

Conclusion

I am pleased to be able to provide Manitobans with such positive results for 2004/05. It was a year in which the Manitoba economy performed well and the Manitoba Government's finances improved substantially after the drought and agriculture setbacks of the previous year. Manitoba also undertook significant steps to improve accountability in order to provide the citizens of Manitoba with the tools they need to determine their priorities.

d'élimination en cinq ans de la taxe résidentielle d'aide à l'éducation. Le taux de taxation a été de nouveau réduit en 2004 et est passé à 4,56 millièmes. Il s'agit d'une réduction de 42 % par rapport au taux de 7,92 millièmes en vigueur en 2001.

Le 10 juin 2004, la Province a adopté la *Loi sur l'obligation redditionnelle concernant la taxe sur l'essence*. Celle-ci garantit aux Manitobains et Manitobaines que le produit des taxes sur l'essence consommée par les véhicules qui empruntent le réseau routier est réinvesti dans les infrastructures routières et municipales. Pour assurer la transparence, les sommes en question doivent faire l'objet de rapports. En vertu de cette obligation de rendre compte, les premiers chiffres sont publiés dans les comptes du Manitoba de 2004-2005; ils indiquent 217,7 millions de dollars de recettes et 297,5 millions de dollars de dépenses. Lorsque les dépenses sont supérieures aux recettes, on comble la différence par l'intermédiaire des recettes générales.

Conclusion

Je suis heureux de pouvoir présenter aux Manitobains et Manitobaines les résultats si positifs obtenus en 2004-2005. Au cours de cet exercice, qui faisait suite à une année de sécheresse et de revers dans le secteur agricole, l'économie du Manitoba s'est montrée performante et les finances de la Province se sont notablement améliorées. Le Manitoba a également mis en branle des mesures importantes pour améliorer l'obligation de rendre compte et fournir ainsi aux Manitobains et Manitobaines les outils dont ils ont besoin pour déterminer leurs priorités.

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 past five years, Manitoba's real economic growth has been among the most stable among the provinces.

Several factors constrained growth in Manitoba's economic performance in 2004, including the continued closure of the US border to live Canadian cattle exports due to the case of bovine spongiform encephalopathy (BSE) in Alberta, weak harvest conditions and the continued appreciation of the Canadian dollar relative to the US dollar. In 2003, the Canadian-US dollar exchange rate had appreciated by 20%. Through the first five months of 2004, the Canadian dollar declined in value against the US dollar; however, it appreciated significantly in the latter half of 2004. By the end of 2004, the Canadian dollar had appreciated by approximately 30% since the beginning of 2003. The higher-valued Canadian dollar increased competitive pressure on Manitoba businesses by making US goods and services less expensive relative to domestically produced goods and services. The US accounts for 73% of Manitoba's exports.

Manitoba's largest industry is manufacturing which accounts for 12% of provincial Gross Domestic Product (GDP). Relative to most other provinces Manitoba's service sector is large, a factor which contributes to the stability of the Manitoba economy. The major components of the service sector are health care, transportation, retail and wholesale trade, real estate, finance and insurance and education. Service industries accounted for 74% of the Manitoba economy in 2004, significantly higher than the national average. The service sector accounted for 76% of Manitoba employment.

Gross Domestic Product

Manitoba's real GDP grew by 2.8% in 2004, up significantly from the 1.6% growth recorded in 2003. Nominal GDP grew by 5.5% to \$40.2 billion.

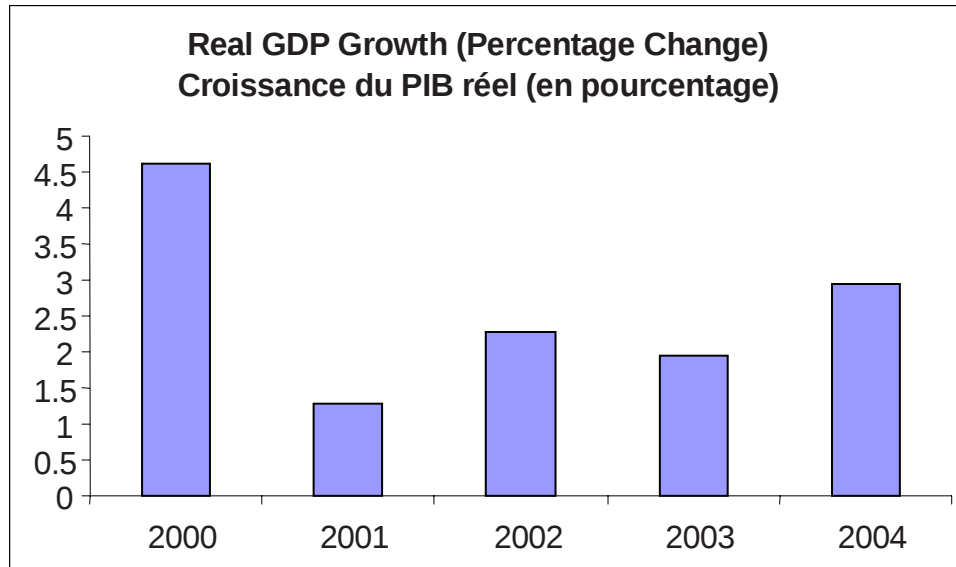
L'économie manitobaine est l'une des plus diversifiées du Canada. Cette diversité est une source permanente de force et de stabilité. Au cours des cinq dernières années, la croissance économique réelle du Manitoba a été l'une des plus stables des provinces canadiennes.

Plusieurs facteurs ont limité la croissance économique du Manitoba en 2004, notamment la fermeture prolongée de la frontière américaine aux exportations de bovins canadiens vivants, en raison du cas d'encéphalopathie spongiforme bovine (ESB) décelé en Alberta; les conditions climatiques défavorables aux récoltes; et l'appréciation prolongée du dollar canadien par rapport à la devise américaine. En 2003, le taux de change du dollar canadien par rapport au dollar américain s'est accru de 20 %. Durant les cinq premiers mois de 2004, la valeur du dollar canadien a baissé, mais elle a augmenté de façon importante dans la dernière partie de 2004. Entre le début de 2003 et la fin de 2004, la valeur de la monnaie canadienne s'est accrue d'environ 30 %. L'appréciation du dollar canadien a accentué la pression concurrentielle sur les entreprises manitobaines en rendant les biens et les services américains moins chers par rapport aux biens et aux services produits localement. Les États-Unis absorbent 73 % des exportations du Manitoba.

Le secteur industriel le plus important du Manitoba est celui de la fabrication, qui représente 12 % du produit intérieur brut (PIB) provincial. Par rapport à la plupart des autres provinces, le secteur des services au Manitoba est vaste, ce qui contribue à la stabilité de l'économie provinciale. Les principales composantes du secteur des services sont les soins de santé, le transport, le commerce de gros et de détail, l'immobilier, les finances et l'assurance, et l'éducation. L'industrie des services représentait 74 % de l'économie du Manitoba en 2004, soit un niveau nettement supérieur à la moyenne nationale. Par ailleurs, 76 % des emplois au Manitoba étaient situés dans le secteur des services. Quarts des emplois de la province en dépendent.

Produit intérieur brut

Le PIB réel du Manitoba a augmenté de 2,8 % en 2004, un chiffre nettement supérieur au taux de croissance de 1,6 % enregistré en 2003. Le PIB nominal s'est accru de 5,5 %, atteignant 40,2 milliards de dollars.



Population

Manitoba's population was 1,170, 268 as of July 1, 2004. This is Manitoba's "official" population for the year. The population growth from the previous year was 8,716 or 0.75%. This was the Province's largest annual growth since 1986.

On a calendar year basis Manitoba's population grew by 9,683 in 2004 with total net migration of 6,025 combined with natural population growth (births minus deaths) of 3,658. This was the best calendar year increase since 1984.

Population

Au 1^{er} juillet 2004, le Manitoba comptait 1 170 268 habitants. Il s'agit de la population « officielle » de la province pour cette année. Entre 2003 et 2004, la population a augmenté de 8 716 personnes, soit une croissance de 0,75 %, la plus importante croissance annuelle enregistrée au Manitoba depuis 1986.

Si l'on se base sur l'année civile, la croissance de la population au Manitoba s'élevait à 9 683 personnes en 2004. Elle se composait d'une migration nette de 6 025 personnes et d'une croissance démographique naturelle (naissances moins décès) de 3 658 personnes. Il s'agit de la plus forte augmentation sur une année civile depuis 1984.

Labour Force and Incomes

Manitoba's employment increased 0.9% in 2004 with full-time employment growth of 1.5% being partly offset by a 1.3% decline in part-time employment. Total employment reached a record 576,000 an increase of 5,400. Service sector employment increased 1.1%, led by public administration, information and culture, education and health and professional and administrative services. Employment in the goods producing sector increased 0.7% led by growth in the construction industry.

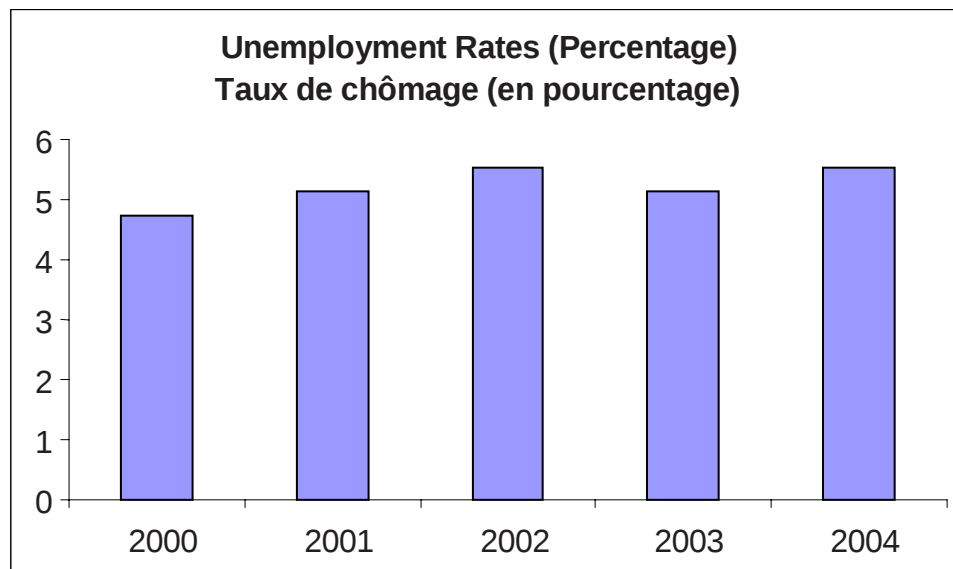
Main-d'œuvre active et revenu

Le nombre d'emplois au Manitoba a augmenté de 0,9 % en 2004. La croissance du nombre d'emplois à plein temps (1,5 %) a été en partie neutralisée par une baisse de 1,3 % du nombre d'emplois à temps partiel. Le nombre total d'emplois a atteint le chiffre record de 576 000, soit une augmentation de 5 400. Le nombre d'emplois dans les services s'est accru de 1,1 %, les secteurs de tête étant l'administration publique, l'information et la culture, l'éducation et

la santé, et les services professionnels et administratifs. Le nombre d'emplois dans le secteur de la production de biens a augmenté de 0,7 %, une progression due en premier lieu à la croissance de l'industrie de la construction.

The unemployment rate increased in 2004 to 5.3% from 5.0% in 2003. This rate was the second lowest in Canada and well below the national rate of 7.2%. Manitoba's youth unemployment rate increased to 11.1% in 2004, the third lowest rate among provinces and well below the Canadian average of 13.4%. The Provincial participation rate, the number of persons working or looking for work reached a record 69.0% in 2004, the second highest rate among provinces.

Le taux de chômage a augmenté, passant de 5 % en 2003 à 5,3 % en 2004. Ce taux était largement inférieur à la moyenne nationale de 7,2 %, et le Manitoba se plaçait au deuxième rang en ce qui concerne le plus bas taux de chômage au Canada. Le taux de chômage des jeunes au Manitoba a augmenté en 2004, atteignant 11,1 %, un chiffre bien inférieur à la moyenne canadienne de 13,4 % et qui plaçait le Manitoba au 3^e rang des provinces ayant le plus bas taux de chômage des jeunes. Le taux d'activité de la province, qui représente les personnes travaillant ou cherchant un emploi, a atteint le chiffre record de 69 % en 2004, ce qui plaçait le Manitoba au 2^e rang des provinces ayant le taux d'activité le plus élevé.

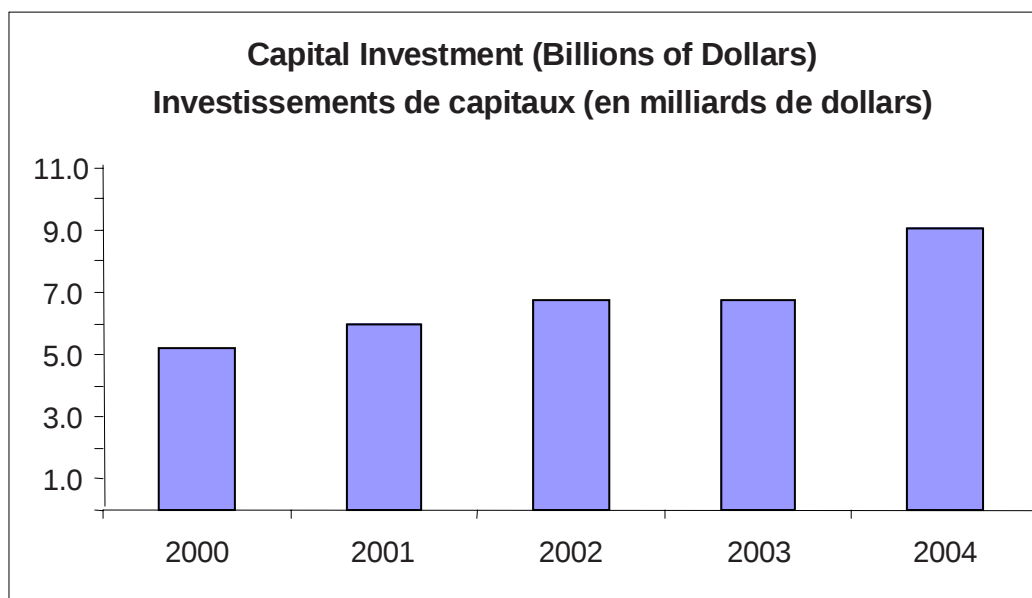


Investment

Total capital investment increased 9.9% in 2004 according to Statistics Canada's Survey of Private and Public Investment. This was the fourth-best increase among provinces and above the national increase of 8.5%. Private capital investment increased 8.1% in 2004. Manitoba is the only province to have increases in private capital investment in each of the last 13 years. Private investment accounts for 75% of total capital investment in Manitoba. Public capital investment increased 16.0% in 2004.

Investissements

Le total des investissements de capitaux au Manitoba a augmenté de 9,9 % en 2004, selon l'étude sur les investissements privés et publics de Statistique Canada. Ce chiffre était supérieur à la moyenne nationale de 8,5 % et faisait du Manitoba la quatrième province ayant connu la plus forte croissance dans ce domaine en 2004. Les investissements de capitaux privés ont augmenté de 8,1 % en 2004. Le Manitoba est la seule province qui a connu une croissance des investissements de capitaux privés chaque année depuis 13 ans. Les investissements privés représentaient 75 % de tous les investissements de capitaux au Manitoba. Les investissements de capitaux publics se sont accrus de 16 % en 2004.

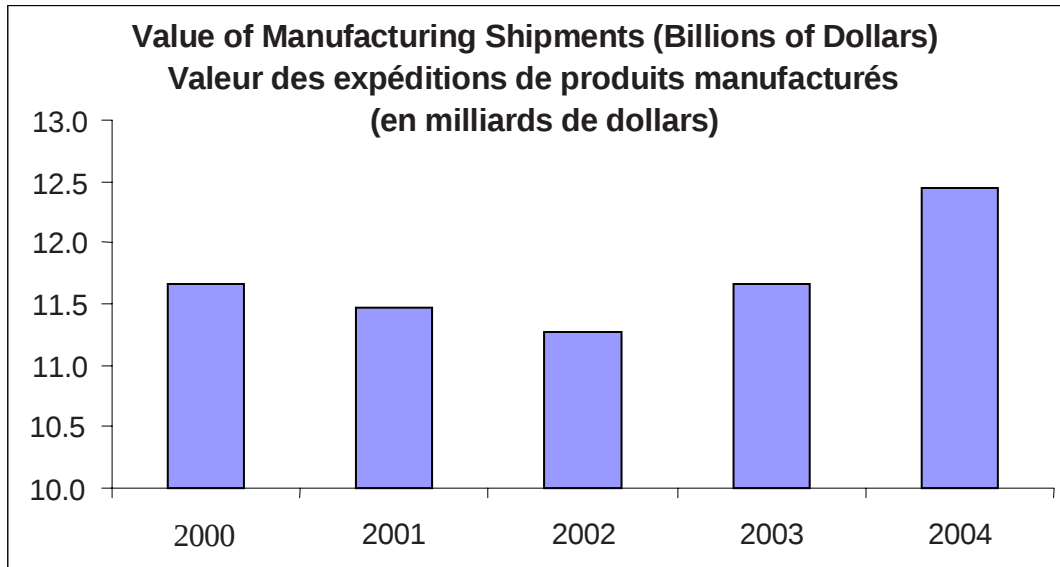


Sectoral Developments

Manitoba manufacturing shipments rose 10.1% to \$12.6 billion above the national increase of 8.5%. Eight of the Province's fourteen manufacturing industries posted gains in 2004. The majority of Manitoba's manufactured goods are exported to other provinces or countries. In 2004 manufactured goods accounted for 65.3% of total foreign exports.

