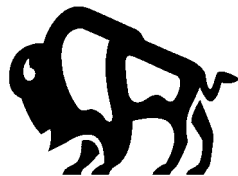


# PROVINCE OF MANITOBA



## ANNUAL REPORT FOR THE YEAR ENDED MARCH 31, 2002

### **Includes:**

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

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

May It Please Your Honour:

I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Province of Manitoba for the year ended March 31, 2002. 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 Combined Statement of Revenue and Expense shows a positive balance of \$63 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.

Honourable Greg Selinger  
Minister of Finance

Office of the Minister of Finance  
September, 2002

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

Votre Honneur,

J'ai le privilège de vous présenter, à titre informatif, le Rapport annuel de la province du Manitoba pour l'exercice financier qui s'est terminé le 31 mars 2002. Cette nouvelle présentation du document complète le compte rendu des activités du gouvernement pour l'exercice. Le Rapport comprend une récapitulation des résultats de l'exercice par rapport au budget du gouvernement. Il contient également des statistiques économiques et des indicateurs de la santé financière de la province.

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

En vertu de l'article 6 de la *Loi sur l'équilibré budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables*, le ministre des Finances est tenu de faire rapport sur le respect de la *Loi* dans les états financiers vérifiés du fonds de fonctionnement pour chaque exercice financier. L'état des résultats et des bénéfices non répartis indique un solde positif de 63 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.

Monsieur Greg Selinger  
Ministre des Finances

Bureau du Ministre des Finances  
Septembre 2002

---

**TABLE OF CONTENTS****PAGE**

---

Minister's Message - The Year in Review. ....	7
Economic Report. ....	14
Financial Indicators - Summary Financial Statements. ....	19
Operating Fund Discussions and Analysis. ....	25
Operating Fund Details of Budgetary Performance. ....	26
Financial Indicators - Operating Fund Financial Statements. ....	31
Public Accounts - Volume 1	
Summary Financial Statements. ....	39
Special Purpose Statements: Operating Fund. ....	79

## MINISTER'S MESSAGE

## MESSAGE DU MINISTRE

### THE YEAR IN REVIEW

### BILAN DE L'ANNÉE

I am pleased to present the Public Accounts of Manitoba for the fiscal year ended March 31, 2002 and to report the following review of our achievements during the year.

Je suis heureux de présenter les comptes publics du Manitoba pour l'exercice terminé le 31 mars 2002 et de vous offrir une récapitulation des réalisations de l'année.

During the 2001/02 fiscal year Manitoba, like other governments in North America, faced significant challenges. The effects of an already slowing economy were intensified in the aftermath of the tragic events of September 11<sup>th</sup>.



In the face of these challenges, our government made choices to invest in vital public services. We continued to meet our debt reduction targets, delivered affordable tax relief while ensuring schools and health care remained top priorities.

Au cours de l'exercice 2001/02, le Manitoba, comme d'autres gouvernements d'Amérique du Nord, s'est heurté à des défis de taille. Les effets d'une économie déjà ralentie ont été amplifiés par les événements tragiques du 11 septembre.

Devant ces difficultés, notre gouvernement a choisi d'investir dans des services publics essentiels. Nous avons continué à réduire la dette, selon nos objectifs, et nous avons allégé le fardeau fiscal autant que nous le pouvions, tout en gardant comme priorité les écoles et les soins de santé.

Our results for 2001/02 reflect our balanced approach to our province's needs.

Les résultats de 2001/02 donnent une bonne idée de la démarche équilibrée que nous avons adoptée pour répondre aux besoins de notre province.

The 2001 Manitoba Budget outlined initiatives in six main areas.

Le Budget 2001 du Manitoba prévoyait des initiatives dans six secteurs principaux.

#### 1. Renewing Hope for Young People

#### 1. Redonner l'espoir à notre jeunesse

Our Government increased public school funding by 2.8% for the second year in a row, tying improved funding to the estimated real growth in GDP.

Notre gouvernement a augmenté le financement des écoles publiques de 2,8 %, en rattachant cette hausse pour la deuxième année de suite à la croissance réelle estimée du PIB.

Colleges and universities received a 3.8% increase in support. This increase included some \$3 million to support the continued tuition reduction. For the second straight year a 10% reduction in tuition was maintained for most post secondary students.

Le soutien fourni aux collèges et aux universités a augmenté de 3,8 %, dont environ 3 millions de dollars ont servi à maintenir la réduction des frais de scolarité. C'est la deuxième année de suite que la plupart des élèves d'établissements postsecondaires ont pu bénéficier d'une réduction de 10% des frais de scolarité.

In addition, \$10 million was spent for our college expansion. Support for bursary programs was continued at \$6 million.

The combination of these measures resulted in our colleges and universities seeing a second consecutive year of strong enrollment growth.

## **2. Moving Ahead on Health Care**

Manitoba has been nationally recognized by the Canadian Institute For Health Information as having the best plan in the country for addressing hallway medicine. In 2001/02, almost 40% of total operating expenses were devoted to health care.

Our programs to increase enrollment at universities and colleges to meet the shortage of trained nurses is showing its effect. In 2001, 2,358 nurses were enrolled in total – up from 1,878 in the previous year. Almost \$2 million was invested by government to support the 2 year training program we introduced in 2000.

We have developed a comprehensive recruitment and retention strategy to ensure 15 more medical school spaces, 9 of which are dedicated to training family physicians for rural and northern Manitoba.

We began a two year program aided by support from the Federal Government to replace aging diagnostic equipment. An 18 month program to purchase 80 emergency vehicles for the use of Regional Health Authorities resulted in the acquisition of 60 vehicles in 2001/02. We provided support for initiatives specifically for better care and coordination in emergency rooms.

## **3. Supporting Families and Strengthening Communities**

Healthy Child Manitoba expenses increased by \$4 million, 32% more than last year.

Funding for child care was increased by 11%. We implemented a new innovative prenatal benefit and completely ended the clawback of the National Child Care Benefits for hundreds of families on income assistance with children age six years and under.

De plus, nous avons dépensé 10 millions de dollars pour l'expansion des collèges et continué à financer les programmes de bourses en leur consacrant 6 millions de dollars.

Grâce à l'effet cumulé de ces mesures, nos collèges et nos universités ont connu une forte augmentation de leurs effectifs pour la deuxième année consécutive.

## **2. Santé : Continuer sur notre lancée**

L'Institut canadien d'information sur la santé a reconnu que le Manitoba avait élaboré le meilleur plan au pays pour mettre fin à la médecine de couloir. En 2001/02, près de 40 % des dépenses de fonctionnement totales ont été consacrées aux soins de santé.

Nos programmes visant à augmenter les effectifs des universités et des collèges afin de pallier la pénurie d'infirmières diplômées ont porté fruit. En 2001, 2358 infirmières étaient inscrites, par rapport à 1878 l'année précédente. Le gouvernement a investi près de 2 millions de dollars pour financer le programme de formation sur deux ans qu'il avait mis en place en l'an 2000.

Nous avons élaboré une méthode solide de recrutement et de maintien des effectifs en créant 15 places de plus dans les programmes de médecine, dont 9 sont consacrées à la formation de médecins généralistes qui travailleront dans les régions rurales et le nord du Manitoba.

Avec l'aide du gouvernement fédéral, nous avons lancé un programme de deux ans en vue de remplacer l'équipement diagnostique vétuste. Dans le cadre d'un programme visant l'acquisition, sur 18 mois, de 80 véhicules d'urgence pour les Offices régionaux de la santé, nous avons acheté 60 véhicules en 2001/02. Nous avons accordé un financement à des initiatives ayant pour objet l'amélioration des soins et de la coordination dans les salles d'urgence.

## **3. Appuyer les familles et consolider les communautés**

Les dépenses d'Enfants en santé Manitoba ont augmenté de 4 millions de dollars, soit une hausse de 32 % par rapport à l'an dernier.

Le financement accordé aux programmes de garde d'enfants a grossi de 11 %. Nous avons créé un nouveau régime innovateur de prestations prénatales et complètement mis fin à la récupération de la Prestation nationale pour enfants pour des centaines de familles avec enfants de six ans et moins qui touchent l'aide au revenu.

We have continued our support for community renewal initiatives, including Neighborhoods Alive!, the Residential Rehabilitation Assistance Program, Supportive Housing Initiative and maintained our role in the Native Housing Program.

Our safety initiatives included a 7% increase in the number of law enforcement officers on active duty in the Province. We also took further steps to protect Manitobans by strengthening legislation governing the handling of dangerous goods, the management of threats to public health and other emergencies as well as improving our emergency measures organization.

We increased our support for Aboriginal and Northern Initiatives by providing one low electricity rate for all Manitobans, by eliminating the \$50 Northern patients transportation fee and by continuing to improve northern airports. In addition, we continued our support to the RCMP Aboriginal Community Constable Program and spent \$6 million on winter roads including the Tadoule Road System serving the communities of Tadoule Lake, Brochet and Lac Brochet.

With respect to urban revitalization, the City of Winnipeg received infrastructure funding totalling \$21 million as well as an increase under the Provincial Municipal Tax Sharing program from \$44.8 million to \$47.5 million. Other assistance to the City of Winnipeg included funding for CentreVenture, Economic Development Winnipeg, Tourism Winnipeg, and the Winnipeg Convention Centre.

The City of Brandon will benefit from \$58 million for a major capital upgrade to the Brandon Regional Health Centre. This investment in health care is in addition to \$5 million invested for capital improvements at Brandon University and provincial support for an improved water disinfection system in the City of Brandon. Safety was also enhanced as part of the five-year program for the Brandon Police Service to hire and train police officers within community policing and youth units.

In the agriculture and agri-food sector, the Prairie Grain Roads Program was initiated, crop insurance was expanded to cover non-traditional crops and premiums were reduced for a second consecutive year. Producers also benefited from an Enhanced Diversification Loan Guarantee Program with an available financing pool of \$200 million.

Nous avons continué à soutenir les projets de revitalisation communautaire, dont Quartiers vivants!, le Programme d'aide à la remise en état des logements et l'initiative de logement avec services de soutien et poursuivi notre rôle pour ce qui est du Programme de logement pour les Autochtones.

Dans le domaine de la sécurité, nous avons augmenté de 7 % le nombre d'agents de la paix en service actif dans la province. Nous avons également pris d'autres mesures pour protéger la population manitobaine en renforçant les textes législatifs qui régissent la manutention de produits dangereux, l'intervention en cas de risques pour la santé publique et autres urgences, et en améliorant notre organisation de gestion des urgences.

Nous avons renforcé le soutien apporté aux Initiative visant les Autochtones et les régions du Nord en uniformisant les tarifs d'électricité dans toute la province, en éliminant les frais de 50 \$ exigés des résidents du Nord pour le transport ambulancier et en poursuivant l'amélioration des aéroports du Nord. De plus, nous avons continué à appuyer le Programme de gendarmes communautaires autochtones de la GRC et nous avons consacré 6 millions de dollars aux routes d'hiver, y compris le réseau routier de Tadoule, qui dessert les collectivités de Tadoule Lake, Brochet et Lac Brochet.

En ce qui concerne la revitalisation des zones urbaines, nous avons accordé un total de 21 millions de dollars à la ville de Winnipeg pour son infrastructure. Les paiements reçus par la ville en vertu du Programme de partage des recettes entre la Province et les municipalités sont passés de 44,8 à 47,5 millions de dollars. Nous avons également fourni des fonds à la ville pour CentreVenture, Développement économique Winnipeg, Tourisme Winnipeg et le Centre des congrès de Winnipeg.

La ville de Brandon recevra 58 millions de dollars pour de gros travaux de rénovation au centre régional de santé. Ces fonds consacrés à la santé s'ajoutent aux 5 millions accordés pour améliorer les immobilisations à l'université de Brandon et au soutien apporté à la ville de Brandon pour la modernisation de son système de désinfection de l'eau. On a aussi affecté des fonds au renforcement de la sécurité dans le cadre du programme quinquennal visant à permettre à la police de Brandon d'embaucher et de former des agents de la paix pour son service de police communautaire et son unité jeunesse.

Dans le secteur de l'agriculture et de l'agroalimentaire, le Programme des routes du grain des Prairies a été lancé, l'assurance-récolte couvre maintenant des cultures non traditionnelles et les primes ont été réduites pour la deuxième année de suite. Les producteurs ont également bénéficié du Programme amélioré de garanties de prêts pour la diversification, dont les fonds disponibles s'élèvent à 200 millions de dollars.

#### **4. Managing our Natural Resources for a Greener Manitoba**

Manitoba's water strategy was an important part of our activities in 2001/02. We introduced a safer drinking water program to monitor safety and to train operators. We also extended the sales tax exemption for manure slurry and lagoon liners to promote safe handling of livestock wastes. We also increased inspection and enforcement resources in the Livestock Stewardship Program and increased support for water projects including drainage.

We introduced a new Environmentally Sensitive Areas Tax Credit and expect qualifying farmers to begin claiming credits this autumn. We also introduced a sales tax on chemicals used for yard care and pest control which generated \$2.0 million.

We oversaw the long-term strategy to cleanup the following orphan mining sites:

- Sherridon
- God's Lake
- Snow Lake
- East Lynn Lake; and
- Baker Paton

We also set aside or protected an area totaling over 27,000 hectares of our boreal forests including:

- Sturgeon Bay
- Kinwow Bay
- Pelican Islands
- Grand Island
- Pemmican Island; and
- Goose Islands

We continue our campaign on behalf Manitobans to stop Devils Lake and other proposed water projects that would send dirty water across the Canada-U.S. border and into Manitoba's rivers and lakes.

#### **5. Building the Economy**

Research and innovation are fundamental to productivity and improved living standards. We supported research and development in Manitoba through major investments in universities and other research organizations. These investments included commitments of \$6 million to the Centre for Functional Foods and

#### **4. Gérer nos ressources naturelles pour un Manitoba plus vert**

La stratégie manitobaine de gestion des ressources en eau a occupé beaucoup de notre temps en 2001/02. Nous avons lancé un programme de protection de l'eau potable qui comprend des mesures de sécurité et prévoit la formation des agents responsables. Nous avons prolongé l'exonération de taxe de vente applicable aux revêtementx de cuves et de fosses de stockage du fumier liquide afin de proumouvoir la gestion écologique des déjections du bétail. Nous avons accordé au Programme de gestion du bétail des ressources additionnelles, qui permettront des inspections supplémentaires et une meilleure application des règlements et nous avons renforcé le soutien apporté aux projets hydrauliques, y compris dans le domaine du drainage.

Nous avons lancé un nouveau crédit d'impôt pour les terrains écologiquement vulnérables et nous nous attendons à ce que les agriculteurs admissibles commencent à s'en prévaloir cet automne. Nous avons aussi instauré une taxe de vente sur les produits chimiques utilisés pour le jardinage et pour la lutte contre les parasites; cette taxe a produit 2 millions de dollars.

Nous avons coordonné la stratégie à long terme visant le nettoyage des sites miniers abandonnés suivants :

- Sherridon
- God's Lake
- Snow Lake
- East Lynn Lake
- Baker Paton

Nous avons également réservé ou protégé 27 000 hectares de forêt boréale au total, dont :

- la baie Sturgeon
- la baie Kinwow
- les îles Pelican
- les îles Grand
- l'île Pemmican
- les îles Goose

Nous avons poursuivi la campagne menée au nom de la population manitobaine pour mettre fin au projet de Devils Lake et aux autres projets qui enverraient des eaux sales des États-Unis jusque dans les lacs et les rivières du Manitoba.

#### **5. Consolider l'économie**

La recherche et l'innovation sont des éléments clés pour la croissance et l'amélioration du niveau de vie. Nous avons appuyé la recherche et le développement au Manitoba grâce à des investissements importants dans les universités et les autres organismes spécialisés dans la recherche. Ces investissements comprennent un montant de 6 millions de dollars accordé au Centre de



Nutraceuticals and \$5 million for the construction of the I.H. Asper Clinical Research Institute.

To contribute to Manitoba's continued economic success, we established the Premier's Economic Advisory Council. The 34 members appointed to the Council represent a broad range of stakeholder groups. Their participation on the Council provides an important opportunity for dialogue on economic opportunities and challenges.

A \$177 million investment in transportation infrastructure was allocated to new construction, maintenance, winter roads and transportation programs.

During the six years of the Canada/Manitoba infrastructure program up to \$180 million will be invested in Manitoba. In 2001/02, we provided \$5 million in provincial funding for infrastructure across the Province, such as:

- Waterfront Drive development and Main Street renewal in Winnipeg;
- sewer system upgrades in Rosburn, Winkler and the Rural Municipality of Cartier; and,
- improvements to vital water treatment systems and water lines in the rural municipalities of Grey and Ritchot.

## 6. Taxation

The Education Property Tax Credit was increased by a further \$75 bringing the total basic credit received by homeowners and renters to \$400. This change represented a further property tax saving for Manitobans of \$27 million.

We implemented personal income tax reductions first announced in the 2000 Budget. Non-refundable tax credits were increased 2.5% over the 2000 taxation year. These changes, together with reductions in taxes that are leaving Manitobans with more disposable income, are keeping our tax system competitive. In total, personal income tax reductions for the 2001 taxation year totaled \$97 million. Almost 4,000 Manitobans were removed from the tax rolls.

The threshold for small business tax was raised from \$200,000 to \$300,000 commencing January 1, 2002, thereby ensuring more businesses are eligible for Manitoba's competitive 5 per cent rate. Furthermore, reduction of the general rate

recherche sur les aliments fonctionnels et nutraceutiques et un montant de 5 millions de dollars pour la construction de l'Institut de recherche clinique I.H. Asper.

Afin de continuer à favoriser le succès économique du Manitoba, nous avons créé le Conseil consultatif économique du premier ministre, dont les 34 membres nommés représentent un grand nombre de groupes intéressés. Leur participation au Conseil permet d'organiser un dialogue important sur les possibilités et les difficultés économiques.

Les 177 millions de dollars accordés pour l'infrastructure de transport ont été utilisés pour la construction et l'entretien des voies de circulation, l'aménagement de routes d'hiver et les programmes de transport.

Un montant maximum de 180 millions de dollars sera investi au Manitoba au cours des six ans que durera le programme Infrastructures Canada-Manitoba. En 2001/02, le gouvernement provincial a affecté 5 millions de dollars aux projets d'infrastructure mis en œuvre dans toute la province, tels:

- l'aménagement de la promenade riveraine et la revitalisation de la rue Main à Winnipeg,
- la modernisation des réseaux d'égouts à Rosburn, Winkler et dans la municipalité rurale de Cartier,
- la rénovation des systèmes essentiels de traitement des eaux ainsi que des conduites d'eau dans les municipalités rurales de Grey et de Ritchot.

## 6. Taxes et impôts

Le crédit d'impôt foncier en matière d'éducation a encore augmenté de 75 \$, ce qui signifie que les propriétaires et les locataires bénéficient d'un crédit de base total de 400 \$. Grâce à cette augmentation, les contribuables manitobains ont épargné 27 millions de dollars supplémentaires au chapitre de l'impôt foncier.

Nous avons mis en œuvre les réductions d'impôt sur le revenu des particuliers annoncées pour la première fois dans le Budget 2000. Les crédits d'impôt non remboursables ont augmenté de 2,5 % par rapport à l'année 2000. Ces modifications, et les réductions de taxes qui mettent dans les poches des Manitobains et Manitobaines un revenu disponible plus important, contribuent à rendre notre système fiscal concurrentiel. Pour l'année d'imposition 2001, les particuliers ont vu leur impôt sur le revenu diminuer au total de 97 millions de dollars et près de 4000 contribuables manitobains ont été retirés du rôle d'imposition.

Le 1<sup>er</sup> janvier 2002, le plafond des bénéfices imposables des petites entreprises est passé de 200 000 \$ à

of Corporation Income Tax began January 1, 2002, reducing the rate from 17% to 16.5% in the first of four equal annual steps to reduce it to 15%.

### **Federal Accounting Error**

A significant event affecting Manitoba's financial situation was the announcement by the Federal Government, in January 2002, that it had erred in its personal income tax remittances to Manitoba and several other provinces for up to 30 years.

Our Government set out three principles to guide the resolution of the error:

1. The settlement should be comprehensive and fair;
2. The approach should be responsible; and
3. Revenue stability must be improved.

I am pleased to report that the resolution announced by the Federal Finance Minister on September 4, 2002 met these criteria. The Federal Government did not attempt to recover overpayments which could not be adequately verified by the Federal Auditor General. The settlement took into account the Equalization impacts of the change including transition to Manitoba's new, lower revenue track. The settlement also recognized that other Equalization recipient provinces gained revenue as a result of the error, and ensures that the provinces that did not benefit in this way received a comparable offset to the amount recovered by the Federal Government.

### **Balanced Budget and Debt Retirement**

Our Government's Budget, tabled on April 10, 2001, targeted a positive result under balanced budget legislation of \$10 million for the current fiscal year. I am gratified that, due largely to the leadership of the Premier and my colleagues, our Government was able to improve on the Budget projections and achieve a positive balance of \$63 million. I refer the readers to pages 79 through 111 of this report for details of the Operating Fund and budgetary performance.

In total, expenses from the Operating Fund were less than budgeted for the first time in 8 years. In total, expenses decreased by 0.3% while revenues decreased 0.8%.

300 000 \$, ce qui a eu pour conséquence de faire bénéficier davantage d'entreprises manitobaines du taux concurrentiel de 5 %. De plus, le 1<sup>er</sup> janvier 2002, on a également réduit le taux général d'imposition sur le revenu des corporations, qui est passé de 17 % à 16,5 %. Ceci représente la première réduction prévue du taux, qui s'élèvera au bout de quatre étapes annuelles à 15 %.

### **Erreur comptable du gouvernement fédéral**

La situation financière du Manitoba a été profondément marquée par l'annonce faite par le gouvernement fédéral en janvier 2002 d'une erreur comptable, dont l'origine remonte à 30 ans environ, relativement au versement au Manitoba et à plusieurs autres provinces de la part d'impôt sur le revenu qui leur revient.

Notre gouvernement a fixé trois principes pour la résolution de cette erreur :

1. le règlement devrait être global et juste;
2. la méthode adoptée devrait être responsable;
3. la stabilité du revenu devrait être améliorée.

J'ai le plaisir de signaler que la solution annoncée par le ministre des Finances fédéral le 4 septembre 2002 respecte ces critères. Le gouvernement fédéral ne tentera pas de recouvrer le trop-payé que le vérificateur général n'a pas pu vérifier de façon satisfaisante. Le règlement proposé prend en considération les conséquences du changement sur les paiements de péréquation, et la transition vers un régime nouveau pour le Manitoba, qui connaîtra une baisse de recettes. La solution annoncée tient aussi compte du fait que certaines autres provinces qui reçoivent des paiements de péréquation ont vu leurs recettes augmenter à cause de l'erreur, et veille à ce que les provinces qui ont été perdantes sur ce plan reçoivent une compensation égale au montant récupéré par le gouvernement fédéral.

### **Budget équilibré et remboursement de la dette**

Le budget de notre gouvernement, déposé le 10 avril 2001, prévoyait un bilan positif de 10 millions de dollars pour l'exercice en cours, conformément aux mesures législatives sur l'équilibre budgétaire. J'ai la grande satisfaction d'annoncer que, grâce en grande partie au leadership du premier ministre et de mes collègues, notre gouvernement a pu dépasser ses prévisions et enregistrer un bilan positif de 63 millions de dollars. Les lecteurs voudront bien se reporter aux pages 79 à 111 de ce rapport pour se familiariser avec les détails relatifs au Fonds de fonctionnement et à l'exécution du budget.

Au total, les dépenses du Fonds de fonctionnement ont été moins élevées que les prévisions pour la première fois en huit ans. Ces dépenses totales ont baissé de 0,3 %.

In the April 2002 Budget, the government announced that, to help offset the loss in corporate and personal income taxes that resulted from the federal error and the economic slowdown, the Manitoba Hydro-Electric Board (Hydro) would provide special payments totaling \$288 million over three fiscal years beginning in 2001/02. A special payment of \$150 million was expected for 2001/02. However, because the legislative authority for the transfer did not occur until recently, the \$150 million transfer will be recorded in the 2002/03 fiscal year.

Instead, the province took a "temporary transfer" from the Fiscal Stabilization Fund as a bridge until the Hydro transfer is completed. Due to the timing of the session, it was agreed that the most transparent and appropriate way to record the transfer from Hydro was in the 2002/03 fiscal year. The additional Hydro transfer funds received in 2002/03 will be used to replenish the Fiscal Stabilization Fund.

For the second consecutive year, as part of our debt retirement commitment, a portion of our \$96 million in debt repayment was devoted to addressing our outstanding pension obligations. The allocations committee mandated by the balanced budget legislation allocated \$75 million towards pension obligations in the 2001/02 fiscal year.