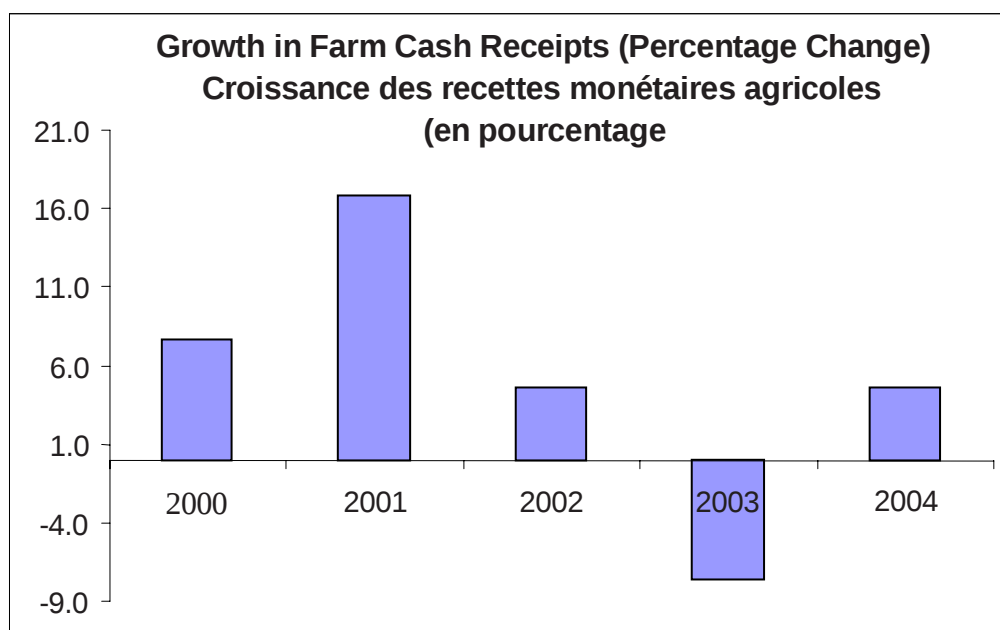
Développements sectoriels

Les livraisons manufacturières du Manitoba ont augmenté de 10,1 %, atteignant 12,6 milliards de dollars. Au niveau national, l'augmentation était de 8,5 %. Huit des 14 industries manufacturières de la province ont affiché des profits en 2004. La majeure partie des biens manufacturés au Manitoba est exportée vers d'autres provinces ou d'autres pays. En 2004, les biens manufacturés représentaient 65,3 % du total des exportations vers l'étranger.



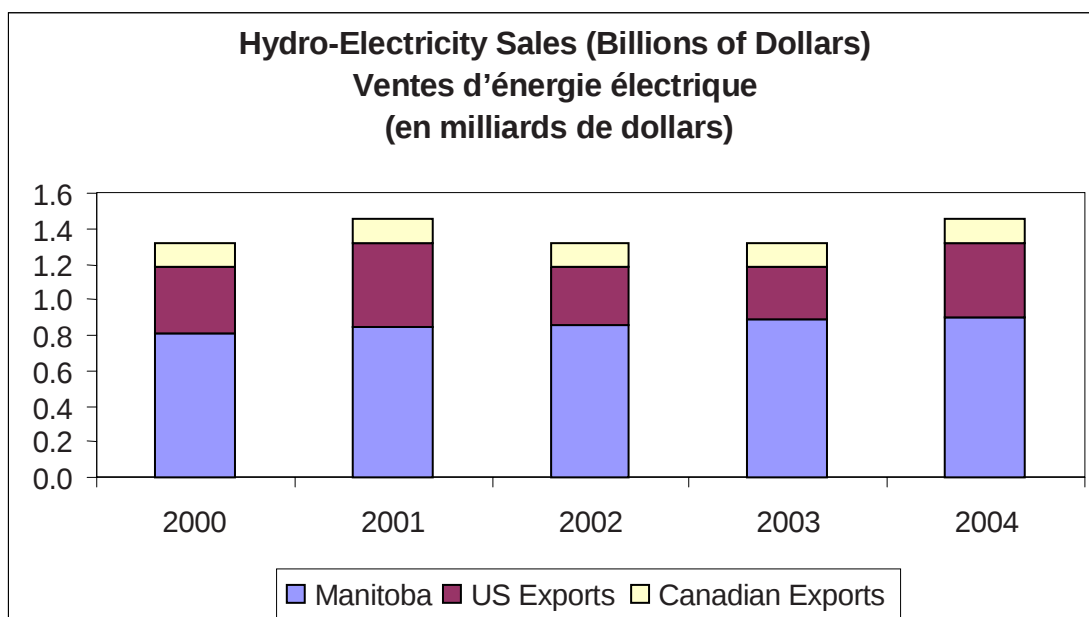
Manitoba farm cash receipts increased 9.4% to \$3.9 billion in 2004 despite the continued US border closure to Canadian live cattle and the cool and wet conditions which impacted crop production. Direct payments increased 48.9% in 2004 and were a significant contributor to cash receipts growth increasing by \$150 million. Livestock receipts increased 6.8% as strong hog receipt growth more than offset a decline in cattle and calves receipt. Crop receipts increased 4.7% led by strong wheat receipts. Overall market receipts rose 5.7%.

Les recettes monétaires agricoles au Manitoba ont augmenté de 9,4 % et atteint 3,9 milliards de dollars en 2004, malgré la fermeture prolongée de la frontière américaine aux bovins canadiens vivants et les conditions climatiques fraîches et humides qui ont eu des répercussions négatives sur les cultures agricoles. Les paiements directs se sont accrus de 48,9 % en 2004 et ont largement contribué à la croissance de 150 millions de dollars des recettes monétaires. Les recettes tirées de l'élevage ont augmenté de 6,8 %, la forte croissance des recettes tirées de l'industrie porcine compensant largement la baisse des recettes tirées de l'élevage des veaux et autres bovins. Les recettes tirées des cultures se sont accrues de 4,7 %, les recettes tirées du blé ayant connu la plus forte croissance. Les recettes monétaires globales tirées du marché ont augmenté de 5,7 %.



The total value of hydro-electricity sales increased in 2004 by 11.9% to \$1.4 billion. The increase reflects a return to normal water flows in the Hudson Bay drainage basin. Sales within Manitoba increased 4.9% and represent 66% of total sales. US exports rose 35.2% to the second-highest level in history and represent 87% of total export sales.

La valeur totale des ventes d'hydroélectricité a augmenté de 11,9 % et atteint 1,4 milliard de dollars en 2004. Cette croissance a été possible parce que le bassin versant de la baie d'Hudson a retrouvé son débit d'eau normal. Les ventes au Manitoba ont augmenté de 4,9 % et représentaient 66 % du total des ventes. Les exportations vers les États-Unis ont augmenté de 35,2 % (un record surpassé une seule fois dans l'histoire) et représentaient 87 % du total des ventes à l'exportation.



Strong population growth and low mortgage rates contributed to the 5.6% increase in housing starts following three years of double-digit growth. The 4,440 starts in 2004 was the highest level since 1988. Single-family starts increased 10.1% to 3,484 also the highest level since 1988. Multiple starts declined 8.2% to 956 units following three years of robust growth. This was still the second-highest number of multiple starts since 1989. The value of building permits issued in 2004 increased 8.0% led by residential permits which increased 28.6%. Non-residential permits declined 12.0%.

La forte croissance démographique et les faibles taux d'intérêt hypothécaires ont contribué à l'augmentation de 5,6 % des mises en chantier, laquelle faisait suite à trois années consécutives de croissance à deux chiffres. Le nombre de mises en chantier en 2004 (4 440) était le plus élevé depuis 1988. Les mises en chantier d'habitations individuelles ont augmenté de 10,1 % et atteint le chiffre de 3 484, ce qui est également le chiffre le plus élevé depuis 1988. Après trois années de bonne croissance, les mises en chantier d'habitations à logements multiples sont tombées à 956 unités, soit une diminution de 8,2 %. Il n'en demeure pas moins que 2004 a vu le plus grand nombre de mises en chantier d'habitations à logements multiples depuis 1989, à l'exception d'une année. La valeur des permis de construire délivrés en 2004 s'est accrue de 8 %. Les permis de construire résidentiels étaient en tête avec une croissance de 28,6 %. Le nombre de permis de construire non résidentiels a diminué de 12 %.

Manitoba retail sales increased 6.7% to \$11.7 billion. This was the second highest increase among provinces. All retail categories increased with particular strength in the furniture and appliance and hardware, garden and building supplies outlets.

Les ventes au détail au Manitoba ont augmenté de 6,7 % et atteint 11,7 milliards de dollars, plaçant le Manitoba au deuxième rang des provinces en termes de croissance. Les ventes au détail ont augmenté dans toutes les catégories mais elles étaient particulièrement vigoureuses dans le secteur de l'ameublement et de l'électroménager ainsi que dans les points de vente de matériaux de construction et d'articles de quincaillerie et de jardinage.

Manitoba mineral production increased 36.0% to \$1.4 billion as strong market conditions prevailed in 2004.

La production minérale au Manitoba a augmenté de 36 % et atteint 1,4 milliard de dollars, grâce à l'excellente conjoncture du marché en 2004.

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 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. 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 rendent 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 pratique qui consistait à présenter au net les recettes et les dépenses des entreprises publiques dans le calcul des indicateurs financiers sommaires a été modifiée en 2002-2003. Ces indicateurs expriment désormais les recettes et les dépenses en chiffres bruts.

Expenses and Revenue

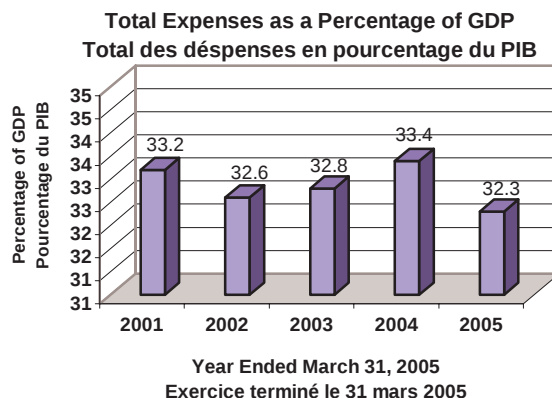
Total expenses in 2004/05 from Schedule 3 and the Statement of Revenue and Expense amounted to \$12,979 million, an increase of \$68 million or .5% over the 2003/04 fiscal year. Operating expenses, that is, total expenses less debt servicing costs, increased \$83 million or .7% from 2003/04. Operating expenses amounted to 29.1% of Gross Domestic Product in 2004/05.

Recettes et dépenses

En 2004-2005, le total des dépenses calculé à partir de l'annexe 3 et de l'état des résultats s'élevait à 12 979 millions de dollars, soit une hausse de 68 millions de dollars ou de 0,5 % comparativement à 2003-2004. Les dépenses de fonctionnement, soit le total des dépenses moins le coût du service de la dette, ont augmenté de 83 millions de dollars ou 0,7 % depuis 2003-2004. En 2004-2005, les dépenses de fonctionnement représentaient 29,1 % du PIB.

Total revenue in 2004/05 from Schedule 3 and the Statement of Revenue and Expense amounted to \$13,578 million, an increase of \$1,246 million or 10.1% over 2003/04. Federal transfers were \$435 million higher than 2003/04.

En 2004-2005, le total des recettes calculé à partir de l'annexe 3 et de l'état des résultats s'élevait à 13 578 millions de dollars, une hausse de 1 246 millions de dollars ou 10,1 % comparativement à 2003-2004. Le montant des transferts fédéraux était de 435 millions de dollars plus élevé qu'en 2003-2004.



As restated/Après rejustement

Source: Public Accounts of Manitoba

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

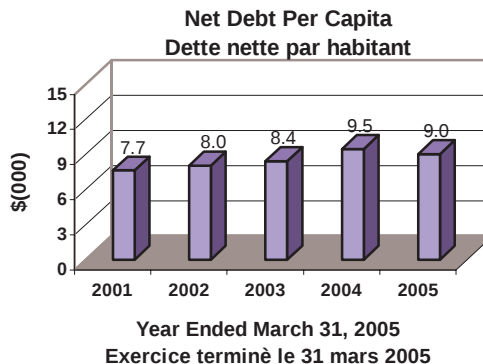
SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

Net Debt per Capita

A decrease in the net debt per capita is an indication of a decreasing debt burden on a per person basis. This figure has remained relatively stable for the past five years, with a decrease for 2004/05 to approximately \$9,019. Growth in GDP per capita must be taken into account to determine capacity to support debt. During this period, GDP per capita grew from \$28,742 in 2001 to \$34,334 in 2005. These results should be viewed in conjunction with the following report of Net Debt to Provincial GDP.

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. Elle a diminué en 2004-2005 et se situait à environ 9 019 \$. Il faut tenir compte de l'augmentation du PIB par habitant afin de déterminer la capacité de supporter la dette. Pendant cette période, le PIB par habitant est passé de 28 742 \$ en 2001 à 34 334 \$ en 2005. Il faudrait tenir compte du rapport sur la dette nette et le PIB provincial ci dessous pour examiner ces résultats.



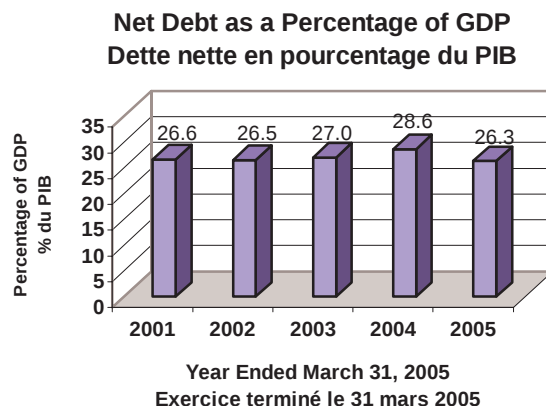
Source: Public Accounts of Manitoba

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.

Dette 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 resté relativement stable.



Source: Public Accounts of Manitoba

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

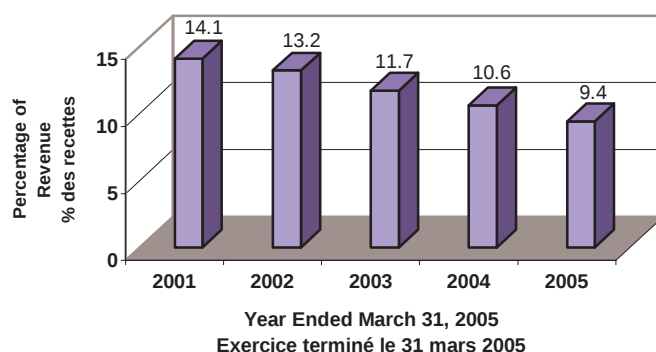
Debt Servicing Costs to Revenue

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 improved steadily.

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 ratio est amélioré sans interruption.

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



As restated / Après rejustement

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

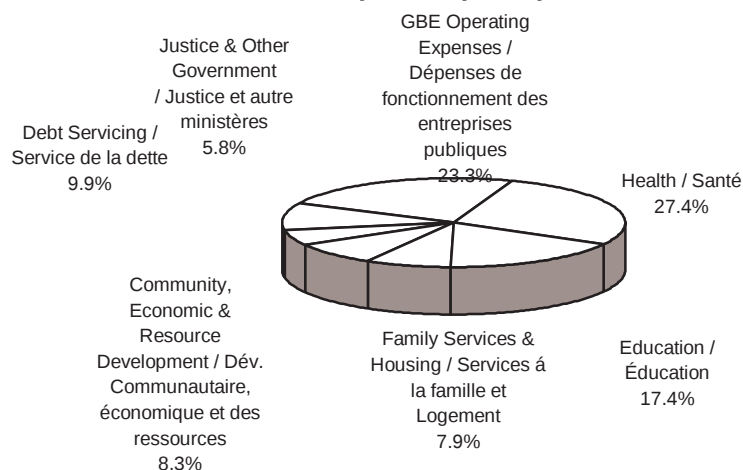
Debt Service Charges

In 2004/05, the debt servicing cost reached a level of \$1,281 million, representing approximately 9.9% of provincial expenses.

Frais de service de la dette

En 2004-2005, le coût du service de la dette a atteint 1 281 millions de dollars, ce qui représente 9,9 % des dépenses provinciales.

Major Expense Categories
Dépenses principales



Source: Public Accounts of Manitoba

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

Unhedged Foreign Debt to Net Debt

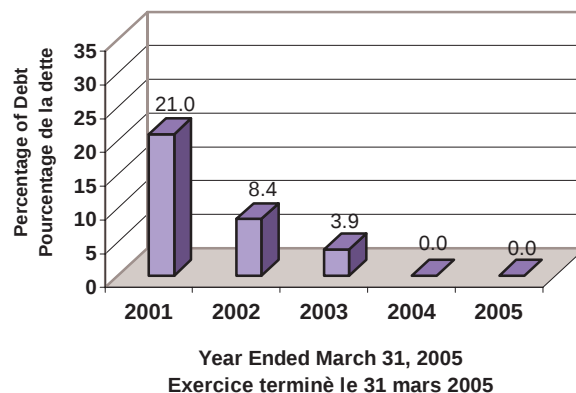
The ratio of foreign debt to net debt for 2004/05 is represented as nil because the foreign exchange risk is considered to be fully hedged through the use of derivative instruments such as swaps, forward foreign exchange contracts, as well as, future US dollar revenue streams and US dollar sinking funds. The nominal amount of foreign debt is \$5,887 million (2004 - \$6,397). 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 non-protégé et dette nette

Le ratio de la dette extérieure à la dette nette du gouvernement est indiqué comme nul pour 2004-2005, 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 5 887 millions de dollars (au lieu de 6 397 millions en 2004). 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.

Unhedged Foreign Debt as a Percentage of Net Debt

Dette extérieure non-protégé en pourcentage de la dette nette



FINANCIAL INDICATORS / INDICATEURS FINANCIERS

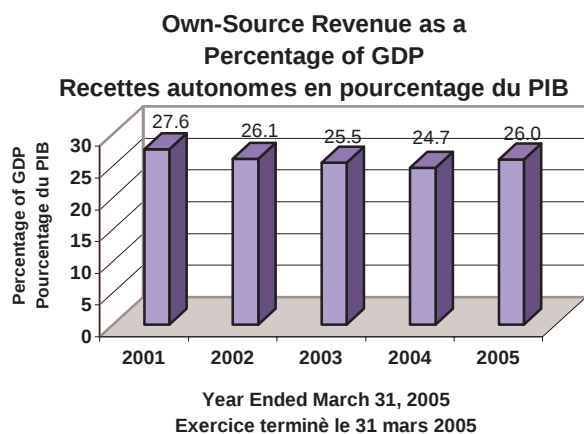
SUMMARY FINANCIAL STATEMENTS / ÉTATS FINANCIERS SOMMAIRES

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.

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 ratio est demeuré relativement stable.



As restated / Après ajustement

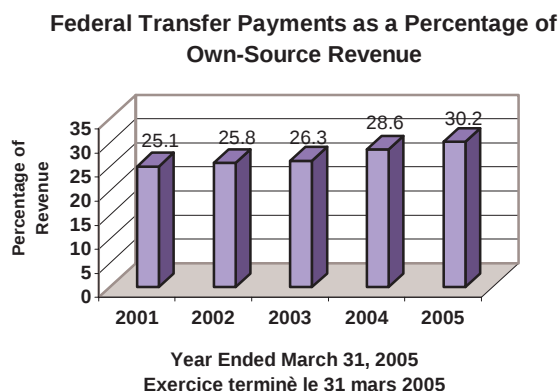
Source: Public Accounts of Manitoba

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. Increases in this ratio resulted from the new ten-year agreement with the federal government for health care funding.