Finally, to clarify the role of the Auditor, a new Auditor General Act was passed during 2001/02.

## Conclusion

Results for the 2001/02 fiscal year reflect a tremendous amount of hard work by government and Manitobans. Commitments made in September of 1999 were met while at the same time maintaining budget balances and debt repayment schedules. Additional tax relief was implemented and vital health and education programs supported. These results reflect our government's commitment to fairness and firmly set us on a course for a prosperous and secure future for today's Manitoba families.

tandis que les recettes diminuaient de 0,8 %.

Dans le Budget d'avril 2002, le gouvernement annonçait qu'afin d'aider à compenser la baisse de recettes provenant de l'impôt sur le revenu des corporations et de l'impôt sur le revenu des particuliers qui découle de l'erreur fédérale et du ralentissement économique, la Régie de l'hydro-électricité du Manitoba (Manitoba Hydro) verserait des paiements spéciaux totalisant 288 millions de dollars sur trois exercices, à partir de 2001/02. Elle devait commencer par verser 150 millions de dollars en 2001/02, toutefois, l'autorisation de l'Assemblée législative n'ayant été donnée que récemment pour ce transfert, celui-ci paraîtra dans les comptes de l'exercice 2002/03.

À la place de ce versement, la Province a transféré une somme du Fonds de stabilisation des recettes de façon temporaire, en attendant que les fonds de Manitoba Hydro soient versés. Étant donné les dates de la session, on a décidé que la meilleure manière d'enregistrer ce transfert, et la manière la plus transparente, serait de l'inscrire dans les comptes de l'exercice 2002/03. Le transfert supplémentaire de fonds de Manitoba Hydro en 2002/03 servira à réapprovisionner le Fonds de stabilisation des recettes.

Pour la deuxième année consécutive, nous avons consacré une partie des 96 millions destinés au remboursement de la dette à nous acquitter de nos obligations découlant des régimes de retraite. Le comité de répartition formé en vertu des textes législatifs sur l'équilibre budgétaire a accordé 75 millions de dollars au remboursement du passif découlant des régimes de retraite au cours de l'exercice 2001/02.

Enfin, nous avons adopté une nouvelle *Loi sur le vérificateur général* en 2001/02 afin d'éclaircir le rôle de celui-ci.

## Conclusion

Les résultats de l'exercice 2001/02 témoignent des énormes efforts déployés par le gouvernement et la population manitobaine. Nous avons respecté les engagements pris en septembre 1999 tout en gardant un budget équilibré et en remboursant la dette comme prévu. Nous avons allégé encore davantage le fardeau fiscal des Manitobaines et des Manitobains et avons appuyé les programmes essentiels des secteurs de la santé et de l'éducation. Ces résultats prouvent combien notre gouvernement est soucieux d'être équitable et ouvrent la voie vers un avenir prospère et sûr pour les familles manitobaines.

## ECONOMIC REPORT / RAPPORT ÉCONOMIQUE

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

International economic developments in 2001 reduced real growth in Manitoba last year to 1.6%, just above the national growth rate of 1.5%. Manitoba's real GDP advanced 3.0% in 2000.

Manitoba's largest industry, manufacturing, posted 1.1% real growth in 2001. Real output in agriculture declined 0.8% while the construction, mining and utilities industries all posted modest gains.

Manitoba's service industries together account for over 72% of the total economy. Ten of the thirteen service industry categories posted gains in 2001.

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 de toutes les autres provinces.

L'année dernière, les développements économiques internationaux en 2001 ont diminué de 1,6 % la croissance réelle du Manitoba, un peu plus que le taux national de croissance (1,5 %). Le PIB réel du Manitoba a augmenté de 3 % en 2000.

La croissance réelle de la principale industrie du Manitoba, l'industrie manufacturière, a atteint 1,1 % en 2001. La production réelle en agriculture a baissé de 0,8 %, alors que les secteurs de la construction, des mines et des services publics ont tous réalisé de faibles profits.

Les secteurs de service du Manitoba représentent ensemble plus de 72 % de l'économie totale. Dix de leurs treize catégories ont enregistré des profits en 2001.

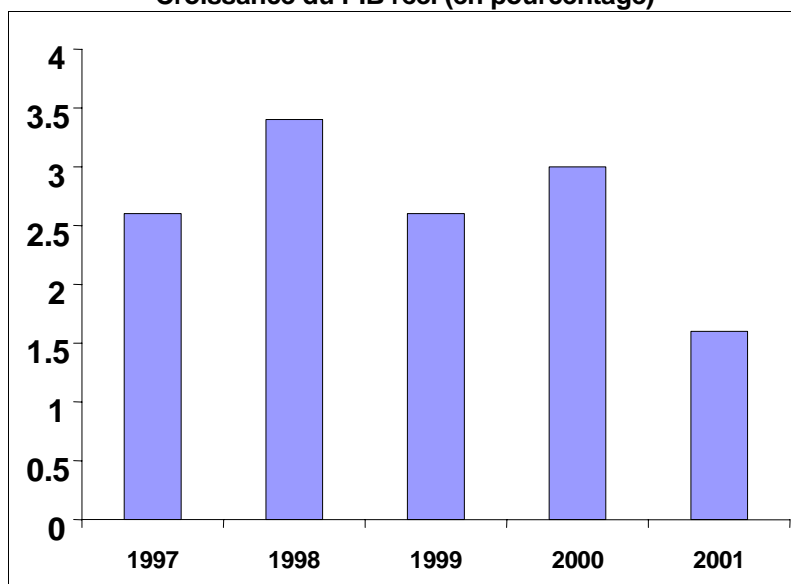
### Gross Domestic Product

In 2001, Manitoba's economy posted its ninth consecutive year of real Gross Domestic Product (GDP) growth, increasing 1.6%. Nominal GDP advanced 3.3% to \$34.9 billion.

### Produit intérieur brut

En 2001, l'économie manitobaine a connu sa neuvième année consécutive de croissance du produit intérieur brut (PIB) réel, soit une augmentation de 1,6 %. Le PIB nominal, qui a augmenté de 3,3 %, se chiffre à 34,9 milliards de dollars.

Real GDP Growth (Percent Change)  
Croissance du PIB réel (en pourcentage)



## Population

Manitoba's population at July 1, 2001 - the official population for the year - was 1,150,000. The population growth for the year was 4,000 persons, an increase of 0.4% from the previous year.

## Population

La population du Manitoba au 1<sup>er</sup> juillet 2001 – statistique officielle pour cette année-là – s'est élevée à 1 150 000 habitants. L'accroissement démographique pour l'année a été de 4 000 habitants, soit une augmentation de 0,4 % par rapport à l'année précédente.

## Employment and Incomes

Total 2001 employment in Manitoba averaged 557,900, an increase of 0.6% from 2000. Part-time employment increased by 2.4% while full-time employment declined modestly. Manitoba's unemployment rate increased 0.1% in 2001 to 5.0%. The Manitoba unemployment rate was the second lowest in Canada and well below the national average of 7.2%.

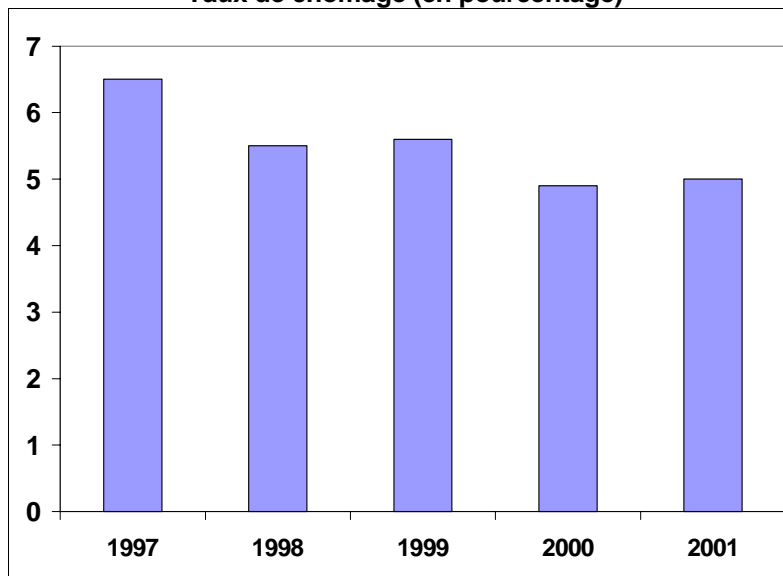
Total personal income in Manitoba grew 3.4% in 2001. Personal disposable income (personal income after accounting for direct taxes and similar charges) grew 3.6%. Total labour income increased by 3.5%.

## Emploi et revenu

Au Manitoba, on a enregistré une moyenne de 557 900 emplois pour 2001, soit une augmentation de 0,6 % par rapport à 2000. Les emplois à temps partiel ont augmenté de 2,4 %, alors que les emplois à plein temps ont légèrement diminué. Le taux de chômage du Manitoba a augmenté de 0,1 % en 2001 et a atteint 5 %. La province a eu le deuxième taux de chômage le plus faible du Canada, bien en-dessous de la moyenne nationale de 7,2 %.

Le revenu total des particuliers a augmenté de 3,4 % au Manitoba en 2001. Le revenu disponible des particuliers (revenu personnel après les impôts directs et autres imputations similaires) a augmenté de 3,6 %. Le revenu total du travail a augmenté de 3,5 %.

**Unemployment Rates (Percent)**  
**Taux de chômage (en pourcentage)**



## Investment

Total capital investment in 2001, as measured by Statistics Canada's survey of private and public investment, increased 3.0% in 2001 to a record-high level of \$5.34 billion. Private capital investment increased by 0.4% while public capital investment jumped by 10.8%.

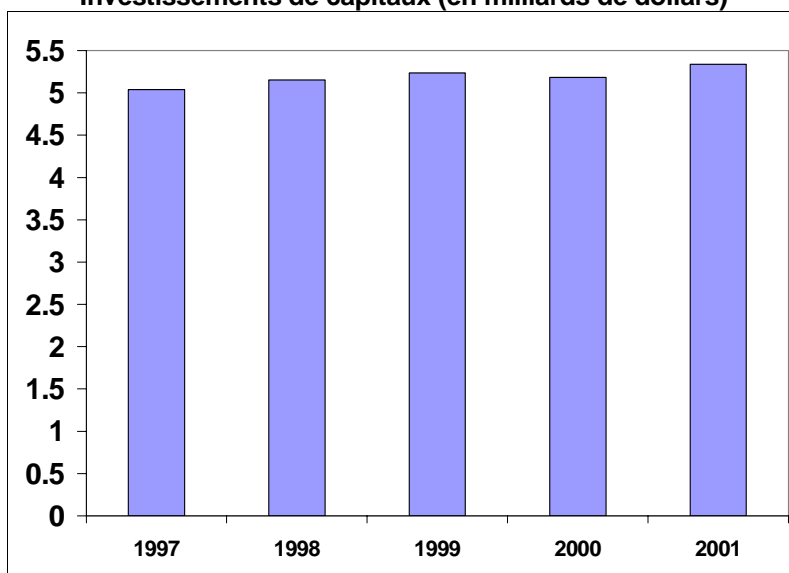
Among industries, the growth in capital investment was led by utilities (+28%), public administration and other services (both +17%), education services and transportation/warehousing (both +8%) and finance & insurance (+7%).

## Investissements

Selon le sondage mené par Statistiques Canada sur les investissements privés et publics, le total des investissements de capitaux a augmenté de 3 % en 2001 et a atteint un niveau record de 5,34 milliards de dollars. Les investissements de capitaux privés ont augmenté de 0,4 %, alors que les investissements de capitaux publics sont passés à 10,8 %.

Les principaux secteurs parmi lesquels il y a eu un accroissement des investissements de capitaux sont les services publics (+ 28 %), l'administration publique et les autres services (+ 17 % chacun), les services éducatifs et ceux de transport et d'entreposage (+ 8 % chacun), et les services de finances et d'assurance (+ 7 %).

**Capital Investment (Billions of Dollars)**  
**Investissements de capitaux (en milliards de dollars)**



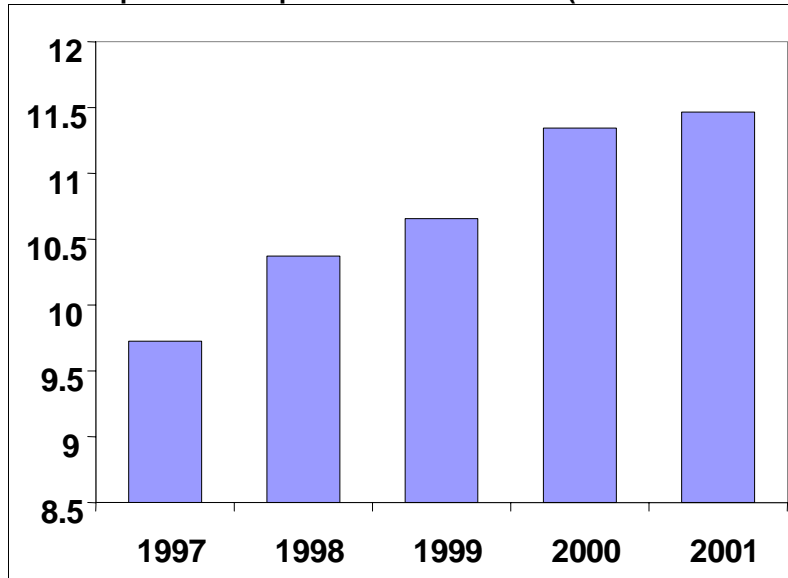
## Sectoral Developments

Manitoba's manufacturing shipments increased 1.1% in 2001, better than the 5.3% decline for Canada overall. Good performance in the shipment of processed food, printing, chemicals and furniture helped offset declines in beverages, wood, clothing and electrical equipment.

## Développements sectoriels

Les expéditions de produits manufacturés du Manitoba ont augmenté de 1,1 % en 2001, ce qui représente une amélioration par rapport à la baisse de 5,3 % pour l'ensemble du Canada. Les bons résultats obtenus en cette matière dans les industries des aliments transformés, de l'imprimerie, des produits chimiques et du meuble ont permis de compenser la baisse enregistrée dans les industries des boissons, du bois, du vêtement et du matériel électrique.

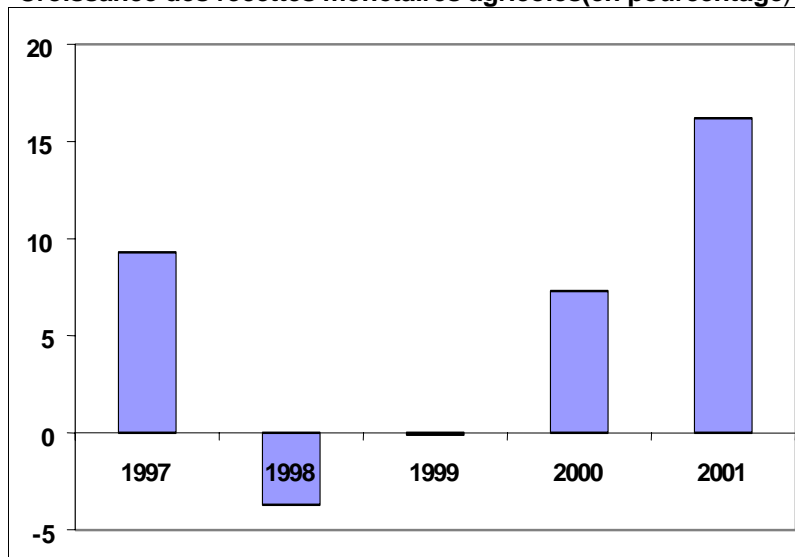
**Value of Manufacturing Shipments (Billions of Dollars)**  
**Valeur des expéditions de produits manufacturés (en milliards de dollars)**



Farm cash receipts for 2001 increased 16.2% to \$3.7 billion, well above the national increase of 9.7%. Receipts from crops increased 12.8%, with large increases in most crop categories. Wheat and oilseeds accounted for about two-thirds of total crop receipts in 2001. Livestock receipts increased 16%, with strong growth in hogs, cattle and calves. Direct payments rose 33.1%.

Les recettes monétaires agricoles pour 2001 ont augmenté de 16,2 % et ont atteint 3,7 milliards de dollars, bien au-dessus de l'augmentation nationale de 9,7 %. Les recettes tirées des récoltes ont augmenté de 12,8 %, avec des augmentations importantes dans la plupart des catégories de récoltes. Les recettes tirées des ventes de blé et de graines oléagineuses ont représenté environ les deux-tiers du total des recettes tirées des récoltes en 2001. Les recettes tirées de la vente de bétail ont augmenté de 16 %, en raison d'une forte croissance dans les industries du porc, des gros bovins et des veaux. On a également constaté une augmentation des paiements directs (33,1 %).

**Growth in Farm Cash Receipts (Percentage Change)**  
**Croissance des recettes monétaires agricoles(en pourcentage)**



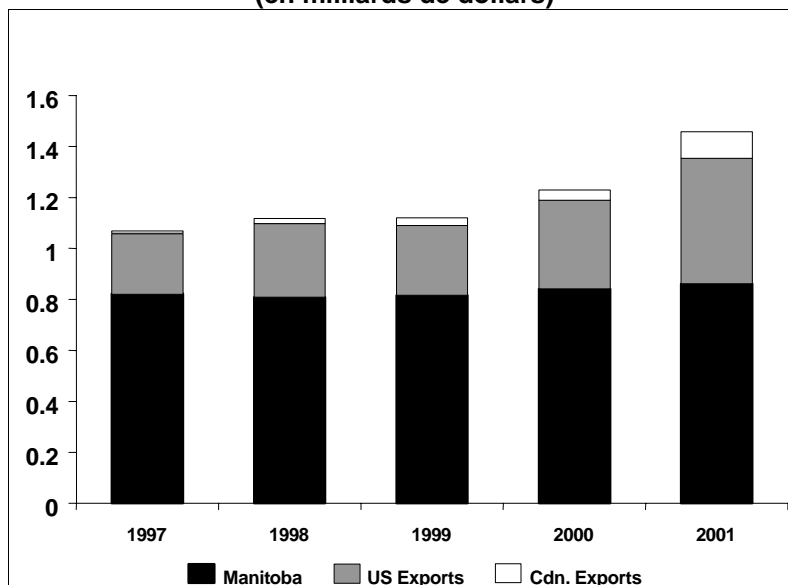
The total value of mineral production in Manitoba declined 15.1% in 2001 to \$1.05 billion. This follows a significant gain in production of 36% in 2000. The value of nickel produced declined 26.4% largely as a result of softer prices associated with weaker world economic conditions. Nickel accounted for almost 40% of total mineral production in Manitoba last year. The value of copper and zinc production also slipped in 2001, with higher production volumes being more than offset by weaker prices.

La valeur totale de la production minérale au Manitoba a diminué de 15,1 % en 2001, et a atteint 1,05 milliards de dollars. Cette tendance a suivi l'augmentation importante de la production en 2000 qui s'élevait à 36 %. La valeur de la production de nickel a diminué de 26,4 %, surtout en raison de la baisse des prix découlant de la conjoncture mondiale plus faible. Le nickel a représenté plus de 40 % du total de la production minérale au Manitoba l'an dernier. La valeur de la production du cuivre et du zinc a également chuté en 2001, en raison des volumes de production plus importants qui ont été plus que contrebalancés par les prix plus faibles.

The value of hydro-electric sales by Manitoba Hydro-Electric Board increased 18.5% to new record levels. Manitoba sales increased 4.5% while export sales, principally to the United States, rose 45.8%.

La valeur des ventes d'énergie électrique par Manitoba Hydro-Electric Board a augmenté de 18,5 % et a atteint de nouveaux niveaux records. Les ventes du Manitoba ont augmenté de 4,5 %, alors que les ventes à l'exportation, principalement vers les États-Unis, ont augmenté de 45,8 %.

**Hydro-Electricity Sales  
(Billions of Dollars)  
Ventes d'énergie électrique  
(en milliards de dollars)**



The value of retail trade in Manitoba increased 5.8% in 2001 to \$9.9 billion. This was the largest annual increase since 1997. The good performance was driven, in large part, by an 8.3% increase in motor vehicle sales last year. Retail sales in Winnipeg advanced 6.7%, while non-Winnipeg sales increased 4.2%.

Les ventes de détail au Manitoba ont augmenté de 5,8 % en 2001 et se sont élevées à 9,9 milliards de dollars. Il s'agit de l'augmentation annuelle la plus importante à cet égard depuis 1997. Ces bons résultats ont été en grande partie dus à l'augmentation de 8,3 % des ventes d'automobiles l'année dernière. Les ventes de détail à Winnipeg sont passées à 6,7 %, alors que les ventes à l'extérieur de Winnipeg ont augmenté de 4,2 %.



# FINANCIAL INDICATORS

## SUMMARY FINANCIAL STATEMENTS

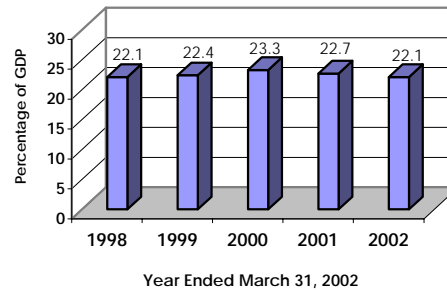
The Summary Financial Statements report on the entire government reporting entity. This includes all Crown organizations and government business enterprises which are owned or directly controlled by the government. The Manitoba Hydro-Electric Board and the Manitoba Crop Insurance Corporation are two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

### Expenses and Revenue

Total expenses in 2001/02 amounted to \$7,726 million, an increase of \$230 million or 3.1% over the 2000/01 fiscal year. Program expenses, that is, total expenses less public debt costs, increased \$242 million or 3.5% from 2000/01. Program expenses amounted to 20.7% of Gross Domestic Product in 2001/02.

Total revenue in 2001/02 amounted to \$7,603 million, a decrease of \$7 million or (0.1)% over 2000/01. Federal transfers were \$62 million higher than 2000/01. Corporate income taxes were \$138 million lower, and personal income taxes were \$98 million lower than 2000/01.

**Total Expenses as a Percentage of GDP**

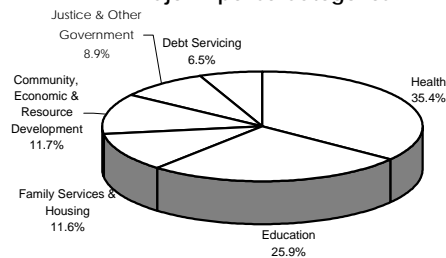


Source: Public Accounts of Manitoba

### Debt Service Charges

In 2001/02, the cost of servicing debt issued for the purpose of general government programs reached a level of \$502 million, representing approximately 6.5% of provincial expenses.

**Major Expense Categories**

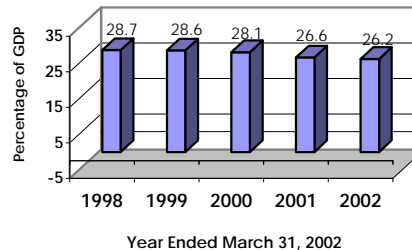


Source: Public Accounts of Manitoba

### Net Debt to Provincial GDP

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

**Net Debt as a Percentage of GDP**



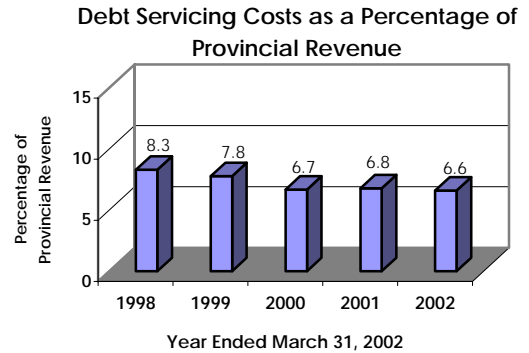
Source: Public Accounts of Manitoba

# FINANCIAL INDICATORS

## SUMMARY FINANCIAL STATEMENTS

### Debt Costs to Revenue

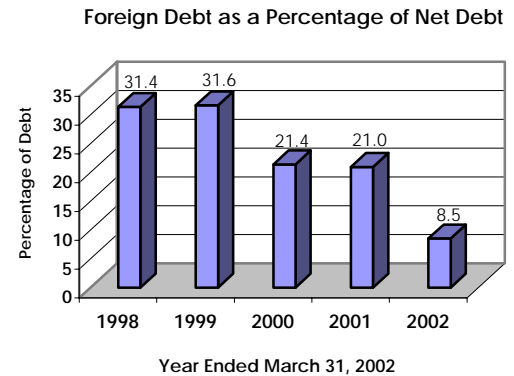
A measurement of debt costs to revenue indicates whether the Province has more to spend on public programs as opposed to debt servicing costs. In 2001/02, debt costs decreased to 6.6% from 6.8% in 2000/01.