Transferts fédéraux et recettes autonomes

Le pourcentage de recettes autonomes constituées de transferts fédéraux permet de mesurer le degré de dépendance aux recettes provenant de sources dont la Province n'assume pas le contrôle. L'augmentation de ce pourcentage est due à la nouvelle entente de dix ans signée avec le gouvernement fédéral sur le financement des soins de santé.



As restated / Après ajustement

Source: Public Accounts of Manitoba

*Year 2000 excludes 1997 and 1999 Flood Recoveries

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

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**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 business 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 2004/05 actual results varied from the 2004/05 Budget and the 2003/04 results.

The following pages present a brief analysis of actual results of the Operating Fund for the fiscal year ended March 31, 2005. 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 activités centrales du gouvernement et est à la base des crédits votés par l'Assemblée législative. C'est à partir du fonds de fonctionnement que la Province inscrit les activités 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. Les états financiers à vocation spéciale relatifs au fonds de fonctionnement et aux fonds spéciaux constituent un moyen de mesurer les résultats par rapport aux crédits votés 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 entreprises publiques et des organisations de la Couronne, sauf si elles ont reçu un financement provenant du fonds de fonctionnement ou si elles ont contribué au fonds.

Les sections qui suivent expliquent en détail comment les résultats réels de 2004-2005 diffèrent des prévisions budgétaires de 2004-2005 et des résultats de 2003-2004.

Les pages qui suivent fournissent une brève analyse des résultats réels du fonds de fonctionnement pour l'exercice terminé le 31 mars 2005. 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 has a positive balance of \$406 million, \$403 million higher than the 2004/05 budget projection of \$3 million.

Total revenue was \$570 million higher than the 2004/05 budget estimates. This is primarily attributed from higher than budgeted revenue from the Government of Canada for Equalization - \$264 million and the Canada Health and Social Transfer - \$187 million.

In addition, increases were also experienced in own source taxation revenue of \$43 million due mainly to higher than budgeted revenue of \$74 million in Corporate Income Tax and Corporation Capital Tax. These were partially offset by lower than budgeted taxation revenue of \$29 million, or 2.5%, in Retail Sales Tax and a \$16 million, or 28.7%, decrease in Mining Tax revenues.

The Province also realized \$55 million in additional revenue over the 2004/05 budget from various other departmental revenue sources including an increase of \$41 million or 17.7% from Manitoba Lotteries Corporation and a \$5 million, or 4.7%, increase in Water Power rentals due to higher than forecasted water levels.

Expenditures increased \$164 million, or 2.2%, in total from the 2004/05 budget levels. Health care expenses increased by \$61 million due to salary, price and volume increases. Capital grant expenses increased by \$38 million primarily as a result of a change in accounting standards associated with funding to colleges and school divisions as well as increased grants to Universities. Expenses for the Manitoba Education Property Tax Credit and the Farmland

FONDS DE FONCTIONNEMENT DÉTAILS DU RENDEMENT BUDGÉTAIRE

Explications des écarts par rapport aux prévisions

Le fonds de fonctionnement affiche un solde positif de 406 millions de dollars, soit 403 millions de dollars de plus que la projection du budget de 2004-2005 qui était de 3 millions de dollars.

Le total des recettes représente une augmentation de 570 millions de dollars par rapport aux prévisions budgétaires de 2004-2005. Cette augmentation est attribuable principalement au montant, plus élevé que prévu au budget, des fonds provenant du gouvernement du Canada pour la péréquation (264 millions de dollars) et des fonds découlant du Transfert canadien en matière de santé et de programmes sociaux (187 millions de dollars).

De plus, les recettes fiscales de sources propres ont augmenté de 43 millions de dollars en raison, principalement, de 74 millions de dollars de recettes supplémentaires (par rapport au montant prévu au budget) tirées de l'impôt sur les bénéfices des sociétés et de l'impôt sur le capital des corporations. Cette augmentation est partiellement contrebalancée par une baisse de 29 millions de dollars, ou 2,5 %, des recettes tirées de la taxe sur les ventes au détail et par une baisse de 16 millions de dollars, ou 28,7 %, des recettes tirées de la taxe minière, par rapport aux prévisions budgétaires.

Par rapport aux prévisions budgétaires de 2004-2005, la Province a également gagné 55 millions de dollars de plus en recettes provenant de diverses sources ministérielles, y compris une augmentation de 41 millions de dollars, ou 17,7 %, des recettes provenant de la Corporation manitobaine des loteries et une augmentation de 5 millions de dollars, ou 4,7 %, des recettes tirées des redevances d'utilisation d'énergie hydraulique, en raison des niveaux d'eau plus élevés que prévu.

Les dépenses ont augmenté au total de 164 millions de dollars, ou 2,2 %, par rapport aux prévisions budgétaires de 2004-2005. Les dépenses de soins de santé ont augmenté de 61 millions de dollars en raison des augmentations de salaire, de prix et de demande. Les dépenses relatives aux subventions d'équipement ont augmenté de 38 millions de dollars en raison, essentiellement, d'une modification des normes comptables relativement au financement accordé aux collèges et aux divisions scolaires et d'une augmentation

School Tax Rebate were also higher than budgeted at \$18 million.

Higher than budgeted expenses were also reported in the areas of child maintenance and services for person with disabilities - \$10 million; housing subsidies and initiatives during 2004/05 - \$7 million; and \$5 million for forest fire suppression and other unbudgeted emergencies such as spring flooding and heavy rains.

Prior to interfund transfers, the operating fund recorded a net revenue balance of \$505 million. As stated in the 2004/05 budget, no draw on the Fiscal Stabilization Fund was required in 2004/05 and, as required by balanced budget legislation, a transfer of \$99 million was made to the Debt Retirement Fund, which is an increase of \$3 million from the budget. For 2004/05, \$79 Million of the payment was allocated to address the pension liability, leaving \$20 million for the retirement of general purpose debt.

Comparison to Previous Year

2004/05 revenue of \$8,140 million is an increase of \$834 million, or 11.4%, from the 2003/04 actual level of \$7,306 million. The increase comprises \$405 million from the Government of Canada including previously noted increases for Equalization of \$286 million and a net increase of \$75 million for the Canada Health and Social Transfer and the Canada Health and Social Transfer Supplement.

This also includes increases in own source tax revenue of \$303 million primarily in Corporation Income Tax, Individual Income Tax, Retail Sales Tax, Corporation Capital Tax, Levy for Health and Education, Mining Tax and Tobacco Tax. As previously noted, there was also an increase in revenue from Manitoba Lotteries Corporation of

du montant des subventions accordées aux universités. Les dépenses relatives au crédit d'impôt foncier du Manitoba en matière d'éducation et au crédit de taxes scolaires pour les propriétaires de terres agricoles se sont élevées à 18 millions de dollars, soit un montant également plus élevé que ce qui était prévu au budget.

Des dépenses plus élevées que celles prévues au budget sont aussi notées dans les domaines suivants : l'entretien des enfants et les services pour personnes handicapés (10 millions de dollars); les subventions et les initiatives de logement au cours de l'exercice 2004-2005 (7 millions de dollars); l'extinction des incendies de forêt et d'autres urgences, telles que les inondations printanières et les pluies abondantes, pour lesquelles aucuns fonds n'avaient été prévus au budget (5 millions de dollars).

Avant les transferts interfonds, le fonds de fonctionnement affichait un solde net des recettes de 505 millions de dollars. Tel qu'il a été énoncé dans le budget de 2004-2005, aucun retrait du Fonds de stabilisation des recettes n'a été nécessaire au cours de l'exercice 2004-2005 et, conformément aux mesures législatives sur l'équilibre budgétaire, un transfert de 99 millions de dollars au Fonds de remboursement de la dette a été effectué, ce qui représente une augmentation de 3 millions de dollars par rapport aux prévisions budgétaires. Pour l'exercice 2004-2005, 79 millions de dollars provenant du transfert ont été consacrés à l'obligation découlant des régimes de retraite et les 20 millions de dollars restants au remboursement de la dette générale.

Comparaisons avec l'exercice précédent

Le total des recettes en 2004-2005, qui se chiffre à 8 140 millions de dollars, représente une augmentation de 834 millions de dollars, ou 11,4 %, par rapport au montant réel de 2003-2004 qui était de 7 306 millions de dollars. L'augmentation comprend 405 millions de dollars provenant du gouvernement du Canada, y compris l'augmentation mentionnée plus haut pour la péréquation et totalisant 286 millions de dollars, et l'augmentation nette de 75 millions de dollars découlant du Transfert canadien en matière de santé et de programmes sociaux, et le Transfert supplémentaires canadien en matière de santé et de programmes sociaux.

Cette augmentation comprend aussi la hausse des recettes fiscales de sources propres qui se chiffrent à 303 millions de dollars et qui sont tirées principalement de l'impôt sur les bénéfices des sociétés, de l'impôt sur le revenu des particuliers, de la taxe sur les ventes au détail, de l'impôt sur le capital des corporations, de l'impôt destiné à l'enseignement et aux services de

\$38 million and Water Power Rentals of \$40 million.

santé, de la taxe minière et de la taxe sur le tabac. Comme il est indiqué plus haut, il y a eu une augmentation des recettes provenant de la Corporation manitobaine des loteries 38 millions de dollars et des redevances d'utilisation d'énergie hydraulique 40 millions de dollars.

Total expenditures increased by \$196 million or 2.6% from the 2003/04 actual level. Program expenditures increased primarily in the departments of Health by \$177 million; Family Services and Housing by \$58 million; Education by \$53 million; and Justice and Other Government by \$3 million. These increases were primarily reflected in budgeted increases in the 2004 Budget.

Le total des dépenses a augmenté de 196 millions de dollars, ou 2,6 %, par rapport au montant réel de 2003-2004. Les dépenses de programme ont augmenté, principalement celles effectuées par le ministère de la Santé 177 millions de dollars, par le ministère des Services à la famille et du Logement 58 millions de dollars, par le ministère de l'Éducation, de la Citoyenneté et de la Jeunesse 53 millions de dollars et par la Justice et centres ministères 3 millions de dollars. Ces augmentations se reflètent principalement dans les augmentations prévues au budget de 2004.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

OPERATING FUND / FONDS DE FONCTIONNEMENT

Expenses and Revenue

Total expenses in 2004/05 amounted to \$7,635 million, an increase of \$196 million or 2.6% over the 2003/04 fiscal year. Program expenses, that is, total expenses less the cost of servicing debt, increased \$207 million from 2003/04. Program expenses amounted to 18.2% of Gross Domestic Product (GDP) in 2004/05.

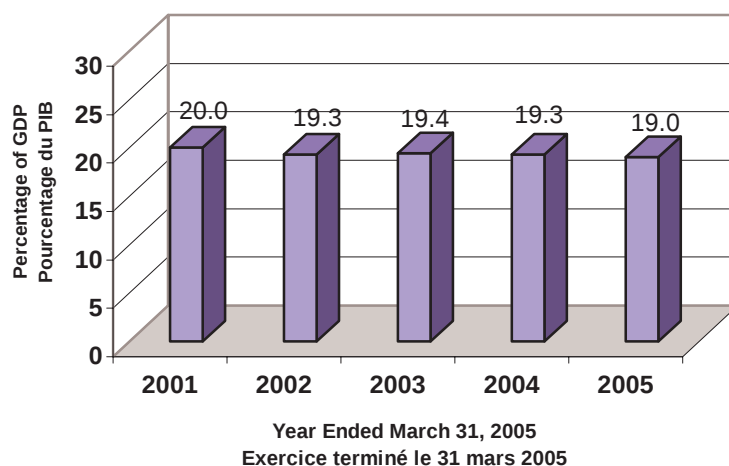
Total revenue in 2004/05 amounted to \$8,140 million, an increase of \$834 million or 11.4% over 2003/04. Federal transfers were \$405 million higher than 2003/04. Corporate income taxes were \$85 million higher, and personal income taxes were \$67 million higher than 2003/04.

Recettes et dépenses

En 2004-2005, le total des dépenses s'élevait à 7 635 000 000 \$, une hausse de 196 millions de dollars ou de 2,6 % comparativement à 2003-2004. Les dépenses de programme, soit le total des dépenses moins le coût du service de la dette, ont augmenté de 207 millions de dollars depuis 2003-2004. En 2004-2005, les dépenses de programme s'élevaient à 18,2 % du Produit intérieur brut (PIB).

En 2004-2005, le total des recettes s'élevait à 8 140 000 000 \$, une hausse de 834 millions de dollars ou de 11,4 % comparativement à 2003-2004. Les transferts fédéraux s'élevaient à 405 millions de dollars de plus qu'en 2003-2004. L'impôt sur les sociétés a rapporté 85 millions de dollars de plus et l'impôt des particuliers a rapporté 67 millions de dollars de plus qu'en 2003-2004.

Total Expenses as a Percentage of GDP
Total des dépenses en pourcentage du PIB



Source: Public Accounts of Manitoba

Net Debt Service Charges

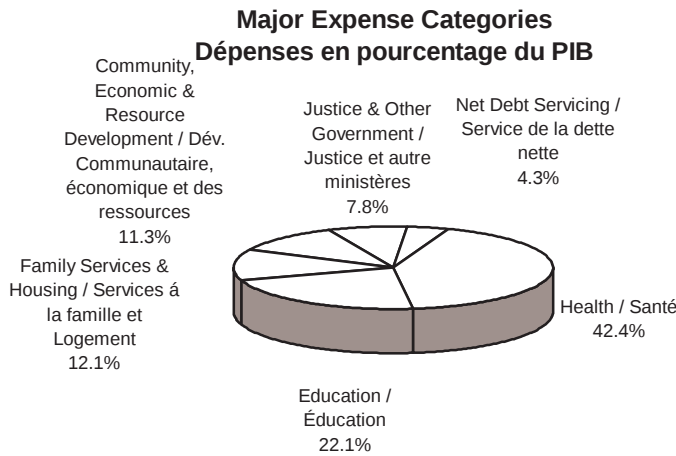
In 2004/05, the net cost of servicing debt issued for the purpose of government programs reached a level of \$326 million. This represented 4.3% of Operating Fund expenses, down from 4.5% in 2003/04.

Frais de service de la dette nette

En 2004-2005, le coût du service de la dette nette relative aux programmes gouvernementaux a atteint 326 millions de dollars. Ce montant représente 4,3 % des dépenses du fonds de fonctionnement, alors qu'il était de 4,5 % en 2003-2004.

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

OPERATING FUND / FONDS DE FONCTIONNEMENT



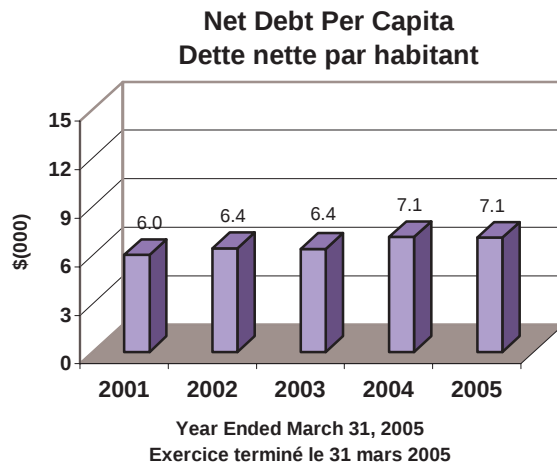
Source: Public Accounts of Manitoba

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. Growth in GDP per capita must be taken into account to determine capacity to support debt. During this period, GDP per capita grew from \$28,742 in 2001 to \$34,334 in 2005. These results should be viewed in conjunction with the following report of net Debt to Provincial GDP.

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. Il faut tenir compte de l'augmentation du PIB par habitant afin de déterminer la capacité de supporter la dette. Pendant cette période, le PIB par habitant est passé de 28 742 \$ en 2001 à 34 334 \$ en 2005. Il faudrait tenir compte du rapport sur la dette nette et le PIB provincial ci dessous pour examiner ces résultats.



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FINANCIAL INDICATORS / INDICATEURS FINANCIERS

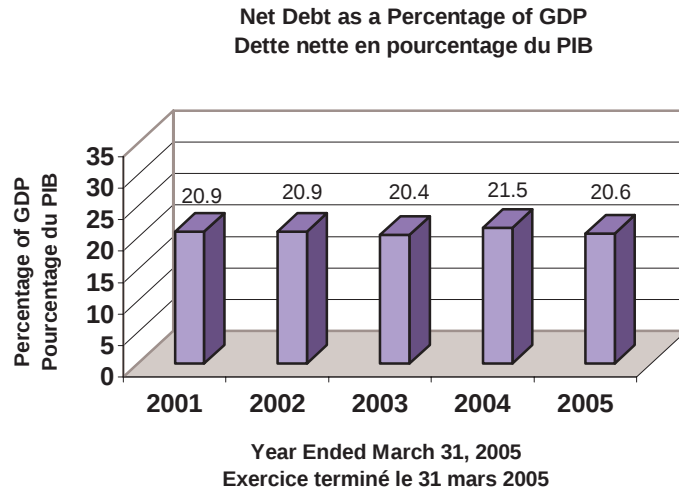
OPERATING FUND / FONDS DE FONCTIONNEMENT

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A measurement of debt growth in relation to economic growth, the Province's ratio of net debt to GDP remained relatively stable.

Dette 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.



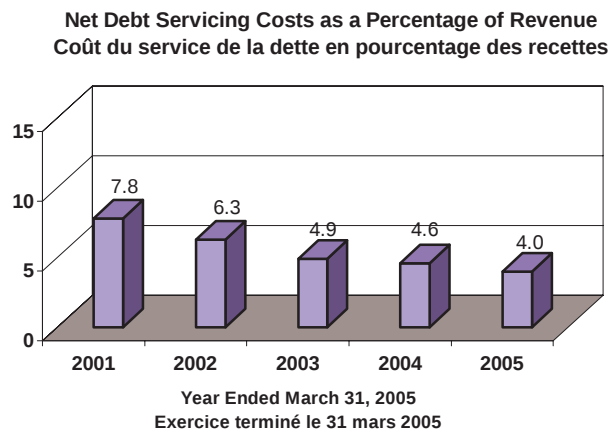
Source: Public Accounts of Manitoba

Net Debt Servicing Costs to Revenue

A measurement of net debt servicing costs to revenue indicates whether the Province has more to spend on public programs as opposed to debt servicing costs. In 2004/05, debt servicing costs decreased to 4.0% of revenue, from 4.6% in 2003/04. This was mainly due to increasing revenue as previously noted.