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

### Foreign Debt to Net Debt

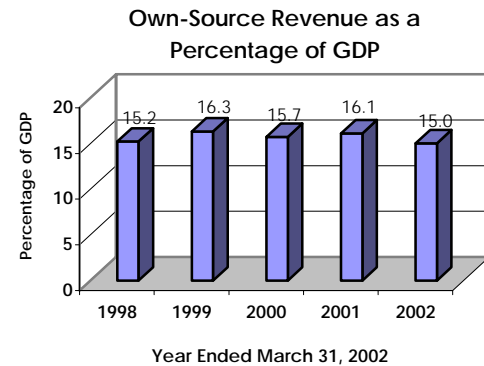
Decreasing the ratio of foreign currency debt to net government debt mitigates the risk of debt costs rising due to changes in foreign currency rates, and further improves the Province's financial position. In 2001/02, the ratio of foreign debt to net debt decreased significantly for the fifth consecutive year, from 31.4% in 1998 to 8.5% currently.



Source: Public Accounts of Manitoba

### Own Source Revenue to Provincial GDP

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



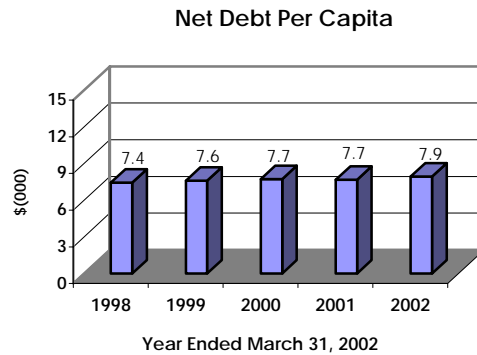
Source: Public Accounts of Manitoba

# FINANCIAL INDICATORS

## SUMMARY FINANCIAL STATEMENTS

### Net Debt per Capita

A decrease in the net debt per capita is an indication of a decreasing debt burden on a per person basis. This figure has remained relatively stable for the past five years, with an increase for 2001/02 to approximately \$7,916, the increase being attributable primarily to the impact of the Federal accounting error.

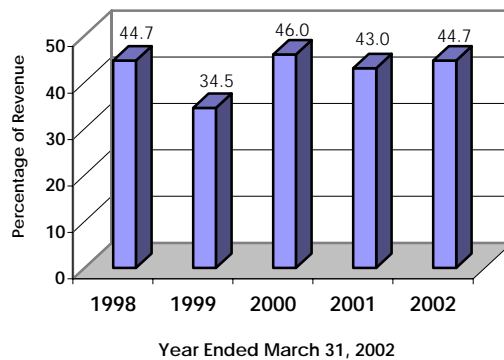


Source: Public Accounts of Manitoba

### 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.

### Federal Transfer Payments as a Percentage of Own-Source Revenue



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

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

## OPERATING FUND DISCUSSION AND ANALYSIS

The Operating Fund reflects the central operations of the Government and is the basis for appropriations voted by the Legislature. It is through the Operating Fund that the Province records central government operations, including revenue, program expense, public debt costs and inter-fund transfers to debt/pension repayment and to/from the Fiscal Stabilization Fund. The Special Purpose Operating Fund and Special Funds financial statements provide a means of measuring results compared to voted appropriations and obligations with respect to *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Operating Fund does not include the results of government enterprises and Crown Organizations except to the extent that they may have received funding from or contributed revenue to the Operating Fund.

The following sections detail how the 2001/02 actual results varied from the 2001/02 Budget and the 2000/01 results.

The following pages present a brief analysis of actual results of the Operating Fund for the fiscal year ended March 31, 2002. Included are:

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

## FONDS DE FONCTIONNEMENT EXAMEN ET ANALYSE

Le Fonds de fonctionnement donne des indications sur les opérations centrales du gouvernement. C'est à partir de ce Fonds que l'Assemblée législative vote des crédits et c'est par son intermédiaire que le gouvernement comptabilise ses opérations centrales, y compris ses recettes, les dépenses reliées à ses programmes, les frais de la dette publique, les transferts interfonds visant le remboursement de la dette ou des obligations découlant des régimes de retraite et les montants provenant du Fonds de stabilisation des recettes ou versés dans ce Fonds. Les états financiers du Fonds de fonctionnement à vocation spéciale et des Fonds spéciaux permettent de mesurer les résultats en les comparant aux autorisations de crédits et aux obligations contractées en vertu 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 comprend pas les résultats d'exploitation des entreprises gouvernementales et sociétés de la Couronne, sauf si celles-ci ont reçu un financement Fonds ou ont contribué à ses recettes.

Les parties qui suivent indiquent en quoi les résultats réels de l'exercice 2001/02 s'écartent des prévisions du Budget de ce même exercice et des résultats de l'exercice 2000/01.

Les pages suivantes présentent une brève analyse des résultats réels du Fonds de fonctionnement pour l'exercice terminé le 31 mars 2002. On y trouve :

- l'explication des écarts par rapport au budget et à l'exercice précédent,
- l'explication de l'erreur comptable du gouvernement fédéral,
- des indicateurs financiers se rapportant nommément au Fonds de fonctionnement.

## **OPERATING FUND DETAILS OF BUDGETARY PERFORMANCE**

### **Variance Explanations Compared to Budget**

The actual positive balance of \$63 million was \$53 million higher than the budget projection of \$10 million.

While the 2002 Budget anticipated the initial \$150 million payment from Manitoba Hydro occurring in the 2001/02 fiscal year, the legislative authorization for the transfer did not occur until recently, and as a result, the initial payment of \$150 million will be recorded as revenue to the province in the 2002/03 fiscal year. As a transitional measure, a \$150 million transfer from the Fiscal Stabilization Fund occurred in the 2001/02 fiscal year in lieu of the payment from Manitoba Hydro. This transfer will be reversed in the 2002/03 fiscal year to replenish the Fiscal Stabilization Fund. More details on the nature and impact of this error are outlined on pages 29 and 30.

Total revenue was \$57 million, or 0.8%, lower than the budget projection while expenses were \$20 million, or 0.3%, lower than the budget projection.

As previously reported, the 2001/02 fiscal position of the province has been significantly impacted by the federal accounting error and reduced Corporate Income Tax revenues. To bridge the shortfall until the federal error is fully absorbed and Corporate Income Tax revenues recover, the Government will transfer \$288 million from the Manitoba Hydro-Electric Board (Manitoba Hydro) over three years.

The decrease in revenue primarily results from the impact of the federal error in calculating the provincial Individual Income Tax (\$95 million) as well as lower than anticipated corporate income tax (\$69 million), partially offset by Equalization adjustments of \$93 million.

Other notable own-source revenue variances occurred in the following sources: an \$8 million increase in net proceeds from the Manitoba Lotteries Corporation, an \$8 million increase in Retail Sales Tax receipts and a \$6 million increase in water power rentals, offset by an \$11 million reduction in Mining Tax revenues.

## **FONDS DE FONCTIONNEMENT DÉTAILS DU RENDEMENT**

### **Explications des écarts par rapport au budget**

Le solde positif réel de 63 millions de dollars dépasse de 53 millions les prévisions budgétaires, qui étaient de 10 millions de dollars.

Le Budget 2002 prévoyait un premier versement de 150 millions de dollars en provenance de Manitoba Hydro au cours de l'exercice 2001/02, mais l'Assemblée n'a donné que récemment son autorisation pour le virement, ce qui signifie que la somme de 150 millions de dollars sera comptabilisée dans les recettes de la province pour l'exercice 2002/03. Pour faire la transition et compenser l'absence des fonds de Manitoba Hydro, le gouvernement a transféré 150 millions de dollars du Fonds de stabilisation des recettes au cours de l'exercice 2001/02. Cette somme sera reversée au Fonds de stabilisation des recettes au cours de l'exercice 2002/03. Les pages 29 et 30 comportent des détails supplémentaires sur la nature et les conséquences de cette erreur.

Les recettes totales s'élèvent à 57 millions de dollars, soit 0,8 % de moins que prévu, tandis que les dépenses s'élèvent à 20 millions de dollars, soit 0,3 % de moins que prévu.

Comme nous l'avons déjà mentionné, la situation financière de la province en 2001/02 a été alourdie de façon notable par l'erreur comptable du gouvernement fédéral et par la réduction des recettes provenant de l'impôt sur le revenu des corporations. Afin de compenser ce manque à gagner jusqu'à ce que l'erreur fédérale ait été entièrement redressée et que les recettes provenant de l'impôt sur le revenu des corporations se rétablissent, le gouvernement transférera 288 millions de dollars de la Régie de l'hydro-électricité du Manitoba (Manitoba Hydro), répartis sur une période de trois ans.

La baisse des recettes est principalement due aux conséquences de l'erreur commise par le gouvernement fédéral en ce qui concerne le calcul de l'impôt provincial sur le revenu des particuliers (95 millions de dollars), et aux rentrées moins élevées que prévu pour ce qui est de l'impôt sur le revenu des corporations (69 millions de dollars). Ceci a été partiellement compensé par un rajustement de 93 millions de dollars des paiements de péréquation.

D'autres écarts notables se sont produits dans les recettes autonomes : une augmentation de 8 millions de dollars du produit net de la Corporation manitobaine des

A surplus of \$20 million in expenses occurred in 2001/02 and was largely attributable to expense restraint measures implemented during the fiscal year. Notable expense variances from Budget include \$78 million in additional expenses on health care and an \$18 million increase in emergency related expenses (forest fire suppression and 2001 Spring flooding). These increases were offset by a reduction in public debt servicing costs (\$44 million), delayed implementation of the Red River Floodway renewal and expansion program (\$40 million) and lower than budgeted expenses in most other departments as a result of expense management measures implemented in-year.

As required by balanced budget legislation, a transfer of \$96 million was made to the Debt Retirement Fund. For 2001/02, the Debt Retirement Fund Allocation Committee, which determines the distribution of these funds to pension or general purpose debt, allocated \$75 million for pension obligations, leaving \$21 million for the retirement of general purpose debt.

The positive balance of \$63 million was transferred to the Fiscal Stabilization Fund in accordance with balanced budget legislation. As noted in 2001/02 Preliminary Financial Report, the budgeted general transfer of \$60 million from the Fiscal Stabilization Fund to the Operating Fund was not required.

loteries, une augmentation de 8 millions de dollars des recettes de la taxe sur les ventes au détail et une augmentation de 6 millions de dollars des loyers relatifs à l'énergie hydraulique, contrebalancées par une baisse de 11 millions de dollars des recettes provenant de l'impôt minier.

On a enregistré un excédent de 20 millions de dollars au chapitre des dépenses en 2001/02, dû en grande partie aux mesures de compression appliquées au cours de l'exercice. Les écarts importants à signaler dans les dépenses par rapport aux prévisions sont les suivants : 78 millions de dollars supplémentaires pour les soins de santé et 18 millions de dollars pour les mesures d'urgence (lutte contre les incendies de forêt et inondation du printemps 2001). Ces augmentations des dépenses ont été compensées par une baisse des frais de service de la dette (44 millions de dollars), un retard dans la mise en œuvre du programme de rénovation et d'expansion du canal de dérivation de la rivière Rouge (40 millions de dollars) et des dépenses moins élevées que prévu dans la plupart des autres ministères grâce à l'application en cours d'exercice de mesures de gestion des dépenses.

Une somme de 96 millions de dollars a été versée au Fonds de remboursement de la dette, conformément aux exigences législatives sur l'équilibre budgétaire. Pour l'exercice 2001/02, le Comité de répartition du Fonds de remboursement de la dette, qui décide de la distribution des fonds dans ce domaine, a accordé 75 millions de dollars à l'exécution de l'obligation découlant des régimes de retraite et 21 millions de dollars au remboursement de la dette générale.

Le solde positif de 63 millions de dollars a été transféré au Fonds de stabilisation des recettes, comme l'exigent les dispositions législatives sur l'équilibre budgétaire. Ainsi que nous l'avons indiqué dans le rapport financier préliminaire de 2001/02, le transfert général de 60 millions de dollars au Fonds de fonctionnement qui était prévu au budget n'a pas été nécessaire.

### **Variance Explanations Compared to Previous Year**

The actual positive balance of \$63 million was \$22 million higher than last year's result of \$41 million.

Total revenue was \$6 million, or 0.1%, less than the previous year's actual level. As noted previously, this year-over-year comparison reflects the impact of the federal error on Individual Income Tax and the anticipated adjustment to Equalization. The net reduction was comprised of a number of increases and decreases, including decreases in Individual Income Tax (\$98 million), Corporate Income Tax (\$138 million) and Mining Tax (\$36 million). These decreases were partially offset by increases in revenues from Equalization (\$60 million), water power rentals (\$56 million), Canada Health and Social Transfer (\$50 million), Retail Sales Tax (\$33 million) and Tobacco Tax (\$17 million).

Expenses increased by \$122 million, or 1.8%, from the 2000/01 actual level. Health care expenses increased by \$167 million due to salary, price and volume increases. Education, Training and Youth expenses increased by \$38 million primarily as a result of budget initiatives such as the second \$75 increase in the Manitoba Education Property Tax Credit and the announced increase in school grants. Family Services and Housing expenses increased by \$36 million as a result of funding increases for community living, child protection and support and child day care.

These increases were offset by a \$97 million reduction in public debt servicing costs as well as a \$45 million reduction in Agriculture and Food primarily due to the completion of a one-time assistance program in 2000/01.

### **Explications des écarts par rapport à l'exercice précédent**

Le solde positif réel de 63 millions de dollars dépasse de 22 millions les résultats de l'exercice précédent (41 millions de dollars).

Les recettes totales s'élèvent à 6 millions de dollars, soit 0,1 % de moins que les recettes réelles de l'exercice précédent. Comme nous l'avons déjà signalé, cette comparaison entre deux exercices successifs montre les conséquences de l'erreur du gouvernement fédéral en matière d'impôt sur le revenu des particuliers et le rajustement prévu des paiements de péréquation. La réduction nette est composée d'un certain nombre de hausses et de baisses, y compris une baisse au chapitre de l'impôt sur le revenu des particuliers (98 millions), à celui de l'impôt sur le revenu des corporations (138 millions) et à celui de l'impôt minier (36 millions). Ces réductions ont été partiellement compensées par des hausses des recettes provenant des paiements de péréquation (60 millions), des loyers relatifs à l'énergie hydraulique (56 millions), du transfert canadien en matière de santé et de programmes sociaux (50 millions), de la taxe sur les ventes au détail (33 millions) et de la taxe sur le tabac (17 millions).

Les dépenses ont augmenté de 122 millions de dollars, soit 1,8 %, par rapport aux dépenses réelles de 2000/01. Les dépenses au chapitre des soins de santé se sont accrues de 167 millions de dollars à cause d'augmentations de salaires, de prix et de volume. Les dépenses du ministère de l'Éducation, de la Formation professionnelle et de la Jeunesse ont grossi de 38 millions de dollars, en grande partie à cause d'initiatives budgétaires telles la deuxième augmentation de 75 \$ du crédit d'impôt foncier du Manitoba en matière d'éducation et la hausse annoncée des subventions aux écoles. Les dépenses du ministère des Services à la famille et du Logement ont augmenté de 36 millions de dollars à cause de la hausse du financement des programmes de vie en société, de protection et de soutien pour les enfants et de garde de jour.

Ces augmentations ont été compensées par une réduction de 97 millions de dollars des frais de service de la dette publique et une baisse de 45 millions de dollars des dépenses du ministère de l'Agriculture et de l'Alimentation, due principalement à l'achèvement d'un programme d'aide ponctuel en 2000/01.



## **Effect of the Federal Payments Error on Income Tax Revenues**

On January 29, 2002, the Federal Government disclosed a long-standing error that had been made by the Federal Government in calculating provincial individual income tax (PIT) revenue.

Under federal-provincial tax collection agreements, the Federal Government has responsibility for the collection of provincial Individual Income Taxes (other than Quebec) and paying the amounts owed to the provincial governments. The Federal Government makes interim payments to provinces during the taxation year based on an estimate of the total amount of provincial income taxes. After the income tax returns for the tax year have been filed and processed, the taxes actually assessed in the Province are reconciled with the interim payments. Any difference is remitted either to Canada or the province as appropriate.

However, in the case of mutual fund trusts, refunds of provincial tax assessed on capital gains were never accounted for in the federal reconciliation calculation.

On March 28, 2002, the Federal Government recovered from Manitoba \$168 million related to 2000 tax year mutual fund trust capital gains tax refunds. In addition, it is estimated that the overpayment for the 2001 taxation year was \$112 million, one-quarter (\$28 million) of which was related to the 2000/01 fiscal year. The remaining \$84 million estimated overpayment was accrued as a reduction of income tax revenue in the 2001/02 fiscal year. The portions of the error which related to prior fiscal years (\$196 million) have been recorded as an adjustment to the accumulated deficit.

The impact of this error on Manitoba is significant due to the large financial services sector in the province. For Manitoba, the federal error meant that:

- higher income tax remittances were received from the Federal Government;
- lower Equalization payments were received; and
- budget decisions over most of the last decade were based on a revenue track significantly inflated by the effects of the error.

## **Conséquences de l'erreur comptable fédérale sur les recettes provenant de l'impôt sur le revenu des particuliers**

Le 29 janvier 2002, le gouvernement fédéral a révélé une erreur de longue date qu'il avait commise en calculant les recettes provenant de l'impôt provincial sur le revenu des particuliers.

En vertu d'ententes fédérales-provinciales de perception des impôts, le gouvernement fédéral a la charge de percevoir les impôts provinciaux sur le revenu des particuliers (sauf au Québec) et de restituer aux provinces les montants dûs. Le gouvernement fédéral verse des paiements provisoires aux provinces au cours de l'année d'imposition en se fondant sur une estimation du montant total des impôts sur le revenu de chaque province. Lorsque les déclarations de revenus ont toutes été déposées et traitées, on fait le rapprochement des montants réels calculés par les provinces et des paiements provisoires. Toute différence est remise au gouvernement fédéral ou à la province, selon le cas.

Cependant, dans le cas des fiducies de fonds commun de placement, les remboursements de l'impôt provincial calculé sur les gains en capital n'ont jamais été pris en considération lors du rapprochement fait par le gouvernement fédéral.

Le 28 mars 2002, le gouvernement fédéral a recouvré auprès du Manitoba une somme de 168 millions de dollars liée aux remboursements au titre des gains en capital des fiducies de fonds commun de placement pour l'année d'imposition 2000. De plus, on estime que le trop-payé de l'année d'imposition 2001 s'élève à 112 millions de dollars, dont un quart (28 millions) pour l'exercice 2000/01. Le reste du trop-payé, soit une somme de 84 millions de dollars selon les estimations, a été comptabilisé en tant que réduction des recettes provenant de l'impôt sur le revenu pour l'exercice 2001/02. Les sommes faisant partie des versements excédentaires qui correspondent aux exercices précédents (196 millions de dollars) ont été inscrites sous forme de redressement du déficit accumulé.

Les conséquences de cette erreur sur le Manitoba sont graves à cause de l'importance du secteur des services financiers dans la province. À cause de cette erreur, le Manitoba :

- a reçu des versements plus élevés de la part du gouvernement fédéral en matière d'impôt sur le revenu;
- a reçu des paiements de péréquation moins élevés;
- a pris des décisions budgétaires au cours d'une

On September 4, 2002 the Federal Government announced that affected provinces would be required to return overpayments for the taxation years 1997 to 1999 net of corresponding adjustments that reflect Equalization offsets. They also announced an Equalization regulation change from 2001/02 forward which will increase payments by an estimated \$138 million over amounts already paid in advance for that year. Provinces will not be required to repay amounts for years prior to 1997 as the calculations could not be adequately verified by the federal Auditor General. The net impact of the federal settlement related to 1997 to 1999 on Manitoba is a payable of \$91 million owing to the Federal Government over a ten-year period commencing in 2004/05. Because this amount pertains to prior years, this adjustment has been reflected in the Statement of Accumulated Deficit for the Operating Fund in 2001/02.

Individual Income Tax for overpayments and related Equalization adjustments are reflected in the 2001/02 Operating Fund results as noted above and will be adjusted in future fiscal years as indicated in the 2002 Budget.

The Federal Government has also recognized that there was a significant fiscal challenge faced by Manitoba because of the federal error and will be providing a \$140 million transitional payment in 2002/03 as projected in the 2002 Manitoba Budget.

bonne partie des dix dernières années en se fondant sur des recettes grossies de façon notable par cette erreur.

Le 4 septembre 2002, le gouvernement fédéral a annoncé que les provinces touchées devraient rembourser les versements excédentaires des années 1997 à 1999 après déduction des rajustements correspondants en matière de péréquation. Il a également annoncé une modification au Programme de péréquation : à partir de l'exercice 2001/02, les paiements de péréquation augmenteront d'environ 138 millions de dollars par rapport aux montants versés à l'avance pour l'exercice en question. Les provinces n'auront pas à rembourser le trop-payé des années qui précèdent 1997 car les calculs n'ont pas pu être vérifiés suffisamment par le vérificateur général du Canada. Le montant net à verser par le Manitoba au gouvernement fédéral pour les paiements excédentaires de 1997 à 1999 s'élève à 91 millions de dollars, remboursables sur dix ans à partir de 2004/05. Étant donné que ce montant se rapporte à des années passées, le rajustement figure dans l'état du déficit accumulé du Fonds de fonctionnement pour 2001/02.

Les rajustements en matière d'impôt sur le revenu des particuliers et de paiement de péréquation liés aux versements excédentaires figurent dans les résultats du Fonds de fonctionnement de 2001/02, ainsi qu'il est indiqué ci-dessus; les rajustements seront appliqués pour les prochains exercices de la manière indiquée dans le Budget 2002.

Le gouvernement fédéral a aussi reconnu que le Manitoba se trouvait face à un défi financier important à cause de l'erreur commise et fournira donc un paiement provisoire de 140 millions de dollars en 2002/03, ce qui figure dans le Budget du Manitoba pour l'exercice 2002.

# FINANCIAL INDICATORS

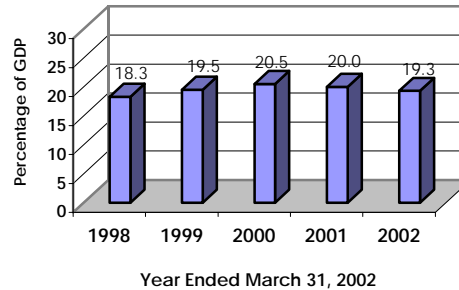
## OPERATING FUND

### Expenses and Revenue

Total expenses in 2001/02 amounted to \$6,737 million, an increase of \$122 million or 1.8% over the 2000/01 fiscal year. Program expenses, that is, total expenses less public debt costs, increased \$219 million from 2000/01. Program expenses amounted to 18.1% of Gross Domestic Product in 2001/02.

Total revenue in 2001/02 amounted to \$6,746 million, a decrease of \$6 million or (0.1)% over 2000/01. Federal transfers were \$115 million higher than 2000/01. Corporate income taxes were \$138 million lower, and personal income taxes were \$98 million lower than 2000/01.

**Total Expenses as a Percentage of GDP**

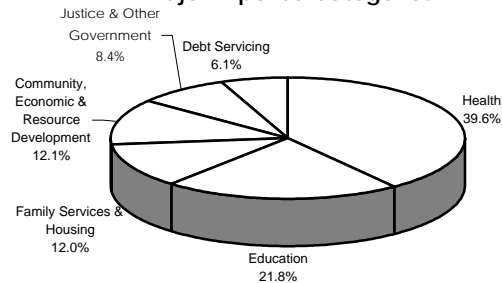


Source: Public Accounts of Manitoba

### Debt Service Charges

In 2001/02, the cost of servicing debt issued for the purpose of government programs reached a level of \$414 million. This represented 6.1% of provincial operating fund expenses, down significantly from 7.7% in 2000/01.

**Major Expense Categories**

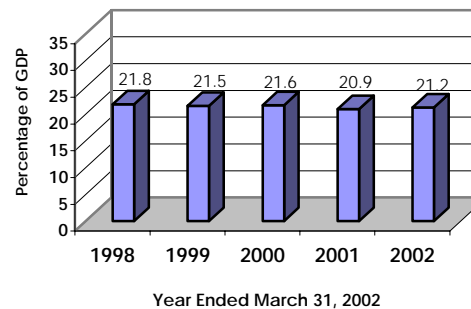


Source: Public Accounts of Manitoba

### Net Debt to Provincial GDP

A measurement of debt growth in relation to economic growth, the Province's 2001/02 ratio of net debt to GDP remained basically unchanged from the prior year.