Coût du service de la dette nette et recettes

Le coût du service de la dette nette par rapport aux recettes indique si la Province peut consacrer davantage de fonds au fonctionnement qu'au coût du service de la dette. En 2004-2005, ce coût a diminué de 4,6 % à 4,0 % par rapport à 2003-2004. Encore, l'élévation des recettes est la cause de la réduction de la pourcentage.



Source: Public Accounts of Manitoba

FINANCIAL INDICATORS / INDICATEURS FINANCIERS

OPERATING FUND / FONDS DE FONCTIONNEMENT

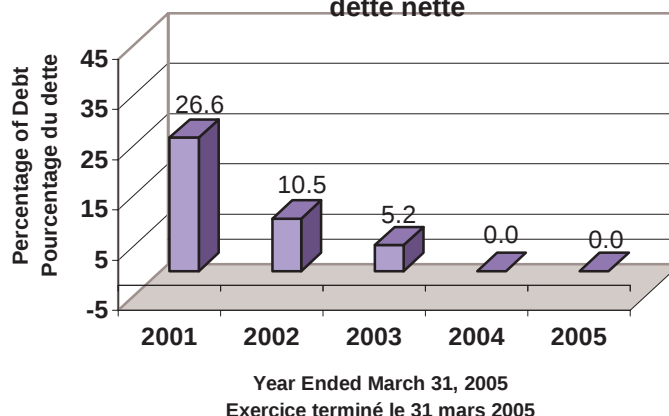
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Unhedged Foreign Debt as a Percentage of Net Debt
Dette extérieure non-protégé en pourcentage de la dette nette



Source: Public Accounts of Manitoba

Own Source Revenue to Provincial GDP

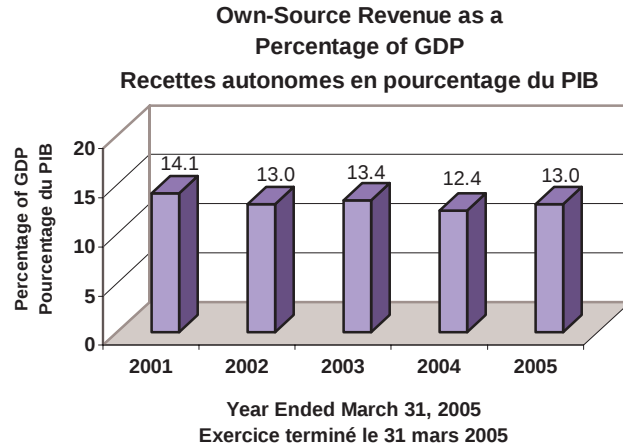
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FINANCIAL INDICATORS / INDICATEURS FINANCIERS

OPERATING FUND / FONDS DE FONCTIONNEMENT



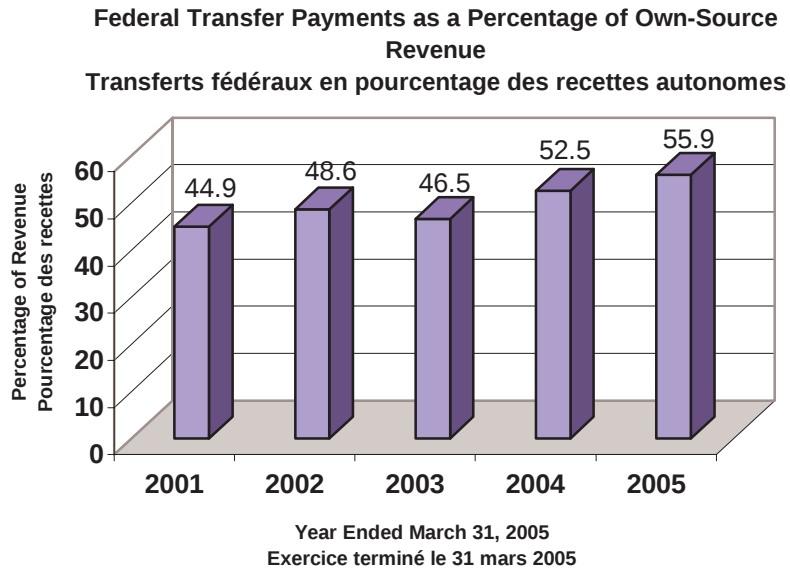
Source: Public Accounts of Manitoba

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. Increases in this ratio resulted from the new ten-year agreement with the federal government for health care funding.

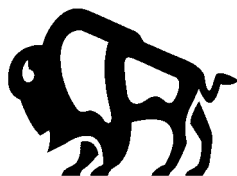
Transferts fédéraux et recettes autonomes

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. L'augmentation de ce pourcentage est due à la nouvelle entente de dix ans signée avec le gouvernement fédéral sur le financement des soins de santé.



Source: Public Accounts of Manitoba

**PUBLIC ACCOUNTS
VOLUME 1
FOR THE YEAR ENDED
MARCH 31, 2005**



**VOLUME 1
DES COMPTES PUBLICS
POUR L'EXERCICE TERMINÉ
LE 31 MARS 2005**

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, 2005 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 business 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 2005 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, 2005

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STATEMENT OF RESPONSIBILITY

The Summary Financial Statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government reporting entity and include summary statements of financial position, revenue and expense, accumulated deficit, change in net debt, 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 Canadian generally accepted accounting principles, 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.

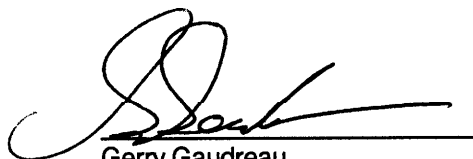
The Auditor General expresses an independent opinion on these financial statements. His report, stating the scope of his audit and opinion, appears on the following page.

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.



Ewald Boschmann
Deputy Minister of Finance



Gerry Gaudreau
Provincial Comptroller

August 19, 2005



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, 2005 and the summary statements of revenue and expense, accumulated deficit, change in net debt 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, 2005 and the results of its operations and its cash flow for the year then ended, in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Winnipeg, Manitoba
August 19, 2005

Jon W. Singleton, CA•CISA
Auditor General

SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2005

SCHEDULE	(\$ millions)	
	2005	2004
FINANCIAL ASSETS		
	Cash and cash equivalents (Note 2).....	1,107 706
	Temporary investments (Note 2).....	277 207
1	Amounts receivable.....	896 765
	Inventories.....	36 38
	Portfolio investments (Note 3).....	527 369
2	Loans and advances.....	626 642
3	Equity in government business enterprises (Note 5).....	1,235 949
4	Other long-term investments.....	4 7
	Total Financial Assets	4,708 3,683
LIABILITIES		
6	Borrowings.....	18,388 18,206
	Less: Sinking funds (Note 6).....	(2,729) (3,070)
	Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	(6,215) (5,937)
		9,444 9,199
	Less: Unamortized foreign currency fluctuation.....	(84) (89)
	Net borrowings	9,360 9,110
7	Accounts payable, accrued charges, provisions and deferrals.....	2,142 2,020
	Pension liability (Note 12).....	3,761 3,571
	Total Liabilities	15,263 14,701
	NET DEBT	(10,555) (11,018)
NON-FINANCIAL ASSETS (Note 1D13)		
5	Tangible capital assets.....	3,848 3,684
	ACCUMULATED DEFICIT	(6,707) (7,334)

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, 2005**

	(\$ millions)	
	2005	2004
REVENUE		
Manitoba Collections:		
Retail sales tax.....	1,125	1,064
Fuel taxes.....	235	233
Levy for health and education.....	287	268
Mining tax.....	-	22
Other taxes.....	572	480
Fees and other revenue.....	1,793	1,710
Income taxes:		
Corporation income tax.....	374	289
Individual income tax.....	1,787	1,720
Federal transfers:		
Equalization.....	1,699	1,414
Canada Health and Social Transfer.....	1,006	917
Medical Equipment Fund.....	30	21
Health Reform Fund.....	55	37
Primary Care Transition Fund.....	9	7
Shared cost and other.....	352	320
TOTAL REVENUE.....	9,324	8,502
EXPENSES		
Health.....	3,559	3,408
Education	2,254	2,168
Family Services and Housing.....	1,020	961
Community, Economic and Resource Development.....	1,087	979
Justice and Other Government.....	754	755
Debt Servicing (Note 16).....	767	799
TOTAL EXPENSES (Schedule 11).....	9,441	9,070
Net (loss) before net income (loss) from government business enterprises.....	(117)	(568)
Net income (loss) from government business enterprises (Schedule 3).....	716	(11)
SUMMARY NET INCOME (LOSS) (Schedule 9)	599	(579)

SUMMARY STATEMENT OF ACCUMULATED DEFICIT**For the Year Ended March 31, 2005**

	(\$ millions)	
	2005	2004
Opening accumulated deficit, as previously reported.....	(8,762)	(8,158)
Restatements (Note 4).....	<u>1,428</u>	<u>1,403</u>
Opening accumulated deficit, as restated.....	(7,334)	(6,755)
Workers Compensation Board Investment Premium (Note 4).....	28	-
Summary net income (loss) for the year.....	<u>599</u>	<u>(579)</u>
Closing accumulated deficit, as restated.....	<u><u>(6,707)</u></u>	<u><u>(7,334)</u></u>

SUMMARY STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31, 2005

	(\$ millions)	
	2005	2004
Annual Surplus (Deficit)	<u>599</u>	<u>(579)</u>
Acquisition of Tangible Capital Assets.....	(418)	(431)
Amortization of Tangible Capital Assets.....	250	243
Disposal of Tangible Capital Assets.....	<u>4</u>	<u>4</u>
	<u>(164)</u>	<u>(184)</u>
Workers Compensation Board Investment Premium (Note 4).....	<u>28</u>	<u>-</u>
(Increase) Decrease in Net Debt	463	(763)
Net Debt, beginning of year	<u>(11,018)</u>	<u>(10,255)</u>
Net Debt, end of year	<u><u>(10,555)</u></u>	<u><u>(11,018)</u></u>

SUMMARY STATEMENT OF CASH FLOW

For the Year Ended March 31, 2005

	(\$ millions)	
	2005	2004
Cash and cash equivalents provided by (used in)		
Operating activities:		
Summary net income (loss) for the year.....	599	(579)
Changes in non-cash items:		
Temporary investments.....	(70)	21
Amounts receivable.....	(127)	(12)
Valuation allowance.....	4	19
Inventories.....	2	(1)
Portfolio investments.....	(158)	(133)
Accounts payable, accrued charges, provisions and deferrals.....	122	5
Pension liability.....	190	141
Amortization of foreign currency fluctuation.....	6	3
Amortization of debt discount.....	8	8
Amortization of investment discounts and premiums.....	(1)	(2)
Workers Compensation Board Investment premium.....	28	-
Disposal of tangible capital assets.....	4	4
Amortization of tangible capital assets.....	250	246
	857	(280)
Changes in equity in government business enterprises.....	(286)	420
	571	140
Tangible capital assets		
Acquisition of tangible capital assets.....	(418)	(431)
Investing activities:		
Made.....	(584)	(1,163)
Realized.....	140	542
	(444)	(621)
Financing activities:		
Debt issued.....	2,675	2,967
Debt redeemed.....	(2,180)	(2,776)
Changes in sinking funds.....	197	637
	692	828
Increase (decrease) in cash and cash equivalents.....	401	(84)
Cash and cash equivalents, beginning of year.....	706	790
Cash and cash equivalents, end of year.....	1,107	706

**NOTES TO THE SUMMARY FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005**

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).

B. The Reporting Entity

Various funds, crown organizations and government business 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, including funds of certain crown organizations and government business enterprises 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 business 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 business 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 are also consolidated on the same basis as crown organizations.

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 expense on self-sustaining debt of government business enterprises are recorded as a reduction of debt servicing costs.

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-sustaining debt of government business enterprises 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 amount of the liabilities for severance, Long Term Disability Income Plan liability and workers compensation claims is based upon actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations because actual

experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

- 4) 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.
- 5) 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. Valuation allowances are made when the collection is considered doubtful or when the value of the investment is impaired. 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.
- 6) 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.
- 7) 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.
- 8) Inventories held for resale are recorded at the lower of cost and net realizable value.
- 9) The cost of tangible capital assets purchased includes the purchase price as well as costs such as installation costs, design and engineering fees, survey and site preparation costs and other costs incurred to put the asset in service. The cost of tangible capital assets constructed by the Province include all direct construction costs such as materials, labour, design, installation, engineering, architectural fees, and survey and site preparation costs, as well as overhead costs directly attributable to the construction activity such as licenses, inspection fees, indirect labour costs, and amortization expense of any equipment which was used in the construction project. Any carrying cost associated with the development and construction of tangible capital assets is included for projects whose cost exceeds \$20 million.

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. 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. Intangible assets and items inherited by right of the Crown, such as Crown lands, forests, water and other mineral resources are not recognized in Government financial statements.

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

SUMMARY FINANCIAL STATEMENTS

General Tangible Assets:

Land	Indefinite
Buildings and Leasehold Improvements	
Buildings	25 to 40 years
Leasehold improvements	Life of lease
Vehicles and Equipment	
Vehicles	5 years
Aircraft and vessels	5 to 24 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer hardware and software	4 to 15 years

Infrastructure Assets

Land	Indefinite
Land Improvements	30 years
Transportation	
Bridges and Structures	40 years
Provincial Highways, Roads and Airstrips	20 to 40 years
Dams and Water Management Structures	40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available to be put into service.

- 11) 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.

- 12) 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.
- 13) In the public sector, recognition and measurement of tangible capital and other non-financial assets are based on their service potential. Generally, such assets do not generate future net cash inflows. Therefore, these assets will not provide resources to discharge the liabilities of the Government. For non-financial assets, the future economic benefit consists of their capacity to render service to fulfill the Government's objectives.

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 TEMPORARY INVESTMENTS

Cash equivalents included in cash are recorded at cost. Market values approximate cost. Investment revenue

earned during the year was \$35 million (2004 - \$18 million).

Temporary investments are recorded at the lower of cost and market value. As at March 31, 2005, the cost of temporary investments was \$277 million (2004 - \$207 million) with a market value of \$277 million (2004 - \$207 million). Investment revenue earned on the temporary investments funds during the year was \$12 million (2004 - \$10 million).

3. PORTFOLIO INVESTMENTS

Portfolio investments are recorded at the lower of cost and net realizable value. As at March 31, 2005, the carrying value of portfolio investments was \$527 million (2004 - \$369 million). Portfolio investments earned \$58 million during the year (2004 - \$40 million).

Portfolio investments include amounts invested with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. These investments represent funds set aside for the future retirement of the pension liability. These investments earn the respective Fund's annual rate of return and reflect both the realized gains (losses) on sale of investments and unrealized market gain (loss) for the year. Investment income earned for the year was \$30 million (2004 - \$38 million). The fair value of these investments as at March 31, 2005 was \$382 million (2004 - \$267 million). These Funds are balanced funds and the investments consist primarily of cash equivalents, equities, bonds, mortgages and real estate.

4. ADJUSTMENTS TO ACCUMULATED DEFICIT

In the March 31, 2005 fiscal year, restatements to the March 31, 2004 accumulated deficit and loss for the year were made to apply changes in accounting policies and due to correction of errors.

Adjustments were made to the opening accumulated deficit for the March 31, 2004 fiscal year to recognize the impact of changing accounting policies. These adjustments were made to recognize infrastructure tangible capital assets, such as provincial highways, bridges and land acquired for public use (\$1,171 million decrease); to recognize the liability associated with the Province of Manitoba Long Term Disability Income Plan in accordance with changes to public sector accounting standards for post employment benefits (\$26 million increase); and to fully consolidate the non-devolved health care facilities on a basis consistent with other Government reporting entities (\$260 million decrease).

Adjustments were made to the opening accumulated deficit for the March 31, 2004 fiscal year to apply changes due to correction of errors. These adjustments were made: to recognize the liability associated with long term workers compensation claims (\$6 million increase); to recognize the Crop Reinsurance Fund of Manitoba (\$22 million decrease); and to recognize accrued interest payable on school and hospital debentures (\$18 million increase).

The net effect of these adjustments is a \$1,403 million decrease to March 31, 2004 opening accumulated deficit.

In the March 31, 2005 fiscal year further adjustments were made to the March 31, 2004 accumulated deficit. These adjustments were made: to recognize infrastructure tangible capital assets (\$15 million decrease); to recognize the liability associated with the Province of Manitoba Long Term Disability Income Plan (\$1 million increase); to recognize the consolidation of the non-devolved health care facilities (\$2 million decrease); to recognize the liability associated with long term workers compensation claims (\$1 million increase); and to recognize a loan provision for a loan loss related to advances to Manitoba Agriculture Credit Corporation (\$10 million decrease). The net effect of these changes is a \$25 million decrease to the March 31, 2004 summary net loss.

In the March 31, 2005 fiscal year the Workers Compensation Board elected to change its accounting policies on the recognition of gains and losses in accordance with changes to accounting standards on the recognition of these gains and losses. As a result of this change the accumulated deficit for March 31, 2005 decreased by \$28 million.

5. EQUITY IN GOVERNMENT BUSINESS 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 business 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 business enterprises is comprised of:

	(\$ millions)	
	2005	2004
Restricted Equity in Government Business Enterprises:		
Manitoba Hydro-Electric Board	870	734
Manitoba Public Insurance Corporation	223	144
Workers Compensation Board	<u>131</u>	<u>56</u>
	<u>1,224</u>	<u>934</u>
Unrestricted Equity in Government Business Enterprises:		
Leaf Rapids Town Properties Ltd	-	1
Manitoba Hazardous Waste Management Corporation	-	1
Manitoba Lotteries Corporation	5	5
Manitoba Product Stewardship Corporation	2	4
Manitoba Public Insurance Corporation	<u>4</u>	<u>4</u>
	<u>11</u>	<u>15</u>
Equity in Government Business Enterprises	<u>1,235</u>	<u>949</u>

6. SINKING FUNDS

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2005, sinking funds had a cost of \$2,729 million (2004 - \$3,070 million) and a market value of \$2,828 million (2004 - \$3,307 million). Investment revenue earned on the sinking funds during the year was \$219 million (2004 - \$231 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

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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)	
	2005	2004
Province of Manitoba	2,148	2,340
Manitoba Hydro-Electric Board	579	728
University of Manitoba	<u>2</u>	<u>2</u>
Total sinking funds	<u>2,729</u>	<u>3,070</u>

Sinking funds are invested as follows:

	(\$ millions)	
	2005	2004
Cash and temporary investments	268	460
Portfolio investments	<u>2,461</u>	<u>2,610</u>
	<u>2,729</u>	<u>3,070</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)	
		2005	2004
Canada Mortgage and Housing Corporate Mortgages	1	-	1
Manitoba Business Start Program	5	1	1
Manitoba Agriculture Credit Corporation (Note a)		56	52
Manitoba Housing & Renewal Corporation (Note b)		7	6
Rural Entrepreneur Assistance Program (Note c)	15	4	4
Manitoba Student Financial Assistance Program (Note d)	20	8	12
Rural Municipality of Richot	1	1	1
Winnipeg Symphony Orchestra Inc.	-	-	<u>1</u>
		<u>77</u>	<u>78</u>
Manitoba Grow Bonds		<u>6</u>	<u>8</u>
Total guarantees outstanding		<u>83</u>	<u>86</u>

The provisions for losses on guaranteed loans are determined 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, provisions are established for those loan guarantees. Provision for future losses on guarantees in the amount of \$18 million (2004 - \$20 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 – guarantees each participating lending institution 12 ½% of the respective value of loans made under this program.

Manitoba Cattle Feeder Associations Loans Guarantees – for each association guarantee 25% of the loan to a maximum guarantee of \$1 million.

Diversification Loan Guarantee Program – guarantees 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 guarantees 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 Province provides guarantees on new and expanding small or home business loans, with a five year term.

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

- i. Guaranteed loans: issued by the Canadian Imperial Bank of Commerce (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.

8. FINANCIAL COMMITMENTS

A. Funding Commitments

The Government reporting entity has approved long-term financial arrangements. The Government reporting entity has also made future commitments under long-term contracts that cover the rental of tangible capital assets. These financial commitments as at March 31 are as follows:

Future commitments:

	Government Business Enterprises	Other	(\$ millions) Total 2005	2004
Tangible capital assets, infrastructure and capital grants	131	151	282	355
Rental of tangible capital assets	57	165	222	211
Approved mortgages	<u>-</u>	<u>7</u>	<u>7</u>	<u>11</u>
	<u>188</u>	<u>323</u>	<u>511</u>	<u>577</u>

The Government reporting entity has commitments which are not capital in nature, related primarily to future loans and grants and the maintenance of desktop equipment totalling \$77 million (2004 - \$86 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 Authority (formerly, the Manitoba Floodway Expansion Authority Inc.), the Province is a party to a funding agreement with the Government of Canada for a \$240 million (2004 - \$240 million) expansion project and has committed to provide \$120 million (2004 - \$120 million) towards the \$240 million (2004 - \$240 million) expansion project.

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:

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	(\$ millions)	
	2005	2004
Buildings	2	-
Transportation	14	-
Dams and Water Management Structures	2	-
Computer Hardware and Software	-	1
Construction and Maintenance Equipment	-	3
Equipment	<u>1</u>	<u>2</u>
	<u>19</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, 2005 in the accounts where the final results are uncertain.

A. Disaster Financial Assistance

A provision has been made at March 31, 2005 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 (Hydro) related northern development projects. The outcome of these claims is not determinable at this time.

Hydro is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River diversion and the Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

In recognition of all anticipated payments, Hydro has recorded a total liability of \$104 million (2004 - \$121 million). Reassessments of these liabilities will be made as settlements are achieved. There are other mitigation issues, the outcomes of which are not determinable at this time.

10. TREATY LAND ENTITLEMENT OBLIGATIONS

To meet Manitoba's obligation under treaty land entitlement (TLE) agreements, approximately 39,406 acres of provincial Crown land will be transferred to the Government of Canada (Canada) for First Nations, as follows;

God's Lake First Nation	7,514
Norway House Cree Nation	18,796
Nisichawayasihk Cree Nation	8,304
Sapotaweyak Cree Nation	4,566
Buffalo Point First Nation	266

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 837,764 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

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants introduced changes to public sector accounting standards, effective for the 2006 fiscal year, regarding the recognition and measurement of liabilities and contingent liabilities, including environmental liabilities. 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. That process will be completed over the 2006 fiscal year and the Government will determine the appropriate accounting treatment for the recognition of any resulting liabilities. 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, 2005 was \$17 million (2004 - \$17 million), the Government set aside \$79 million (2004 - \$75 million) in the Pension Assets Fund. These funds are separately invested and maintained in trust accounts with Civil Service Superannuation Fund (CSSF) and Teachers' Retirement Allowances Fund (TRAF) for the Government and are increased by the rate of return of the funds. Portfolio investments held in the CSSF and in the TRAF for the Government, from funds that it set aside for the future retirement of its pension liability amount to \$382 million at March 31, 2005 (2004 - \$267 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, 2004	4.0%	2.50%	6.50%
Teachers'	January 1, 2004	4.25%	2.50%	6.75%
MLA	March 31, 2003	4.0%	2.75%	6.75%
University of Manitoba	December 31, 2003	4.0%	2.50%	6.50%
Brandon University	December 31, 2003	3.5%	2.50%	6.00%
HEPP	December 31, 2003	3.5%	3.00%	6.50%
Judges' Supplemental	March 31, 2003	3.25%	2.75%	6.00%

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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 2005	Pension Liability 2005	Pension Liability 2004
Civil Service Plan			
Pension Liability	144	1,606	1,497
Unamortized Net Actuarial Gains		19	48
Teachers' Plan			
Pension Liability	215	2,168	2,066
Unamortized Actuarial Losses		(90)	(95)
Members of the Legislative Assembly			
Pension Liability	2	29	28
Unamortized Actuarial Gains		4	4
Judges' Supplemental Pension Plan	3	23	21
Other Plans	<u>18</u>	<u>2</u>	<u>2</u>
	<u>382</u>	<u>3,761</u>	<u>3,571</u>

The pension liabilities of government business 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, 2005, the CSP had approximately 41,800 (2004 - 39,800) 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, 2005 was \$38 million (2004 - \$34 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, 2005 amounted to \$72 million (2004 - \$68 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, 2005, payments of \$90 million (2004 - \$85 million) were made to the CSSF.

An actuarial report was completed for CSSF as of December 31, 2004, 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 \$1,625 million as at March 31, 2005 (2004 - \$1,545 million), which includes net unamortized actuarial gains of \$19 million (2004 - \$48 million). The December 31, 2004 report disclosed an actuarial loss of \$22 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 loss from the December 31, 2001 actuarial report and the actuarial gain from the December 31, 1998 actuarial report. The 2005 combined amortization was a \$7 million decrease to expenses (2004 - \$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, 2005, the Teachers' Retirement Allowances Fund (TRAF) had approximately 31,800 (2004 - 30,900) 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, 2005, amounted to \$52 million (2004 - \$51 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, 2005, payments of \$108 million (2004 - \$102 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2004, 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, 2005, 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 \$2,078 million as at March 31, 2005 (2004 - \$1,971 million), which includes unamortized actuarial losses of \$90 million (2004 - \$95 million). The actuary's calculation disclosed an actuarial loss of \$4 million which will be amortized over the 12.5 year expected average remaining service life of the employee groups, commencing in the 2005/06 fiscal year. This actuarial loss has been combined with the actuarial loss from the January 1, 2001 actuarial report and actuarial loss from the 2004 funding valuation. The 2005 amortization expense was \$8 million (2004 - \$4 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, 2005, there are 116 (2004 - 116) 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 \$33 million as at March 31, 2005 (2004 - \$32 million), which includes unamortized actuarial gains of \$4 million (2004 - \$4 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 2005 combined amortization was a \$0.6 million decrease to expenses (2004 - \$0.6 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, 2004, the University of Manitoba Pension Plans had 5,215 active members (2003 - 5,119), and 953 pensioners (2003 - 846). 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, 2003 was completed in 2004 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2004. As at December 31, 2004, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of \$1 million (2003 - \$1 million) and \$8 million (2003 - \$10 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 \$13 million (2003 - \$12 million) for the 1970 Plan and for the 1993 Plan for the fiscal year ended March 31, 2005. Employee contributions equalled the employer contributions.

The next full actuarial valuation of the plans will be as at December 31, 2005 and will be completed in 2006.

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 2005 (2004 - \$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, 2004, the Brandon University Retirement Plan had 469 active members (2003 - 458), 189 pensioners (2003 - 183), and 40 deferred pensioners (2003 - 38).

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 completed as at December 31, 2003 by Eckler Partners Ltd., a firm of consulting actuaries. As at December 31, 2004, the Brandon University Retirement Plan had no actuarial surplus (2003 - surplus \$3 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 (2004 - \$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, 2004.

As at December 31, 2004, HEPP had 35,635 active and disabled members (2003 - 34,865), 6,221 deferred vested members (2003 - 4,822), and 9,505 retired members (2003 - 8,971). There are currently 180 participating employers (2003 - 185).

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 \$5 million (2003 - \$11 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, 2005, there are 61 (2004 - 61) 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 \$23 million as at March 31, 2005 (2004 - \$21 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, 2005, the WCFSP had 567 active members (2004 - 562), 133 pensioners (2004 - 129) and 56 deferred pensioners (2004 - 69).

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, 2005.

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. LONG TERM DISABILITY INCOME PLAN

The Government guarantees payments of long term disability benefits for all employees covered by the Long Term Disability Income Plan that was established on April 1, 1984. An actuarial valuation report was completed for the Long Term Disability Plan as of September 1, 2003 with projections to March 31, 2004 and March 31, 2005 which determine the Government's liability. The report provides a formula to update the liability on an annual basis. The Government's actuarially determined liability for accounting purposes as at March 31, 2005 was \$28 million (2004 - \$27 million).

14. SEVERANCE PAY OBLIGATIONS

The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group. An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Government's actuarially determined net liability for accounting purposes as at March 31, 2005 was \$243 million (2004 - \$239 million).

15. AMOUNTS HELD IN TRUST

The Government held certain fiduciary trusts for investment or administration at March 31, 2005, totalling \$355 million (2004 - \$399 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, 2005 totalling \$113 million (2004 - \$125 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)	
	2004	2003
Civil Service Superannuation Fund	3,096	2,758
University of Manitoba Pension Plans	891	846
Brandon University Retirement Plan	84	77
	<u>4,071</u>	<u>3,681</u>

16. DEBT SERVICING

Debt servicing costs of \$767 million (2004 - \$799 million) is net of interest recoveries from government business enterprises of \$436 million (2004 - \$461 million) and includes \$97 million (2004 - \$102 million) representing interest expense of crown organizations (Schedule 11). Government business enterprises debt servicing costs of \$514 million (2004 - \$497 million) are reported on Schedule 3.

17. WATER POWER RENTALS

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of \$105 million (2004 - \$65 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) (2004 - \$3.34 per MW.h).

18. 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, 2005 were \$70 million (2004 - \$70 million).

19. REVENUE FROM GOVERNMENT BUSINESS 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, 2005 was \$6 million (2004 - \$6 million).

The Manitoba Lotteries Corporation provided \$2 million in funding for the year ended March 31, 2005 (2004 - \$2 million) to the Addictions Foundation of Manitoba for problem gambling services programming. Hydro paid Corporation Capital Tax of \$34 million for the year ended March 31, 2005 (2004 - \$33 million).

20. 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.

21. 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 \$86 million for the year ended March 31, 2005 (2004 - \$80 million). The Province has accrued a liability of \$21 million (2004 - \$21 million) for the municipal share of individual and corporate income taxes for the first quarter of 2005.

22. 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, 2005, this loan payable has been reduced to \$80 million by offsetting an adjustment to unapplied taxes and the payment of the first instalment of \$9 million.

To offset negative adjustments to the 2004 Equalization payments, the Federal Government provided to the Province a net loan payable 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 to the Province a net loan payable of \$9 million. Repayment of this loan payable is scheduled to begin in April, 2005 and continue over a five year period.

Through the Manitoba Opportunities Fund Ltd., the Province holds and invests deposits made through the Federal Department of Citizenship and Immigration Canada's (CIC) Immigrant Investor Program. The Federal Immigrant Investor Program seeks to attract experienced persons and capital to Canada. Investors must demonstrate business experience and make an investment into the program. The funds are distributed among participating Provinces. These funds are returned to the investor after a period of 5 years. As at March 31, 2005 the Province has loans payable of \$39 million (2004 - \$1 million) to be repaid to the Federal Government five years after receipt.

23. 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 financial instruments such as swaps and forward foreign exchange contracts as well as 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 derivatives and US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of \$84 million (2004 - \$89 million). In accordance with the Province's accounting policies reflected in Notes 1(D)4 and (D)6, 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.

24. CANADIAN BLOOD SERVICES

Most provinces including Manitoba are members of, and provide funding to, Canadian Blood Services, which operates the Canadian blood system. Their March 31, 2004 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, 2004 is \$163 million (2003 - \$135 million). The related assets as at March 31, 2004 total \$187 million (2003 - \$171 million). The subsidiary also had a re-insurance contract for additional coverage of \$750 million.

Based upon the above, as at March 31, 2004, 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, 2004. March 31, 2005 figures are not available for comparison.

25. DRIVER LICENCING OPERATIONS

Effective October 4, 2004, the Province of Manitoba transferred management and administration of driver licencing to the Manitoba Public Insurance Corporation (MPIC), including all aspects pertaining to driver safety, vehicle registration and driver licencing including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to MPIC in the amount of \$21 million annually, into perpetuity, to defray the cost borne by MPIC as a result of the transfer. For the six month period ended March 31, 2005 these fees totalled \$10 million.

MPIC, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees to the Province. For the fiscal year ended March 31, 2005, these fees totalled \$90 million (2004 - \$76 million). Effective October 4, 2004, MPIC is also responsible for collecting and transferring driver licencing fees to the Province of Manitoba. For the six month period ended March 31, 2005 these fees totalled \$9 million.

26. SUBSEQUENT EVENT

On June 16, 2005, *The Manitoba Agricultural Services Corporation Act* (Bill 30) was passed in the Manitoba Legislature. This legislation created the Manitoba Agricultural Services Corporation through the amalgamation of the Manitoba Crop Insurance Corporation and the Manitoba Agricultural Credit Corporation.

27. COMPARATIVE FIGURES

Certain of the 2004 financial statement figures have been reclassified to be consistent with the 2005 presentation.

SCHEDULE 1

SUMMARY STATEMENT OF AMOUNTS RECEIVABLE

As at March 31, 2005

	(\$ millions)	
	2005	2004
TAXATION REVENUE:		
Corporation capital tax.....	10	1
Corporation income tax.....	58	54
Gasoline tax.....	13	14
Health and education levy.....	27	24
Individual income tax.....	121	114
Insurance corporation tax.....	14	13
Motive fuel tax.....	8	7
Retail sales tax.....	119	109
Revenue Act, 1964, part 1.....	8	7
Tobacco tax.....	19	17
	<u>397</u>	<u>360</u>
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Canada health and social transfer.....	3	1
Municipal corporations.....	46	57
Provincial and territories.....	24	16
Shared cost programs/agreements.....	127	129
Other.....	20	8
	<u>220</u>	<u>211</u>
INTEREST:		
Province of Manitoba sinking fund.....	26	43
Other investments.....	6	11
	<u>32</u>	<u>54</u>
OTHER:		
Health and social services.....	106	75
Liquor Control Commission.....	20	10
Manitoba Hydro-Electric Board.....	10	9
Manitoba Lotteries Corporation.....	3	4
Morris MacDonald School Division.....	1	1
Sundry departmental revenue.....	59	57
Other.....	150	90
	<u>349</u>	<u>246</u>
	998	871
Less: Allowances.....	<u>102</u>	<u>106</u>
	<u>896</u>	<u>765</u>

SCHEDULE 2**SUMMARY STATEMENT OF LOANS AND ADVANCES**

As at March 31, 2005

	(\$ millions)	
	2005	2004
GOVERNMENT BUSINESS ENTERPRISES:		
Liquor Control Commission.....	5	5
Manitoba Hydro-Electric Board.....	6,548	6,493
Manitoba Lotteries Corporation.....	246	173
	<u>6,799</u>	<u>6,671</u>
OTHER:		
Loans and Mortgages - Note 1.....	656	670
Hudson Bay Mining and Smelting Co. Ltd - Note 2.....	17	20
Manitoba Potash Corporation - Note 3.....	4	3
Manitoba student loans - Note 4.....	22	19
Regional family services agencies - Note 5.....	9	8
Rural economic development initiatives program - Note 6.....	3	3
Treaty Indian fuel tax.....	-	1
Other.....	1	3
	<u>712</u>	<u>727</u>
Less: Valuation allowance.....	91	91
	<u>621</u>	<u>636</u>
	7,420	7,307
Less: Sinking funds provided for repayment of applicable debt.....	579	728
	<u>6,841</u>	<u>6,579</u>
Less: Debt incurred for and repayable by the Manitoba-Hydro Electric Board and Manitoba Lotteries Corporation.....	6,215	5,937
	<u>6,215</u>	<u>5,937</u>
NET LOANS AND ADVANCES	<u>626</u>	<u>642</u>

The government business 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 2009, bearing interest rates ranging from 3.5% to 6.75%.

	358	360
	167	172
	106	111
	25	27
	<u>656</u>	<u>670</u>

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.