**Net Debt as a Percentage of GDP**



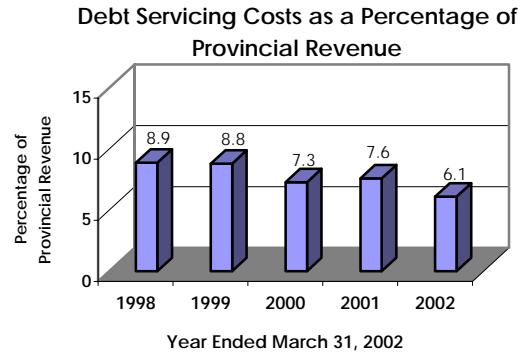
Source: Public Accounts of Manitoba

# FINANCIAL INDICATORS

## OPERATING FUND

### Debt Costs to Revenue

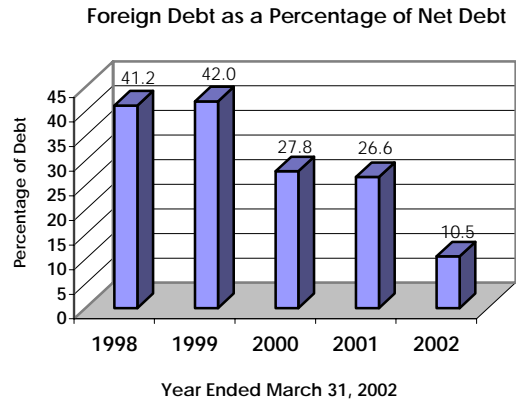
A measurement of debt costs to revenue indicates whether the Province has more to spend on public programs as opposed to debt servicing costs. In 2001/02, debt costs decreased significantly to 6.1% of revenue, from 7.6% in 2000/01.



Source: Public Accounts of Manitoba

### Foreign Debt to Net Debt

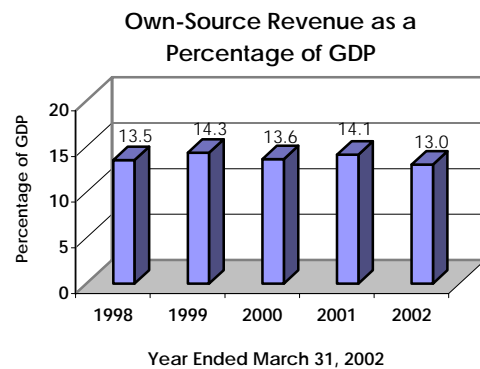
Decreasing the ratio of foreign currency debt to net government debt mitigates the risk of debt costs rising due to changes in foreign currency rates, and further improves the Province's financial position. In 2001/02, the ratio of foreign debt to net debt decreased significantly for the fifth consecutive year, from 41.2% in 1998 to 10.5% currently.



Source: Public Accounts of Manitoba

### Own Source Revenue to Provincial GDP

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



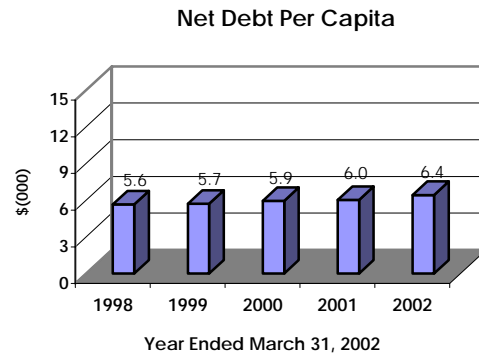
Source: Public Accounts of Manitoba

# FINANCIAL INDICATORS

## OPERATING FUND

### Net Debt per Capita

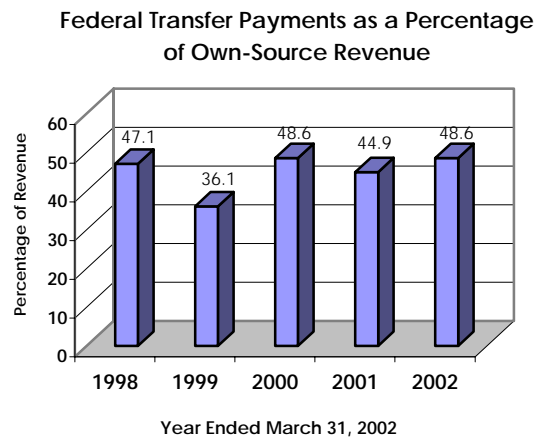
A decrease in the net debt per capita is an indication of a decreasing debt burden on a per person basis. This figure has remained relatively stable for the past five years, with an increase for 2001/02 to approximately \$6,415, the increase being attributable primarily to the impact of the Federal accounting error.



Source: Public Accounts of Manitoba

### Federal Transfers to Own-Source Revenue

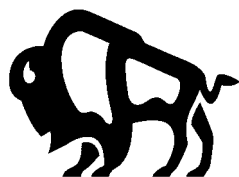
Federal transfers to own-source revenue is a measurement of the Province's dependence on revenues from sources which are outside of its control.



Source: Public Accounts of Manitoba

**PUBLIC ACCOUNTS  
VOLUME 1**

**FOR THE YEAR ENDED  
MARCH 31, 2002**



**MANITOBA FINANCE**

## INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

The Public Accounts of the Province of Manitoba are prepared by statutory requirement, in accordance with the Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts for the fiscal year ended March 31, 2002 consist of four volumes:

### Volume 1

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

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

### NOTE:

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

### 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.

**SUMMARY FINANCIAL  
STATEMENTS**

**FOR THE YEAR ENDED**

**March 31, 2002**



TABLE OF CONTENTS	PAGE
Statement of Responsibility . . . . .	43
Auditor's Report . . . . .	45
Summary Statement of Financial Position. . . . .	47
Summary Statement of Revenue and Expense . . . . .	48
Summary Statement of Accumulated Deficit . . . . .	49
Summary Statement of Changes in Cash Flow and Temporary Investments. . . . .	50
Notes to the Summary Financial Statements . . . . .	51
Schedules to the Summary Financial Statements	
Schedule 1 - Summary Statement of Amounts Receivable. . . . .	66
Schedule 2 - Summary Statement of Loans and Advances . . . . .	67
Schedule 3 - Government Enterprises Schedule of Summary Operating Results and Financial Position. . . . .	68
Schedule 4 - Summary Statement of Long-Term Investments . . . . .	69
Schedule 5 - Summary Statement of Tangible Capital Assets. . . . .	70
Schedule 6 - Summary Statement of Borrowings. . . . .	71
Schedule 7 - Summary Statement of Accounts Payable, Accrued Charges, Provisions and Deferrals. . . . .	72
Schedule 8 - Funds, Organizations and Enterprises Comprising the Government Reporting Entity. . . . .	73
Schedule 9 - Reconciliation of Operating Fund Budgetary Balance to Summary Net Income. . . . .	76
Schedule 10 - Reconciliation of Operating Fund Accumulated Deficit to Summary Accumulated Deficit*. . . . .	77
Schedule 11 - Summary Statement of Expense by Type. . . . .	78
Schedule 12 - Summary Statement of Net Debt . . . . .	78

## 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, changes in cash flow and temporary investments, notes and schedules to the statements. Together, they present fairly, in all material respects, the financial condition of the government reporting entity at the fiscal year end and the results of its operations for the year then ended.

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

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

On behalf of the Government

HONOURABLE GREG SELINGER  
Minister of Finance  
September 17, 2002



**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 Manitoba**

I have audited the summary statement of financial position of the Government of the Province of Manitoba as at March 31, 2002 and the summary statements of revenue and expense, accumulated deficit and changes in cash flow and temporary investments for the year then ended. These financial statements are the responsibility of the Government. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, these Summary Financial Statements for the Government Reporting Entity present fairly, in all material respects, the summary financial position of the Government of the Province of Manitoba as at March 31, 2002 and the summary results of its operations and changes in its cash flow and temporary investments for the year then ended, in accordance with the accounting policies stated in Note 1 to the financial statements and applied, on a basis consistent with that of the preceding year.

Winnipeg, Manitoba  
September 17, 2002

Jon W. Singleton, CA•CISA  
Auditor General

## SUMMARY STATEMENT OF FINANCIAL POSITION

As at March 31, 2002

SCHEDULE		(\$ millions)	
		2002	2001
	<b>ASSETS</b>		
	Cash and temporary investments (Note 2).....	893	1,275
1	Amounts receivable.....	880	925
	Inventories.....	26	31
2	Loans and advances.....	579	558
3	Equity in government enterprises (Note 5).....	1,528	1,415
4	Other long-term investments.....	7	2
	Deferred charge for non-devolved health care facilities (Note 1A).....	137	138
5	Tangible capital assets (Note 3).....	1,874	1,799
	Pension assets (Note 10).....	107	21
	Assets of non-devolved health care facilities (Note 1A).....	759	694
	<b>TOTAL ASSETS</b>	<u>6,790</u>	<u>6,858</u>
	<b>LIABILITIES</b>		
6	Borrowings.....	20,682	20,459
	Less: Sinking funds (Note 6).....	6,551	6,247
	Less: Debt incurred for and repayable by the Manitoba Hydro-Elect Board and Manitoba Lotteries Corporation.....	5,871	5,840
		8,260	8,372
	Less: Unamortized foreign currency fluctuation.....	143	220
	Net borrowings	8,117	8,152
7	Accounts payable, accrued charges, provisions and deferrals.....	1,954	1,944
	Pension liability (Note 10).....	3,217	3,050
	Liabilities of non-devolved health care facilities (Note 1A).....	682	623
	<b>TOTAL LIABILITIES</b>	<u>13,970</u>	<u>13,769</u>
12	<b>ACCUMULATED DEFICIT</b>	<u>7,180</u>	<u>6,911</u>

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

## SUMMARY STATEMENT OF REVENUE AND EXPENSE

For the Year Ended March 31, 2002

	(\$ millions)	
	2002	2001
<b>REVENUE</b>		
Manitoba Collections:		
Retail sales tax.....	966	933
Fuel taxes.....	223	224
Levy for health and education.....	244	239
Mining tax.....	9	45
Other taxes.....	401	376
Fees and other revenue.....	1,034	907
Government Enterprise Transfers (Schedule 3):		
Liquor Control Commission.....	163	158
Manitoba Lotteries Corporation.....	248	239
Income taxes:		
Corporation income tax.....	306	444
Individual income tax.....	1,659	1,757
Federal transfers:		
Equalization.....	1,399	1,339
Canada Health and Social Transfer.....	685	545
Federal Health Supplement.....	-	92
Medical Equipment Fund.....	3	-
Shared cost and other.....	263	312
<b>TOTAL REVENUE.....</b>	<b>7,603</b>	<b>7,610</b>
<b>EXPENSES</b>		
Health.....	2,740	2,616
Education .....	1,998	1,915
Family Services and Housing.....	893	854
Community, Economic and Resource Development.....	908	942
Justice and Other Government.....	685	655
Debt Servicing (Note 15).....	502	514
<b>TOTAL EXPENSES (Schedule 11).....</b>	<b>7,726</b>	<b>7,496</b>
<b>NET REVENUE (EXPENSE).....</b>	<b>(123)</b>	<b>114</b>
Increase in equity in government enterprises before Manitoba Public Insurance Corporation (MPIC) surplus distribution (Schedule 3).....	194	317
Net income before decrease in equity in government enterprises resulting from the MPIC surplus distribution.....	71	431
Decrease in equity in government enterprises - MPIC surplus distribution (Schedule 3) (Note 19).....	(81)	-
<b>SUMMARY NET INCOME (LOSS) (Schedule 9)</b>	<b>(10)</b>	<b>431</b>

## SUMMARY STATEMENT OF ACCUMULATED DEFICIT

For the Year Ended March 31, 2002

	(\$ millions)	
	2002	2001
Balance, beginning of year. ....	6,982	7,383
Changes in accounting policy		
Federal accounting error (Note 12).....	287	-
Accrual of employee future benefits (Note 13).....	(14)	81
Amortization of unrealized foreign exchange fluctuations, debt discount and deferred income.....	-	21
Tangible capital assets (Note 3).....	(4)	(21)
Restatement of net assets to trust liabilities.....	-	26
Net assets of devolved health care facilities		
Restatement of net assets of devolved health care facilities (Note 13).....	(6)	-
Restatement of net assets to liabilities (Note 13).....	5	-
Devolution of net equity of non-devolved health care facilities.....	-	(24)
Restatement to the accounting policies of the Government Reporting Entity.....	-	(49)
Repurchase of serial debentures (Note 1E).....	(3)	(4)
Summary net loss (income) for the year.....	<u>10</u>	<u>(431)</u>
	<u>7,257</u>	<u>6,982</u>
Equity in non-devolved health care facilities (Note 1C and Note 4)		
Balance, beginning of year.....	(71)	(93)
Recognition of non-devolved health care facilities.....	(3)	-
Devolution of non-devolved health care facilities.....	-	24
Net income for the year.....	<u>(3)</u>	<u>(2)</u>
	<u>(77)</u>	<u>(71)</u>
Balance, end of year (Schedule 12).....	<u><u>7,180</u></u>	<u><u>6,911</u></u>