GOVERNMENT BUSINESS ENTERPRISES
SCHEDULE OF SUMMARY OPERATING RESULTS AND FINANCIAL POSITION
For the Year Ended March 31, 2005
(\$ millions)

SCHEDULE 3

	UTILITY	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 2005	TOTAL 2004
RESULTS OF OPERATIONS						
Revenues from operations	2,017	1,106	1,131	-	4,254	3,830
Expenses: From operations	1,379	981	662	2	3,024	3,344
Debt servicing	502	-	12	-	514	497
Total expenses	1,881	981	674	2	3,538	3,841
Net income	136	125	457	(2)	716	(11)
Transfers to the government	-	-	(458)	-	(458)	(409)
Net increase (decrease) in equity in government business enterprises	136	125	(1)	(2)	258	(420)
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	9	61	39	1	110	130
Amounts receivable	405	254	22	-	681	614
Portfolio investments - Due from Government	10	503	45	*	558	413
- Due from others	-	1,863	-	-	1,863	1,670
Capital assets	7,480	43	243	-	7,766	7,484
Pension assets	615	-	-	-	615	556
Other assets	532	100	34	-	666	894
Total assets	9,051	2,824	383	1	12,259	11,761
Liabilities:						
Accounts payable, accrued liabilities and deferred revenue	980	467	80	-	1,527	1,502
Long-term debt:						
Owing to the Province	5,994	-	251	1	6,246	5,987
Owing to others	648	-	-	-	648	868
Provision for future benefits:						
Pension obligations	559	99	45	-	703	640
Future cost of existing claims	-	1,900	-	-	1,900	1,815
Total liabilities	8,181	2,466	376	1	11,024	10,812
Equity in government business enterprises	870	358	7	-	1,235	949

* Represent pension assets invested with the Province

For government business 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, 2005

	(\$ millions)	
	2005	2004
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.....	14	9
	<u>45</u>	<u>40</u>
Less: Valuation allowance.....	41	33
	<u>4</u>	<u>7</u>

SUMMARY STATEMENT OF TANGIBLE CAPITAL ASSETS
For the Year Ended March 31, 2005
(\$ millions)

SCHEDULE 5

	General Capital Assets					Infrastructure				Totals	
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Assets Under Construction	Land and Land Improvements	Transportation	Dams and Water Management Structures	Assets Under Construction	2005	2004
Cost											
Opening cost, as previously reported	56	2,130	927	405	182	-	-	-	-	3,700	3,430
Related to infrastructure	-	-	-	-	-	208	1,767	78	16	2,069	1,987
Related to Non- Devolved Health Care Facilities	15	643	346	5	14	11	-	-	-	1,034	994
Opening cost restated (*)	71	2,773	1,273	410	196	219	1,767	78	16	6,803	6,411
Add:											
Additions during the year	1	98	112	29	96	5	74	-	12	427	440
Assets acquired in prior years	-	-	-	-	-	-	-	-	-	-	6
Less:											
Disposals and write downs	(1)	(7)	(45)	(43)	(9)	-	-	-	-	(105)	(54)
Settlements and reclassifications	-	(4)	-	5	(10)	(2)	-	3	(1)	(9)	-
18 Closing Cost	71	2,860	1,340	401	273	222	1,841	81	27	7,116	6,803
Accumulated Amortization											
Opening, as previously reported	-	934	619	202	-	-	-	-	-	1,755	1,659
Related to Infrastructure	-	-	-	-	-	26	809	48	-	883	816
Related to Non- Devolved Health Care Facilities	-	210	261	4	-	6	-	-	-	481	448
Opening, accumulated amortization restated (*)	-	1,144	880	206	-	32	809	48	-	3,119	2,923
Add:											
Amortization	-	69	80	32	-	2	65	2	-	250	243
Assets acquired in prior years	-	-	-	-	-	-	-	-	-	-	3
Less:											
Accumulated amortization on disposals and write downs	-	(16)	(44)	(41)	-	-	-	-	-	(101)	(50)
Closing accumulated amortization	-	1,197	916	197	-	34	874	50	-	3,268	3,119
Net Book Value of Tangible Capital Assets	71	1,663	424	204	273	188	967	31	27	3,848	3,684

SUMMARY FINANCIAL STATEMENTS

* Effective April 1, 2004, the Government included the capitalization of infrastructure as part of the tangible capital assets. During the year the Province capitalized \$0.5 million of interest relating to assets under construction. (2004 - \$0.5 million)

SUMMARY STATEMENT OF BORROWINGS

SCHEDULE 6

As at March 31, 2005

(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan Cdn	Loans and Mortgages Cdn	Promissory Notes and Treasury Bills Cdn	Totals	
	Cdn	US				2005	2004
2005.....	-	-	-	-	-	-	1,799
2006.....	1,477	244	126	-	325	2,172	1,871
2007.....	1,188	605	150	-	-	1,943	1,962
2008.....	1,526	-	90	-	-	1,616	1,383
2009.....	1,892	298	106	-	-	2,296	2,445
2010.....	824	480	115	-	-	1,419	1,093
2005-2010.....	6,907	1,627	587	-	325	9,446	10,553
2011-2015 Operating Fund.....	2,743	466	281	-	-	3,490	3,012
2016-2025 Operating Fund.....	3,177	847	15	207	-	4,246	3,834
2026-2044 Operating Fund.....	2,341	-	-	-	-	2,341	1,916
2006-2015 Government of Canada.....	-	-	-	166	-	166	136
2006-2018 Government Business Enterprises.....	-	-	-	361	-	361	316
2005-2043 Crown Organizations.....	-	-	-	220	-	220	259
2011-2043.....	8,261	1,313	296	954	-	10,824	9,473
Total borrowings.....	15,168	2,940	883	954	325	20,270	20,026
Reduced by:							
Unamortized debt issue costs.....	(17)	(5)	-	-	-	(22)	(22)
Province of Manitoba debt issues held as investments in sinking funds and cash and cash equivalents.....	(1,860)	-	-	-	-	(1,860)	(1,798)
	13,291	2,935	883	954	325	18,388	18,206

	March 31/05 Cdn \$ Valuation (See Notes)	March 31/04 Cdn \$ Valuation (See Notes)
Borrowings payable in:		
Canadian dollars	14,383	13,629
Foreign issues hedged to Canadian dollars	2,947	3,211
U.S. dollars	2,056	2,228
Foreign issues hedged to U.S. dollars	884	958
Total borrowings	20,270	20,026

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:

- Fixed with rates ranging from 2.96% to 14.06%.
- 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, 2005.
- 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, 2005.

SCHEDULE 7

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

As at March 31, 2005

	(\$ millions)	
	2005	2004
Accounts payable.....	806	694
Accrued charges:		
Interest accrued on borrowings and trust funds.....	232	246
Other accrued liabilities:		
Canadian Agricultural Income Stabilization.....	66	52
Canadian Farm Income Program	-	7
Compensation for Victims of Crime.....	18	18
Disaster assistance.....	1	3
Flood claims.....	15	15
Hepatitis C assistance.....	6	7
Land acquisition claims.....	2	2
Long Term Disability Income Plan.....	28	27
Manfor Ltd. divestiture.....	1	2
Net Income Stabilization Account Program (NISA).....	1	2
Ruttan Mines clean-up.....	5	5
Salaries and benefits.....	580	559
Tripartite Land Assembly Program.....	3	3
Workers compensation claims.....	7	6
Other.....	22	6
	<u>755</u>	<u>714</u>
Provision for future losses on guarantees.....	18	20
Deferred Revenue		
Deferred Contributions Related to Future Expense.....	57	45
Government of Canada - Advances re: Shared Cost Programs Not Yet Claimed.....	113	121
Research and Special Funds.....	80	100
Tuition and Education Fees.....	13	12
Vehicle Registration.....	42	34
Other.....	26	34
	<u>331</u>	<u>346</u>
	<u><u>2,142</u></u>	<u><u>2,020</u></u>

SCHEDULE 8**FUNDS, ORGANIZATIONS AND BUSINESS 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
 Diagnostic Services of Manitoba Inc.
 Economic Innovation and Technology Council
 General Child and Family Services Authority
 Helen Betty Osborne Foundation
 Horse Racing Commission
 Insurance Council of Manitoba
 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 Authority (formerly Manitoba Floodway Expansion Authority Inc.)
 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 Opportunities Fund Ltd.
 Manitoba Trade and Investment Corporation
 Manitoba Water Services Board
 Public Schools Finance Board
 Red River College
 Regional Health Authorities (Devolved and Non-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/Sant  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
 Land Management Services

**SCHEDULE 8
(cont'd)**

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 College of The North
 University of Manitoba
 Venture Manitoba Tours Ltd.

GOVERNMENT BUSINESS ENTERPRISES: (Schedule 3) (Note 5)

Utility:

Manitoba Hydro-Electric Board

Insurance:

Manitoba Public Insurance Corporation
 Workers Compensation Board

Finance:

Manitoba 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, 2005

		(\$ millions)	
	2004-05 Summary Budget	2004-05 Operations per Entity Financial Statements	2003-04 Summary Net Income (loss) as restated
OPERATING FUND AND SPECIAL FUNDS			
Operating Fund and Special Funds	120	544	(68)
CROWN ORGANIZATIONS			
CancerCare Manitoba	-	2	(1)
Brandon University	-	1	(1)
Diagnostic Services of Manitoba Inc.	-	(1)	-
Manitoba Agricultural Credit Corporation	-	(2)	(10)
Manitoba Arts Council	-	-	-
Manitoba Crop Insurance Corporation	(29)	(83)	50
Manitoba Gaming Control Commission	-	(1)	-
Manitoba Housing and Renewal Corporation	-	2	1
Manitoba Water Services Board	-	(1)	-
Public Schools Finance Board	-	6	4
Red River College	-	3	2
Regional Health Authorities and non-devolved	-	(13)	(11)
Special Operating Agencies Financing Authority	(6)	(1)	16
University College of the North	-	(1)	1
University of Manitoba	12	73	54
Venture Manitoba Tours Ltd.	(2)	(1)	-
TOTAL CROWN ORGANIZATIONS	(25)	(17)	105
Adjustments on Consolidation	-	4	(14)
TOTAL OPERATING FUND AND SPECIAL FUNDS AND CROWN ORGANIZATIONS	95	531	23
GOVERNMENT BUSINESS ENTERPRISES			
Leaf Rapids Town Properties Ltd.	-	(1)	(1)
Manitoba Hazardous Waste Management Corporation	-	(1)	-
Manitoba Hydro - Electric Board	37	136	(436)
Manitoba Liquor Control Commission	187	185	174
Manitoba Lotteries Corporation	232	273	235
Manitoba Product Stewardship Corporation	(1)	(1)	(1)
Manitoba Public Insurance Corporation	12	79	37
Workers Compensation Board	4	46	(19)
	471	716	(11)
Less: Adjustments on Consolidation	(419)	(458)	(409)
TOTAL GOVERNMENT BUSINESS ENTERPRISES (Schedule 3)	52	258	(420)
PENSION LIABILITY INCREASE	(206)	(190)	(182)
TOTAL SUMMARY NET INCOME (LOSS)	(59)	599	(579)

SCHEDULE 10**RECONCILIATION OF OPERATING FUND ACCUMULATED DEFICIT
TO SUMMARY ACCUMULATED DEFICIT**

As at March 31, 2005

(\$ millions)

	Accumulated Surplus (Deficit) March 31, 2004	2004-05 Summary Net Income (loss)	Adjustments to Accumulated Surplus (Deficit)	Accumulated Surplus (Deficit) March 31, 2005
OPERATING FUND AND SPECIAL FUNDS				
Operating Fund and Special Funds	(7,349)	544	746	(6,059)
CROWN ORGANIZATIONS				
Addictions Foundation of Manitoba	4	-	-	4
Assiniboine Community College	8	-	-	8
Brandon University	7	1	-	8
CancerCare Manitoba	9	2	-	11
Child and Family Services of Western Manitoba	1	-	-	1
Diagnostic Services of Manitoba Inc.	-	(1)	-	(1)
Manitoba Adolescent Treatment Centre	1	-	-	1
Manitoba Agricultural Credit Corporation	(37)	(2)	-	(39)
Manitoba Crop Insurance Corporation	340	(83)	-	257
Manitoba Development Corporation	3	-	-	3
Manitoba Gaming Control Commission	2	(1)	-	1
Manitoba Habitat Heritage Corporation	4	-	-	4
Manitoba Health Services Insurance Plan	1	-	-	1
Manitoba Housing and Renewal Corporation	(247)	2	-	(245)
Manitoba Water Services Board	(1)	(1)	-	(2)
Public Schools Finance Board	(6)	6	-	-
Red River College	10	3	-	13
Regional Health Authorities and non-devolved	125	(13)	-	112
Special Operating Agencies Financing Authority	56	(1)	-	55
University College of the North	5	(1)	-	4
University of Manitoba	688	73	-	761
Venture Manitoba Tours	(8)	(1)	-	(9)
	<u>(6,384)</u>	<u>527</u>	<u>746</u>	<u>(5,111)</u>
Adjustments on Consolidation	244	4	682	930
	<u>(6,140)</u>	<u>531</u>	<u>1,428</u>	<u>(4,181)</u>
GOVERNMENT BUSINESS ENTERPRISES				
Leaf Rapids Town Properties Ltd.	1	(1)	-	-
Manitoba Hazardous Waste Management Corporation	1	(1)	-	-
Manitoba Hydro - Electric Board	734	136	-	870
Manitoba Liquor Control Commission	-	185	(185)	-
Manitoba Lotteries Corporation	5	273	(273)	5
Manitoba Product Stewardship Corporation	4	(1)	-	3
Manitoba Public Insurance Corporation	148	79	-	227
Workers Compensation Board	56	46	28	130
	<u>949</u>	<u>716</u>	<u>(430)</u>	<u>1,235</u>
Adjustments on Consolidation	-	(458)	458	-
	<u>949</u>	<u>258</u>	<u>28</u>	<u>1,235</u>
PENSION LIABILITY	<u>(3,571)</u>	<u>(190)</u>	<u>-</u>	<u>(3,761)</u>
TOTAL SUMMARY BALANCES	<u>(8,762)</u>	<u>599</u>	<u>1,456</u>	<u>(6,707)</u>

Note - Differences may result from rounding.

SCHEDULE 11**SUMMARY STATEMENT OF EXPENSE BY TYPE****For the Year Ended March 31, 2005**

	(\$ millions)	
	2005	2004
Personnel Services.....	3,453	3,294
Grants/Transfer Payments.....	2,502	2,497
Transportation.....	95	105
Communications.....	54	66
Supplies and Services.....	877	858
Social Assistance Related.....	680	647
Other Operating.....	723	547
Debt Servicing - Provincial Departments (Note 16).....	670	697
- Crown Organizations (Note 16).....	97	102
Minor Capital.....	40	14
Amortization of Tangible Capital Assets (Schedule 5).....	250	243
	<u>9,441</u>	<u>9,070</u>

PROVINCE OF MANITOBA

SPECIAL PURPOSE

STATEMENTS OF ACCOUNTABILITY
FOR

STEWARDSHIP OF CENTRAL
GOVERNMENT OPERATIONS

AND

BALANCED BUDGET LEGISLATION

SECTION 2

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

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STATEMENT OF RESPONSIBILITY

The Special Purpose Operating Fund and Special Funds financial statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government and include a 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, Debt Repayment and Taxpayer Accountability Act, a special purpose statement of accumulated (deficits) surpluses, a special purpose statement of change in net debt, 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, except as described in note 5 to these financial statements.

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.

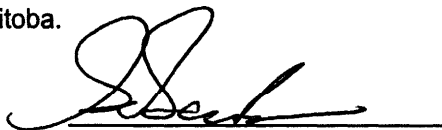
These special purpose financial statements are tabled in the Legislature. They are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying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



Ewald Boschmann
Deputy Minister of Finance



Gerry Gaudreau
Provincial Comptroller

August 19, 2005



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 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, 2005 and the special purpose statements of revenue and expense, calculation of balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act, accumulated (deficits) surpluses, change in net debt, 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.

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.

Opinion

In my opinion, these Special Purpose Financial Statements present in all material respects, the financial position of the Operating Fund and Special Funds as at March 31, 2005, 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, except as described in Note 5 to these financial statements.

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, Debt Repayment and Taxpayer Accountability 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, 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, Debt Repayment and Taxpayer Accountability 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, financial assets would increase by \$196 million, non-financial assets would increase by \$1.640 billion, liabilities would increase by \$2.484 billion, net debt would increase by \$2.288 billion, accumulated deficit would increase by \$648 million, revenue including net income from government business enterprises would increase by \$1.854 billion, and expenses would increase by \$1.800 billion.



Winnipeg, Manitoba
August 19, 2005

Jon W. Singleton, CA•CISA
Auditor General

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

As at March 31, 2005

SCHEDULE		(\$ millions)	
		2005	2004
	FINANCIAL ASSETS		
	Cash and Cash Equivalents (Note 2).....	602	72
	Portfolio Investments (Note 3).....	382	267
1	Amounts Receivable.....	611	559
2	Loans and Advances.....	653	603
4	Trust Assets (Note 1F).....	2,264	2,265
	Total Financial Assets	4,512	3,766
	LIABILITIES		
6	Borrowings.....	18,165	17,700
	Less: Sinking Funds (Note 4).....	(2,703)	(2,946)
	Less: Debt Incurred For and Repayable By The Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	(6,215)	(5,937)
		9,247	8,817
	Less: Unamortized Foreign Currency Fluctuation.....	(84)	(89)
	Net Borrowings	9,163	8,728
7	Accounts Payable, Accrued Charges, Provisions and Deferrals.....	1,352	1,034
		10,515	9,762
4	Amounts Held in Trust for Investment or Administration (Note 1F).....	2,264	2,265
	Total Liabilities	12,779	12,027
	NET DEBT	(8,267)	(8,261)
	NON-FINANCIAL ASSETS (Note 1E11)		
	Deferred Charge for Health Care Facilities (Note 1A4).....	586	497
5	Tangible Capital Assets.....	1,622	415
		2,208	912
	ACCUMULATED DEFICIT	(6,059)	(7,349)

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 7, 8, 9 and 12.

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

For the Year Ended March 31, 2005

(\$ millions)

	Operating Fund Budget	Operating Fund Actual	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds	Total 2005	Total 2004
OPERATING REVENUE (Schedule 8)								
Manitoba Collections.....	2,586	2,583	-	-	-	7	2,590	2,365
Income Taxes.....	2,101	2,161	-	-	-	-	2,161	2,009
Federal Transfers.....	2,447	2,920	-	-	-	-	2,920	2,515
Crown Organizations.....	436	476	-	-	6	-	482	425
Interest Earned.....	-	-	1	2	30	-	33	48
	<u>7,570</u>	<u>8,140</u>	<u>1</u>	<u>2</u>	<u>36</u>	<u>7</u>	<u>8,186</u>	<u>7,362</u>
OPERATING EXPENSES (Schedules 8 & 10)	<u>7,471</u>	<u>7,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>7,641</u>	<u>7,445</u>
NET RESULT FOR THE YEAR	<u>99</u>	<u>505</u>	<u>1</u>	<u>2</u>	<u>36</u>	<u>1</u>	<u>545</u>	<u>(83)</u>
INTERFUND TRANSFERS								
Transfer to Debt Retirement Fund.....	(96)	(99)	-	99	-	-	-	-
Transfer for Pensions.....	-	-	-	(79)	79	-	-	-
Transfer from Mining Community Reserve.....	-	-	-	-	-	(1)	(1)	(2)
Transfer from Positive Balance to Fiscal Stabilization Fund under Section 9 (a) of the Act....	-	(406)	406	-	-	-	-	-
	<u>(96)</u>	<u>(505)</u>	<u>406</u>	<u>20</u>	<u>79</u>	<u>(1)</u>	<u>(1)</u>	<u>(2)</u>
NET RESULT FOR THE YEAR AFTER INTERFUND TRANSFERS	<u>3</u>	<u>-</u>	<u>407</u>	<u>22</u>	<u>115</u>	<u>-</u>	<u>544</u>	<u>(85)</u>

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CALCULATION OF BALANCE
UNDER THE BALANCED BUDGET, DEBT REPAYMENT
AND TAXPAYER ACCOUNTABILITY ACT
For the Year Ended March 31, 2005**

	(\$ millions)	
	2005	2004
Operating Fund Revenue.....	8,140	7,306
Operating Fund Expenses.....	<u>7,635</u>	<u>7,439</u>
NET RESULT FOR THE YEAR BEFORE ADJUSTMENT UNDER SECTION 3 (2) OF THE ACT	505	(133)
Elimination of Disaster Expenditures as Declared under Section 3 (2) of the Act.....	<u>-</u>	<u>71</u>
NET RESULT FOR THE YEAR AFTER ADJUSTMENT UNDER SECTION 3 (2) OF THE ACT	<u>505</u>	<u>(62)</u>
INTERFUND TRANSFERS		
To the Debt Retirement Fund.....	(99)	(96)
From the Fiscal Stabilization Fund.....	<u>-</u>	<u>171</u>
	<u>(99)</u>	<u>75</u>
POSITIVE BALANCE FOR PURPOSES OF BALANCED BUDGET LEGISLATION	<u><u>406</u></u>	<u><u>13</u></u>

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

For the Year Ended March 31, 2005

(\$ millions)

	Operating Fund	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds (Schedule 9)	Total 2005	Total 2004
Accumulated (Deficits) Surpluses,							
Beginning of Year.....	(7,897)	79	180	267	22	(7,349)	(6,475)
Recognition of Infrastructure (Note 5A).....	1,183	-	-	-	-	1,183	-
Unfunded Employee Future Benefits (Note 5B)....	(234)					(234)	-
Long Term Disability Income Plan (Note 5C).....	(27)					(27)	-
Health Care Facilities Debt (Note 6A).....	(152)					(152)	-
Interest Accruals (Note 6B).....	(18)					(18)	-
Workers Compensation Claims							
Liability (Note 6C).....	(6)					(6)	-
Tangible Capital Assets.....	-					-	3
Devolution of Winnipeg Child							
and Family Services.....	-	-	-	-	-	-	(2)
Legal Aid Private Bar Fees.....	-	-	-	-	-	-	(4)
Valuation Allowance.....	-	-	-	-	-	-	(230)
Pension Adjustment.....	-	-	-	-	-	-	(41)
Red River College Loan.....	-	-	-	-	-	-	(13)
School Debentures.....	-	-	-	-	-	-	(433)
Hospital Debentures.....	-	-	-	-	-	-	(69)
Net Result for the Year							
after Interfund Transfers.....	-	407	22	115	-	544	(85)
Accumulated (Deficits) Surplus before							
Interfund Transfer	(7,151)	486	202	382	22	(6,059)	(7,349)
Transfer for Debt Retirement Payment (Note 16).	202	-	(202)	-	-	-	-
Accumulated (Deficits) Surpluses,							
End of Year.....	<u>(6,949)</u>	<u>486</u>	<u>-</u>	<u>382</u>	<u>22</u>	<u>(6,059)</u>	<u>(7,349)</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended March 31, 2005

	(\$ millions)	
	2005	2004
Annual Surplus (Deficit):		
Operating Fund.....	-	(71)
Fiscal Stabilization Fund.....	407	(156)
Debt Retirement Fund.....	22	28
Pension Assets Fund.....	115	116
Other Special Funds (Schedule 9).....	-	(2)
	<u>544</u>	<u>(85)</u>
Acquisition of Tangible Capital Assets.....	(133)	(42)
Assets Acquired in Prior Years.....	-	(4)
Recognition of Infrastructure (Note 5A).....	(1,183)	-
Disposals and Write Downs.....	9	-
Amortization of Tangible Capital Assets.....	<u>100</u>	<u>30</u>
	<u>(1,207)</u>	<u>(16)</u>
Increase in Deferred Charge for Health Care Facilities.....	<u>(89)</u>	<u>(51)</u>
Changes in Accumulated Deficit		
Recognition of Infrastructure (Note 5A).....	1,183	-
Unfunded Employee Future Benefits (Note 5B).....	(234)	-
Long Term Disability Income Plan (Note 5C).....	(27)	-
Health Care Facilities Debt (Note 6A).....	(152)	-
Interest Accruals (Note 6B).....	(18)	-
Workers Compensation Claims Liability (Note 6C).....	(6)	-
Tangible Capital Assets.....	-	3
Devolution of Winnipeg Child and Family Services.....	-	(2)
Legal Aid Private Bar Fees.....	-	(4)
Valuation Allowance.....	-	(230)
Pension Adjustment.....	-	(41)
Red River College Loan.....	-	(13)
School Debentures.....	-	(433)
Hospital Debentures.....	<u>-</u>	<u>(69)</u>
	<u>746</u>	<u>(789)</u>
(Increase) in Net Debt	(6)	(941)
Net Debt, beginning of year	<u>(8,261)</u>	<u>(7,320)</u>
Net Debt, end of year	<u><u>(8,267)</u></u>	<u><u>(8,261)</u></u>

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

For the Year Ended March 31, 2005

	(\$ millions)	
	2005	2004
Cash and Cash Equivalents Provided by (Used in)		
Operating transactions		
Net Result for the year after Interfund Transfers - Operating Fund.....	-	(71)
- Special Funds.....	544	(14)
Changes in non-cash items:		
Amounts Receivable.....	(52)	4
Valuation Allowance.....	4	242
Accounts Payable, Accrued Charges, Provisions and Deferrals.....	318	(71)
Amortization of Foreign Currency Fluctuation.....	6	3
Amortization of Debt Discount.....	8	8
Amortization of Investment Discounts and Premiums.....	(1)	(2)
Amortization of Tangible Capital Assets.....	98	28
Amortization of Tangible Capital Assets Charged to Special Operating Agencies.....	2	2
Recognition of Infrastructure.....	(1,183)	-
Tangible Capital Assets Adjustment.....	-	(4)
Adjustment to Accumulated Deficit - Other	746	(789)
Cash provided by operating transactions	<u>490</u>	<u>(664)</u>
Capital transactions		
Acquisition of Tangible Capital Assets.....	(133)	(42)
Disposal of Tangible Capital Assets.....	9	-
Cash provided by capital transactions	<u>(124)</u>	<u>(42)</u>
Investing transactions		
Made.....	(822)	(1,362)
Realized.....	178	577
Cash provided by investing transactions	<u>(644)</u>	<u>(785)</u>
Financing transactions		
Debt Issued.....	2,962	3,343
Debt Redeemed.....	(2,180)	(2,776)
Changes in Sinking Funds.....	26	829
Cash provided by financing transactions	<u>808</u>	<u>1,396</u>
Increase (Decrease) in Cash and Cash Equivalents.....	530	(95)
Cash and Cash Equivalents, beginning of year.....	<u>72</u>	<u>167</u>
Cash and Cash Equivalents, end of year.....	<u><u>602</u></u>	<u><u>72</u></u>

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2005**

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 \$3,761 million (2004 - \$3,569 million) and expenses would increase by \$190 million (2004 - \$182 million).
- 2) The financial statements do not reflect the financial results for all of the government business 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, financial assets would increase by \$196 million (2004 - \$160 million), non-financial assets would increase by \$2,226 million (2004 - \$1,926 million), liabilities would decrease by \$1,277 million (2004 - \$795 million), net debt would decrease by \$1,473 million (2004 - \$955 million), the accumulated deficit would decrease by \$3,699 million (2004 - \$2,881 million), revenue including net income (loss) from government business enterprises would increase by \$1,854 million (2004 - \$705 million) and expenses would increase by \$1,521 million (2004 - \$958 million).
- 3) Material adjustments may result from changes in accounting policies or from the correction of an error which are attributable to and identifiable with prior periods. It is the Government's practice to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are not restated. 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.
- 4) 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 borrowings. The related asset for 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 \$586 million (2004 - \$497 million) and the accumulated deficit would increase by \$586 million (2004 - \$497 million) and expenses would increase by \$89 million (2004 - \$51 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 business 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 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, loans and advances to crown organizations and government business enterprises 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, loans and advances to crown organizations and government business enterprises 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 item 4) 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 Plan. The Government does not record its liability for the unfunded cost of pension benefits earned by employees, teachers, judges and Members of the Legislative Assembly.

E. Liabilities and Assets

- 1) All borrowings are expressed in Canadian dollars and are shown net of sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any 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 amount of the liabilities for severance, Long Term Disability Income Plan liability and workers compensation claims is based upon actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations because actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.

- 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. Valuation allowances are made when the collection is considered doubtful or when the value of the investments is impaired. 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 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) The cost of tangible capital assets purchased includes the purchase price as well as costs such as installation costs, design and engineering fees, survey and site preparation costs and other costs incurred to put the asset in service. The cost of tangible capital assets constructed by the Province includes all direct construction costs such as materials, labour, design, installation, engineering, architectural fees, and survey and site preparation costs, as well as overhead costs directly attributable to the construction activity such as licenses, inspection fees, indirect labour costs, and amortization expense of any equipment which was used in the construction project. Any carrying cost associated with the development and construction of tangible capital assets is included in cost for projects whose cost exceeds \$20 million.

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. 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. 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.

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

General Tangible Assets:

Land	Indefinite
Buildings and Leasehold Improvements	
Buildings	25 to 40 years
Leasehold Improvements	Life of lease
Vehicles and Equipment	
Vehicles	5 years
Aircraft and vessels	5 to 24 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer hardware and software	4 to 15 years

Infrastructure Assets:

Land	Indefinite
Land Improvements	30 years
Transportation	
Bridges and Structures	40 years
Provincial Highways, Roads and Airstrips	20 to 40 years
Dams and Water Management Structures	40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available to be put into service.

- 9) 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.

- 10) Guarantees of the Government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries.
- 11) In the public sector, recognition and measurement of tangible capital and other non-financial assets are based on their service potential. Generally, such assets do not generate future net cash inflows. Therefore, these assets will not provide resources to discharge the liabilities of the Government. For non-financial assets, the future economic benefit consists of their capacity to render service to fulfill the Government's objectives.

F. Amounts Held in Trust for Investment or Administration

These amounts primarily represent sinking funds and surplus cash of government business 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 business 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 \$9 million (2004 - \$3 million). Cash and cash equivalents include cash and short term investments that can be converted to cash.

3. PORTFOLIO INVESTMENTS

Portfolio investments include amounts invested with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. These investments represent funds set aside for the future retirement of the pension liability. These investments earn the respective Fund's annual rate of return and reflect both the realized gains (losses) on sale of investments and unrealized market gain (loss) for the year. Investment income earned for the year was \$30 million (2004 - \$38 million). The fair value of these investments as at March 31, 2005 was \$382 million (2004 - \$267 million). These Funds are balanced funds and the investments consist primarily of cash equivalents, equities, bonds, mortgages and real estate.

4. SINKING FUNDS

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2005, sinking funds had a cost of \$2,703 million (2004 - \$2,946 million) and a market value of \$2,803 million (2004 - \$3,183 million). Investment revenue earned on the sinking funds during the year was \$219 million (2004 - \$231 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)	
	2005	2004
Province of Manitoba	2,122	2,216
Manitoba Hydro-Electric Board	579	728
University of Manitoba	<u>2</u>	<u>2</u>
Total sinking funds	<u>2,703</u>	<u>2,946</u>

Sinking funds are invested as follows:

	(\$ millions)	
	2005	2004
Cash and cash equivalents	251	467
Portfolio investments	<u>2,452</u>	<u>2,479</u>
	<u>2,703</u>	<u>2,946</u>

5. CHANGES IN ACCOUNTING POLICY

A. Recognition of Infrastructure

As a result of the completion of the process of establishing the completeness and reasonableness of the estimated historical cost of the tangible capital assets, the Government has changed its accounting policy to recognize infrastructure tangible capital assets, such as provincial highways, bridges and land acquired for public use. This recognition has resulted in an increase in the opening net book value of tangible capital assets of \$1,183 million and a decrease in accumulated deficit of \$1,183 million. In addition, for the year ended March 31, 2005, this change also resulted in a decrease in capital expense and an increase in tangible capital assets of \$90 million offset by an increase in amortization expense and accumulated amortization of \$69 million.

B. Unfunded Employee Future Benefits

During the year, the Government changed its accounting policy to recognize, in the Special Purpose Financial Statements, the liability for unfunded employee future benefits associated with health care facilities and family service agencies for which the Province has a funding responsibility. This change has resulted in an increase in liabilities of \$234 million and a corresponding increase in accumulated deficit of \$234 million. There is no effect on expense for the year ended March 31, 2005.

C. Long Term Disability Income Plan

During the year, the Government changed its accounting policy to recognize the liability associated with the Province of Manitoba Long Term Disability Income Plan in accordance with the changes to public sector accounting standards for post employment benefits. This change has resulted in an increase in liabilities of \$28 million, an increase in expense of \$1 million and a corresponding increase in accumulated deficit of \$27 million.

6. ADJUSTMENTS TO ACCUMULATED DEFICIT

A. Health Care Facilities Debt

The Government finances through borrowings, capital projects undertaken by the Regional Health Authorities and non-devolved health care facilities. Where the Authorities have acquired third party debt to finance these projects, the Province has committed to provide future appropriation funding to support the payment of this debt. These borrowings therefore are considered to be debt of the Province. This adjustment resulted in an increase in liabilities of \$274 million, an increase in assets of \$122 million and a corresponding increase in accumulated deficit of \$152 million. As well, this adjustment has resulted in a reduction in grants to health care facilities of \$17 million and an increase in deferred charge for Health Care facilities of \$32 million, for the year ended March 31, 2005.

B. Interest Accruals

It is the Government's policy to accrue interest payable on debt and to record interest receivable on investments held, from the last interest payment date. As the Government accepted the liability for school and hospital debentures, which was recorded in the prior year, the Government should also have recorded the accrued interest on those debentures. As a result of this correction there has been an increase in liabilities of \$13 million, a decrease in assets of \$5 million and an increase in accumulated deficit of \$18 million. There is no impact on the current year revenue and expense.

C. Workers Compensation Claims Liability

During the year the Government recognized the liability associated with long term workers compensation claims. This adjustment has resulted in an increase in liabilities of \$7 million, an increase in expense of \$1 million and a corresponding increase in accumulated deficit of \$6 million.

7. GUARANTEES

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

		(\$ millions)	
	Authorized	2005	2004
Debt issued by government business enterprises (Note a)		654	914
Manitoba Grow Bonds		6	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)	15	4	4
Manitoba Student Financial Assistance Program (Note c)	20	8	12
Assiniboine Community College	2	-	-
University College of The North	2	-	-
Red River College	5	-	-
Manitoba Opportunities Fund Ltd.	68	39	-
Manitoba Housing and Renewal Corporation	2	-	-
Venture Manitoba Tours Ltd.	10	9	8
Miscellaneous	2	<u>1</u>	<u>3</u>
		722	950
Less: Sinking funds		<u>8</u>	<u>30</u>
Total guarantees outstanding		<u>714</u>	<u>920</u>

Provision for future losses on guarantees in the amount of \$17 million (2004 - \$18 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 Canadian Imperial Bank of Commerce (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.

8. FINANCIAL COMMITMENTS

A. Funding Commitments for Capital Acquisitions

The Government has made future commitments against appropriations under long-term contracts regarding tangible capital assets. These financial commitments as at March 31 are as follows:

	(\$ millions)	
	2005	2004
Future commitments:		
Infrastructure and capital grants	7	41
Rental of tangible capital assets	<u>90</u>	<u>101</u>
	<u>97</u>	<u>142</u>

The Province has undertaken to expand the Red River Floodway. Through the Manitoba Floodway Authority, formerly the Manitoba Floodway Expansion Authority Inc., the Province is a party to a funding agreement with the Government of Canada for a \$240 million (2004 - \$240 million) expansion project and has committed to provide \$120 million (2004 - \$120 million) towards the \$240 million (2004 - \$240 million) expansion project.

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)	
	2005	2004
Buildings	2	-
Computer Hardware and Software	-	1
Construction and Maintenance Equipment	-	3
Equipment	1	2
Transportation	14	-
Dams and Water Management Structures	<u>2</u>	<u>-</u>
	<u>19</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 \$60 million (2004 - \$6 million).

9. CONTINGENCIES

The Government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2005 in the accounts where the final results are uncertain.

A. Disaster Financial Assistance

A provision has been made at March 31, 2005 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.

10. TREATY LAND ENTITLEMENT OBLIGATIONS

To meet Manitoba's obligation under treaty land entitlement (TLE) agreements, approximately 39,406 acres of provincial Crown land will be transferred to the Government of Canada (Canada) for First Nations, as follows:

God's Lake First Nation	7,514
Norway House Cree Nation	18,796
Nisichawayasihk Cree Nation	8,304
Sapotaweyak Cree Nation	4,566
Buffalo Point First Nation	226

This transfer will help strengthen the economic development of these First Nations. 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, 837,764 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

The Public Sector Accounting Board of the Canadian Institute of Chartered Accountants introduced changes to public sector accounting standards, effective for the 2006 fiscal year, regarding the recognition and measurement of liabilities and contingent liabilities, including environmental liabilities. Because of its role, the 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. That process will be completed over the 2006 fiscal year and the Government will determine the appropriate accounting treatment for the recognition of any resulting liabilities.

12. 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, 2005 was \$17 million (2004 - \$17 million), the Government set aside \$79 million (2004 - \$75 million) in the Pension Assets Fund. These funds are separately invested and maintained in trust accounts with Civil Service Superannuation Fund (CSSF) 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, 2005 was \$382 million (2004 - \$267 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, 2004	4.0%	2.50%	6.50%
Teachers'	January 1, 2004	4.25%	2.50%	6.75%
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, 2005, the CSP had approximately 28,000 (2004 - 27,600) participants including active members, retired employees and former employees with entitlements.

Certain amendments to the CSSA were made in 1992 which required that the CSSF establish and fund a separate account in an amount sufficient to cover the Government's share of pension costs attributable to the 1992 amendments to the CSSA. The CSSF account maintained on behalf of the Government at March 31, 2005, was \$38 million (2004 - \$34 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, 2005 amounted to \$49 million (2004 - \$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, 2005, payments of \$64 million (2004 - \$60 million) were made to the CSSF.

An actuarial report was completed for CSSF as of December 31, 2004, 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 \$1,623 million as at March 31, 2005 (2004 - \$1,543 million), which includes net unamortized actuarial gains of \$19 million (2004 - \$48 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, 2005, the Teachers' Retirement Allowances Fund (TRAF) had approximately 31,800 (2004 - 30,900) 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, 2005, amounted to \$52 million (2004 - \$51 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, 2005, payments of \$108 million (2004 - \$102 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2004, 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, 2005, the actuary provided a calculation of the Government's liability on an indexed basis. The Government's net liability has been calculated to be \$2,078 million as at March 31, 2005 (2004 - \$1,971 million), which includes unamortized actuarial losses of \$90 million (2004 - \$95 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, 2005, there are 116 (2004 - 116) 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 \$33 million as at March 31, 2005 (2004 - \$32 million), which includes unamortized actuarial gains of \$4 million (2004 - \$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. 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, 2005, there are 61 (2004 - 61) 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 \$23 million as at March 31, 2005 (2004 - \$21 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, 2005, the WCFSP had 567 active members (2004 - 562), 133 pensioners (2004 - 129) and 56 deferred pensioners (2004 - 69).

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 (2004 - \$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, 2005.

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. LONG TERM DISABILITY INCOME PLAN

The Government guarantees payments of long term disability benefits for all employees covered by the Long Term Disability Income Plan that was established on April 1, 1984. An actuarial valuation report was completed for the Long Term Disability Plan as of September 1, 2003 with projections to March 31, 2004 and March 31, 2005 which determined the Government's liability. The report provides a formula to update the liability on an annual basis. The Government's actuarially determined liability for accounting purposes as at March 31, 2005 was \$28 million (2004 - \$27 million).

14. SEVERANCE PAY OBLIGATIONS

The amount of severance pay obligations is based on actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations when actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group. An actuarial report was completed for the severance pay liability as of March 31, 2005. The report provides a formula to update the liability on an annual basis. The Government's actuarially determined net liability for accounting purposes as at March 31, 2005 was \$225 million (2004 - \$117 million). Commencing in the 2005 fiscal year the actuarial loss of \$5 million will be amortized over the 15 year expected average remaining service life of the employee group.

15. 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 \$232 million in supplemental estimates and special warrants. The original budget estimate amounts plus the \$232 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, 2005:

	(\$ millions)
Energy, Science and Technology	
Manitoba Information and Communication Technologies	7
Agriculture, Food and Rural Initiatives	
Risk Management and Income Support Programs	2
Agriculture Development and Marketing	2

16. TRANSFER FOR DEBT RETIREMENT AND PENSION OBLIGATIONS

The Government transferred \$99 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 \$79 million from the Debt Retirement Fund for the specific purpose of providing for the future retirement of 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, 2005 was \$382 million (2004 - \$267 million).

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.

17. 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, Debt Repayment and Taxpayer Accountability Act shows a positive balance of \$406 million. Using the disclosed basis of accounting, the Government is therefore in compliance with the Act.

18. DEBT SERVICING

Debt servicing expense totals \$731 million (2004 - \$758 million) which is net of interest recoveries from government business enterprises of \$436 million (2004 - \$461 million).

Net debt servicing expense is disclosed in the financial statements in Schedule 8 as \$241 million (2004 - \$310 million) representing net debt servicing costs and is net of amounts charged to the departments, as well as net of interest recoveries from crown organizations including guarantee fees and interest revenue earned on investments including sinking funds. These recoveries and allocations total \$405 million (2004 - \$421 million). The disclosed \$241 million (2004 - \$310 million) is also net of debt servicing cost of \$85 million (2004 - \$27 million) allocated to departments for the imputed cost to finance the purchase or construction of tangible capital assets.

Schedule 10 discloses separately net debt servicing costs of \$241 million (2004 - \$310 million) and the debt servicing costs of \$85 million (2004 - \$27 million) charged to the departments for the imputed cost of financing the purchase or construction of tangible capital assets.

19. WATER POWER RENTALS

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of \$105 million (2004 - \$65 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) (2004 - \$3.34 per MW.h).

20. 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, 2005 were \$70 million (2004 - \$70 million).

21. 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, 2005 was \$6 million (2004 - \$6 million).

22. RELATED PARTY BORROWINGS

Borrowings include \$306 million (2004 - \$286 million) owed to Manitoba Public Insurance Corporation related to the financing of capital grants to school board and health care facilities as well as \$197 million (2004 - \$142 million) for the financing of general government programs. \$10 million (2004 - \$10 million) is owed to Manitoba Hydro-Electric Board for the financing of capital grants to health care facilities and \$45 million (2004 - \$45 million) is payable to the Manitoba Liquor Control Commission. As well, \$32 million (2004 - \$1 million) is payable to Manitoba Opportunities Fund Ltd.

These loans and debentures are repayable over a term from 2006 to 2025 at varying interest rates ranging from 0% to 14.75%.

23. 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 \$86 million for the year ended March 31, 2005 (2004 - \$80 million). The Province has accrued a liability of \$21 million (2004 - \$21 million) for the municipal share of individual and corporate income taxes for the first quarter of 2005.

24. 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, 2005, this loan payable has been reduced to \$80 million by offsetting an adjustment to unapplied taxes and the payment of the first instalment of \$9 million.

To offset negative adjustments to the 2004 Equalization payments, the Federal Government provided to the Province a net loan payable 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 to the Province a net loan payable of \$9 million. Repayment of this loan payable is scheduled to begin in April, 2005 and continue over a five year period.

25. 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 financial instruments such as swaps and forward foreign exchange contracts as well as 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 derivatives and US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of \$84 million (2004 - \$89 million). In accordance with the Province's accounting policies reflected in Notes 1(E)3 and 1(E)5, 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.

26. CANADIAN BLOOD SERVICES

Most provinces, including Manitoba, are members of, and provide funding to, Canadian Blood Services, which operates the Canadian blood system. Their March 31, 2004 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, 2004 is \$163 million (2003 - \$135 million). The related assets as at March 31, 2004 total \$187 million (2003 - \$171 million). The subsidiary also had a re-insurance contract for additional coverage of \$750 million.

Based upon the above, as at March 31, 2004, 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, 2004. March 31, 2005 figures are not available for comparison.

27. DRIVER LICENCING OPERATIONS

Effective October 4, 2004, the Province of Manitoba transferred management and administration of driver licencing to the Manitoba Public Insurance Corporation (MPIC), including all aspects pertaining to driver safety, vehicle registration and driver licencing including all related financial, administrative and data processing services.

The Province of Manitoba has agreed to provide funding to MPIC in the amount of \$21 million annually, into perpetuity, to defray the cost borne by MPIC as a result of the transfer. For the six month period ended March 31, 2005 these fees totalled \$10 million.

MPIC, on behalf of the Province of Manitoba, collects and transfers motor vehicle registration fees to the Province. For the fiscal year ended March 31, 2005, these fees totalled \$90 million (2004 - \$76 million). Effective October 4, 2004, MPIC is also responsible for collecting and transferring driver licencing fees to the Province of Manitoba. For the six month period ended March 31, 2005 these fees totalled \$9 million.

28. COMPARATIVE FIGURES

Certain of the 2004 financial statement figures have been reclassified to be consistent with the 2005 presentation.

AMOUNTS RECEIVABLE

SCHEDULE 1

As at March 31, 2005

	(\$ millions)	
	2005	2004
Taxation Revenue:		
Corporation Capital Tax.....	10	1
Corporation Income Tax.....	58	54
Gasoline Tax.....	13	14
Health and Education Levy.....	27	24
Individual Income Tax.....	121	114
Insurance Corporation Tax.....	14	13
Motive Fuel Tax.....	8	7
Retail Sales Tax.....	119	109
Revenue Act, 1964, Part 1.....	7	7
Tobacco Tax.....	19	17
	<u>396</u>	<u>360</u>
Government of Canada and Other Governments:		
Shared Cost Programs/Agreements.....	127	127
Canada Health and Social Transfer.....	3	1
Municipal corporations.....	2	5
	<u>132</u>	<u>133</u>
Interest Income:		
Province of Manitoba Sinking Fund.....	25	48
Other Investments.....	5	9
	<u>30</u>	<u>57</u>
Other:		
Health Care Facilities Sinking Funds (Note 6A).....	10	-
Liquor Control Commission.....	19	10
Manitoba Crop Insurance Corporation.....	1	1
Manitoba Hydro-Electric Board.....	10	9
Manitoba Lotteries Corporation.....	3	3
Morris MacDonald School Division	1	1
Regional Health Authorities.....	20	9
Social Allowance.....	14	14
Special Operating Agencies.....	9	3
Sundry Departmental Revenue.....	59	57
Sundry.....	1	1
	<u>147</u>	<u>108</u>
	705	658
Less: Valuation Allowance	94	99
	<u>611</u>	<u>559</u>

LOANS AND ADVANCES

SCHEDULE 2

As at March 31, 2005

	(\$ millions)			
	Crown Organizations and Government Business Enterprises	Other (Note)	2005 Total	2004 Total
Due 1 Year or Less.....	429	37	466	196
Due Over 1 Year.....	7,315	19	7,334	7,421
Total.....	7,744	56	7,800	7,617
Less: Sinking Funds.....	581	-	581	730
	7,163	56	7,219	6,887
Less: Valuation Allowance.....	340	11	351	347
	6,823	45	6,868	6,540
Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	6,215	-	6,215	5,937
Net.....	608	45	653	603

The crown organizations and government business 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	17	19
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%	4	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%	22	19
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	9	8
Miscellaneous	1	2
	56	54

LONG-TERM INVESTMENTS

SCHEDULE 3

As at March 31, 2005

	(\$ millions)			
	Crown Organizations	Other	2005 Total	2004 Total
Shares:				
Common.....	9	5	14	14
Preferred.....	2	4	6	2
Special.....	-	2	2	2
Debentures.....	1	-	1	1
Profit Sharing Agreement.....	-	11	11	11
	<u>12</u>	<u>22</u>	<u>34</u>	<u>30</u>
Less: Valuation Allowance.....	12	22	34	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, 2005

	(\$ millions)	
	2005	2004
AMOUNTS HELD IN TRUST		
Government Business Enterprises.....	1,680	1,507
Crown Organizations.....	527	638
Fiduciary and Other Government Related Trusts.....	<u>57</u>	<u>120</u>
	<u><u>2,264</u></u>	<u><u>2,265</u></u>
TRUST ASSETS		
Cash and Cash Equivalents.....	639	797
Sinking Funds.....	8	32
Funds on Deposit for Investment and Administration.....	<u>1,617</u>	<u>1,436</u>
	<u><u>2,264</u></u>	<u><u>2,265</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 \$113 million (2004 - \$125 million) in the form of bonds and other securities not reflected in the above numbers.

TANGIBLE CAPITAL ASSETS
For the Year Ended March 31, 2005
(\$ millions)

SCHEDULE 5

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

127

	General Capital Assets					Infrastructure				Totals	
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Assets Under Construction	Land and Improvement	Transportation	Dams and Water Management Structures	Assets Under Construction	2005	2004
Cost											
Opening costs	15	341	138	243	33	-	-	-	-	770	737
Add:											
Additions during the year	-	6	10	11	16	4	74	-	12	133	42
Infrastructure recognized (*)	-	-	-	-	-	205	1,767	78	16	2,066	-
Assets acquired in prior years/ devolved	-	-	-	-	-	-	-	-	-	-	8
Less:											
Disposals and write downs	(1)	(3)	(1)	(18)	(7)	-	-	-	-	(30)	(17)
Settlements and reclassifications	-	4	2	5	(11)	(2)	-	3	(1)	-	-
Closing costs	14	348	149	241	31	207	1,841	81	27	2,939	770
Accumulated Amortization											
Opening accumulated amortization	-	187	82	86	-	-	-	-	-	355	338
Add:											
Amortization	-	8	7	14	-	2	65	2	-	98	28
Amortization charged to SOAs	-	-	-	2	-	-	-	-	-	2	2
Accumulated amortization - infrastructure recognized (*)	-	-	-	-	-	26	809	48	-	883	-
Assets acquired in prior years/ devolved	-	-	-	-	-	-	-	-	-	-	4
Less:											
Disposals and write downs	-	(3)	(1)	(17)	-	-	-	-	-	(21)	(17)
Closing accumulated amortization	-	192	88	85	-	28	874	50	-	1,317	355
Net Book Value of Tangible Capital Assets	14	156	61	156	31	179	967	31	27	1,622	415

* Effective April 1, 2004, the Government included the capitalization of infrastructure as part of the tangible capital assets.
During the year the Province capitalized \$0.5 million of interest relating to assets under construction. (2004 - \$0.5 million)

SCHEDULE OF BORROWINGS

SCHEDULE 6

As at March 31, 2005
(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan Cdn	Promissory Notes and Treasury Bills Cdn	Loans Payable	Totals	
	Cdn	US				2005	2004
2005.....	-	-	-	-	-	-	1,799
2006.....	1,477	244	126	325	-	2,172	1,871
2007.....	1,188	605	150	-	-	1,943	1,962
2008.....	1,526	-	90	-	-	1,616	1,383
2009.....	1,892	298	106	-	-	2,296	2,445
2010.....	863	480	115	-	-	1,458	1,093
2005-2010.....	6,946	1,627	587	325	-	9,485	10,553
2011-2015.....	2,743	466	281	-	-	3,490	3,012
2016-2025.....	3,145	847	15	-	-	4,007	3,559
2026-2044.....	2,341	-	-	-	-	2,341	1,916
2006-2025 Government Business Enterprises.....	-	-	-	-	361	361	341
2006-2025 Healthcare Facilities (Note 6A).....	-	-	-	-	239	239	-
2006-2015 Government of Canada (Note 24).....	-	-	-	-	127	127	136
2011-2044.....	8,229	1,313	296	-	727	10,565	8,964
Total Borrowings.....	15,175	2,940	883	325	727	20,050	19,517
Reduced by:							
Unamortized Debt Issue Costs.....	(17)	(5)	-	-	-	(22)	(22)
Province of Manitoba debt issues held as investments in sinking funds and in cash and cash equivalents.....	(1,863)	-	-	-	-	(1,863)	(1,795)
	<u>13,295</u>	<u>2,935</u>	<u>883</u>	<u>325</u>	<u>727</u>	<u>18,165</u>	<u>17,700</u>

Borrowings payable in:

	March 31/05 Cdn \$ Valuation (See Notes)	March 31/04 Cdn \$ Valuation (See Notes)
Canadian dollars	14,163	13,120
Foreign issues hedged to Canadian dollars	2,947	3,211
U.S. dollars	2,056	2,228
Foreign issues hedged to U.S. dollars	884	958
Total borrowings	<u>20,050</u>	<u>19,517</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:

- Fixed with rates ranging from 2.96% to 14.06%.
- 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, 2005.
- 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, 2005.

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

SCHEDULE 7

As at March 31, 2005

	(\$ millions)	
	2005	2004
Accounts Payable.....	378	333
Accrued Charges:		
Interest Accrued on Provincial Borrowings and Trust Funds.....	225	224
Other Accrued Liabilities:		
Canadian Agricultural Income Stabilization Program.....	66	52
Canadian Farm Income Program.....	-	7
Communities Economic Development Fund.....	2	2
Compensation for Victims of Crime.....	17	17
Crown Organizations - Vacation Liability.....	139	11
Disaster Assistance.....	1	3
Fairford First Nation.....	7	7
Flood Claims.....	15	15
Hepatitis C Assistance.....	6	7
Infrastructure Works Program.....	2	1
Land Acquisition Claims.....	2	2
Long Term Disability Income Plan (Notes 5C and 13).....	28	-
Manfor Ltd. Divestiture.....	2	2
Municipal Assistance Program.....	1	-
Net Income Stabilization Account Program (NISA).....	1	2
Ruttan Mines Clean-up.....	5	5
Salaries and Benefits.....	97	96
Salaries and Benefits - Severance (Note 14).....	225	117
Tripartite Land Assembly Program.....	3	3
VLT Grants Payable.....	4	-
Workers Compensation Claims (Note 6C).....	7	-
Other.....	5	4
Provision for Future Losses on Guarantees.....	17	18
Deferred Revenue		
Government of Canada - Advances re: Shared Cost Programs Not Yet Claimed.....	44	55
Vehicle Registration.....	42	34
Other.....	11	17
	<u>1,352</u>	<u>1,034</u>

SCHEDULE 8

OPERATING FUND REVENUE AND EXPENSE

For the Year Ended March 31, 2005

	(\$ millions)		
	2005	2005	2004
	Budget Estimate (Note 15)	Actual	Actual
OPERATING FUND REVENUE			
Manitoba Collections:			
Retail Sales Tax.....	1,154	1,125	1,064
Fuel Taxes.....	235	235	233
Levy for Health and Education.....	281	287	268
Mining Tax.....	57	41	22
Other Taxes.....	510	531	481
Fees and Other Revenue.....	349	364	292
Income Taxes:			
Corporation Income Tax.....	313	374	289
Individual Income Tax.....	1,788	1,787	1,720
Federal Transfers:			
Equalization.....	1,436	1,699	1,414
Canada Health and Social Transfer.....	805	992	753
Canada Health and Social Transfer Supplement.....	-	-	164
Diagnostic Medical Equipment Fund.....	12	27	8
Health Reform Fund.....	55	55	37
Medical Equipment Fund.....	5	3	13
Primary Health Care Transition Fund.....	10	9	7
Public Health and Immunization Trust.....	15	15	-
Shared Cost and Other.....	109	120	119
Crown Organizations.....	436	476	422
TOTAL OPERATING FUND REVENUE.....	7,570	8,140	7,306
OPERATING FUND EXPENSES			
Health.....	3,176	3,237	3,060
Education.....	1,648	1,692	1,639
Family Services and Housing.....	913	927	869
Community, Economic and Resource Development.....	960	940	966
Justice and Other Government.....	605	598	595
Net Debt Servicing (Note 18).....	239	241	310
	7,541	7,635	7,439
Less: Budgeted Underexpenditure.....	70	-	-
TOTAL OPERATING FUND EXPENSES (Schedule 10).....	7,471	7,635	7,439

CHANGES IN OTHER SPECIAL FUNDS

SCHEDULE 9

For the Year Ended March 31, 2005

	(\$ millions)				
	Mining Community Reserve	Quarry Rehabilitation Reserve Fund	Other Funds	Total 2005	Total 2004
Surplus, Beginning of Year.....	<u>14</u>	<u>5</u>	<u>3</u>	<u>22</u>	<u>24</u>
Revenue.....	2	2	3	7	6
Expenses.....	<u>1</u>	<u>2</u>	<u>3</u>	<u>6</u>	<u>6</u>
Net Revenue over Expenses.....	1	-	-	1	-
Transfers.....	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>2</u>
Net Result for the Year.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>22</u></u>

OPERATING FUND EXPENSE BY TYPE

SCHEDULE 10

For the Year Ended March 31, 2005

	(\$ millions)	
	2005	2004
Personnel Services.....	819	825
Grants/Transfer Payments.....	5,128	4,915
Transportation.....	43	56
Communications.....	29	31
Supplies and Services.....	288	369
Social Assistance Related.....	669	638
Other Operating.....	218	216
Net Debt Servicing - General (Note 18).....	241	310
- Departments (Note 18).....	85	27
Minor Capital.....	17	24
Amortization.....	98	28
	<u>7,635</u>	<u>7,439</u>