## SUMMARY STATEMENT OF CHANGES IN CASH FLOW AND TEMPORARY INVESTMENTS

For the Year Ended March 31, 2002

	(\$millions)	
	2002	2001
Cash and temporary investments provided by (used in)		
Operating activities:		
Summary net income for the year.....	(10)	431
Changes in non-cash items:		
Amounts receivable.....	45	(112)
Valuation allowance.....	(4)	3
Inventories.....	5	(1)
Accounts payable, accrued charges, provisions and deferrals.....	10	124
Pension liability.....	167	144
Amortization of foreign currency fluctuation.....	58	96
Amortization of debt discount.....	14	12
Amortization of investment discounts and premiums.....	(4)	(14)
Amortization of tangible capital assets.....	118	96
Adjustment to Accumulated Deficit - Federal Accounting Error .....	(287)	-
Adjustment to Accumulated Deficit - Other .....	19	-
	131	779
Changes in equity in government enterprises.....	(113)	(317)
	18	462
Investing activities:		
Made.....	(1,141)	(866)
Realized.....	744	630
Acquisition of tangible capital assets.....	(189)	(186)
	(586)	(422)
Financing activities:		
Debt issued.....	2,445	2,386
Debt redeemed.....	(2,051)	(2,387)
Changes in sinking funds.....	(208)	288
	186	287
Changes in cash and temporary investments.....	(382)	327
Cash and temporary investments, beginning of year.....	1,275	948
Cash and temporary investments, end of year.....	893	1,275

**NOTES TO THE SUMMARY FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002**

**1. SIGNIFICANT ACCOUNTING POLICIES**

**A. General Basis of Accounting**

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

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

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

**B. The Reporting Entity**

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

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



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

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

**C. Basis of Consolidation**

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

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

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

**D. Basis of Specific Accounting Policies**

**Revenue**

All revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense. Government transfers are recognized as revenue in the period during which the transaction is authorized and any eligibility criteria are met. Generally, entitlements from the Government of Canada are recorded on a cash basis except for accruals of prior year adjustments determined before June 30 each year. For this 2001/02 fiscal year, a special adjustment was made in relation to additional Equalization entitlements which accrued to the Province for that year as a result of an error made by the Federal Government in remitting personal income tax collections, as described in Note 12. Though negotiations began before the year-end, final confirmation was not received from the Federal Government until September 4, 2002. Because of the significance of the amount, the accounts were held open to appropriately reflect this item in the fiscal year to which it relates.

**Expenses**

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

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

### **Gross Accounting Concept**

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

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

### **Liabilities and Assets**

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

## SUMMARY FINANCIAL STATEMENTS

---

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

- 8) A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as a deferred contribution which is amortized to revenue on the same basis as the asset is amortized. Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are deducted from the cost of the related asset with any amortization calculated on the net amount.
- 9) During the 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.
- 10) Guarantees of the government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the government's best estimate of future payments less recoveries.

### **E. Serial Debentures of School Divisions and Districts**

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

### **F. Use of Estimates**

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

## **2. CASH AND TEMPORARY INVESTMENTS**

Temporary investments are recorded at the lower of cost and market value. As at March 31, 2002, the cost of cash and temporary investments was \$893 million (2001 - \$1,275 million) with a market value of \$896 million (2001 - \$1,287 million). Investment revenue earned on the temporary investments funds during the year was \$76 million (2001 - \$89 million).

**3. TANGIBLE CAPITAL ASSETS**

During the year, assets acquired in prior fiscal years with a net book value of \$4 million (2001 - \$2 million) were identified and recorded. Also included in the 2001 comparative figure is the capitalization of land amounting to \$19 million.

**4. EQUITY IN NON-DEVOLVED HEALTH CARE FACILITIES**

The equity of the non-devolved health care facilities has been disclosed as a decrease to the accumulated deficit at March 31, 2002 of \$77 million (2001 - \$71 million). The change in net equity for the year resulted from the recognition of the net assets of previously unrecorded facilities of \$3 million and net income for the year ended March 31, 2002 of \$3 million (2001 - \$2 million). Net income has not been reflected in the Summary Statement of Revenue and Expense.

**5. EQUITY IN GOVERNMENT ENTERPRISES**

The category definitions are as follows:

Utility:

An enterprise which provides public utility services for a fee.

Insurance:

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

Finance:

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

Resource Development:

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

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

Equity in government enterprises is comprised of:

	(\$ millions)	
	2002	2001
Restricted Equity in Government Enterprises:		
Manitoba Hydro-Electric Board	1,302	1,088
Manitoba Public Insurance Corporation	130	227
Workers Compensation Board	<u>75</u>	<u>78</u>
	<u>1,507</u>	<u>1,393</u>
Unrestricted Equity in Government Enterprises:		
Leaf Rapids Town Properties Ltd	2	2
Manitoba Hazardous Waste Management Corporation	5	5
Manitoba Lotteries Corporation	5	5
Manitoba Product Stewardship Corporation	6	7
Manitoba Public Insurance Corporation	<u>3</u>	<u>3</u>
	<u>21</u>	<u>22</u>
Equity in Government Enterprises	<u>1,528</u>	<u>1,415</u>

**6. SINKING FUNDS**

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2002, sinking funds had a cost of \$6,551 million (2001 - \$6,247 million) and a market value of \$6,946 million (2001 - \$6,711 million). Investment revenue earned on the sinking funds during the year was \$312 million (2001 - \$364 million).

SUMMARY FINANCIAL STATEMENTS

---

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

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

The sinking funds are allocated as follows:

	(\$ millions)	
	2002	2001
Province of Manitoba	4,961	4,835
Manitoba Hydro-Electric Board	1,520	1,347
Regional Health Authorities	66	58
University of Manitoba	<u>4</u>	<u>7</u>
Total sinking funds	<u>6,551</u>	<u>6,247</u>

**7. GUARANTEES**

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

	(\$ millions)	
	2002	2001
Promissory notes, bank loans, lines of credit and other	46	63
Manitoba Grow Bonds	<u>8</u>	<u>9</u>
Total guarantees outstanding	<u>54</u>	<u>72</u>

Provision for future losses on guarantees in the amount of \$16 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.

**8. FINANCIAL COMMITMENTS**

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

SUMMARY FINANCIAL STATEMENTS

		(\$ millions)	
		2002	2001
Financial arrangements for completed projects:			
Public Schools		416	387
Future commitments:			
	<b>Government Enterprises</b>	<b>Other</b>	
Tangible capital assets,			
infrastructure and capital grants	158	216	374
Rental of tangible capital assets	37	145	182
Housing construction and approved mortgages	—	17	21
	<u>195</u>	<u>378</u>	<u>573</u>
		<u>989</u>	<u>1,012</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 \$73 million (2001- \$82 million).

In December of 2001, the government entered into a funding agreement with the City of Winnipeg and the TN Arena Limited Partnership regarding the True North Entertainment Complex. The Province's maximum commitment, after Federal Infrastructure contributions, is \$13 million.

## 9. CONTINGENCIES

The government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2002 in the accounts where the final results are uncertain.

### A. Canadian National Railways (CNR)

The CNR had requested a declaration that *The Retail Sales Tax Act* does not apply to a major part of its costs related to railway rolling stock. CNR also requested a refund of sales tax it had paid in that respect. In April 2002, CNR and the Province agreed to abandon their actions as well as their claims and each agreed to release the other party.

### B. Flood Costs

A provision has been made at March 31, 2002 for all flood claims and disaster financial assistance. The final amount of the government's share of these costs in the future is uncertain at the date these financial statements were issued.

### C. Northern Development Projects

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

## 10. PENSION PLANS

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

SUMMARY FINANCIAL STATEMENTS

---

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 was \$6 million (2001 - \$4 million) for the year ended March 31, 2002, the government set aside \$75 million (2001 - \$21 million) in the pension assets trust account. These funds are separately invested and maintained in trust accounts of the government and are increased by interest earned. The balance in the account as at March 31, 2002 was \$107 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, 1998	4.0%	3.0%	7.0%
Teachers'	January 1, 2001	4.0%	3.0%	7.0%
MLA	March 31, 2000	4.0%	3.0%	7.0%
University of Manitoba	December 31, 1999	4.0%	3.0%	7.0%
Brandon University	December 31, 2000	4.0%	3.0%	7.0%
HEPP	January 1, 2002	3.5%	3.0%	6.5%

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 2002	Pension Liability 2002	Pension Liability 2001
Operating Fund			
Civil Service Superannuation Fund			
Unamortized Experience Gain		112	122
Pension Liability	123	1,277	1,194
Members of the Legislative Assembly			
Unamortized Experience Gain		3	4
Pension Liability	2	28	28
Teachers' Retirement Allowances Fund			
Unamortized Experience Loss		(53)	-
Pension Liability	176	1,833	1,687
Crown organizations	<u>20</u>	<u>17</u>	<u>15</u>
	<u>321</u>	<u>3,217</u>	<u>3,050</u>

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

**A. Civil Service Plan**

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

As at March 31, 2002, the CSP had approximately 38,800 (2001 - 37,100) 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, 2002 was \$29 million (2001 - \$28 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, 2002 amounted to \$61 million (2001 - \$55 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, 2002, payments of \$74 million (2001 - \$70 million) were made to the CSSF.

An actuarial valuation report of the government's liability to the employees included in the CSSF was completed as of December 31, 1998. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,277 million as at March 31, 2002 (2001 - \$1,194 million). The report disclosed an experience gain of \$152 million which will be amortized over the 15 year expected average remaining service life of the employee groups. The 2001/02 amortization was \$10 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, 2002, the Teachers' Retirement Allowances Fund (TRAF) had approximately 29,000 (2001 - 29,000) participants including active members, retired teachers and former teachers with entitlements.

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

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

less

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

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



The TPA requires that teachers contribute 5.7% on pensionable earnings up to the CPP maximum earnings, and 7.3% on pensionable earnings above the maximum. 83.6% of contributions are used to fund basic benefits and 16.4% of contributions are allocated for indexing benefits. Contributions continue until the teacher's retirement or other termination from service. Teacher contributions for the year ended March 31, 2002, amounted to \$47 million (2001 - \$46 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, 2002, payments of \$84 million (2001 - \$76 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2001, which determined the government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,833 million at March 31, 2002 (2001 - \$1,687 million). The report disclosed an experience loss of \$57 million which will be amortized over the 13 year expected average remaining service life of the employee groups. The 2001/02 amortization was \$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. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2002, there are 119 (2001 - 123) plan members who are entitled to receive future pension benefits in accordance with the LAA.

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

An actuarial valuation report of the government's liability to the MLAs included in the pension plan was completed as of March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$28 million as at March 31, 2002 (2001 - \$28 million). The report disclosed an experience gain of \$4 million which will be amortized over the 10 year expected average remaining service life of the MLAs.

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

#### **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 Plan and the current level of funding satisfies the requirements of *The Manitoba Pensions Benefit Act*. The plans are not indexed.

## SUMMARY FINANCIAL STATEMENTS

---

As at December 31, 2001, the University of Manitoba Pension Plans had 4,801 active members (2000 - 4,570), and 764 pensioners (2000 - 718). 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, 1999 was completed in 2000 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2001. As at December 31, 2001, the University of Manitoba Pension Plan (1970) and The University of Manitoba Pension Plan (1993) were in an actuarial surplus of \$1 million (2000 - \$1 million) and \$23 million (2000 - \$21 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 \$10 million (2001 - \$10 million) for the 1970 Plan and for the 1993 Plan for the fiscal year ended March 31, 2002. Employee contributions equalled the employer contributions.

The next full actuarial valuation of the Plans will be as at December 31, 2001 and will be completed in 2002.

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 \$2 million in 2002 (2001 - \$1 million).

### **E. Brandon University**

The Brandon University administers the Brandon University Pension 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 Pension 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, 2001, the Brandon University Pension Plan had 424 active members (2000 - 421), 173 pensioners (2000 - 169), and 32 deferred pensions (2000 - 23).

The actuarial present value of accrued pension benefits has been determined using the accrued benefit method prorated on service and using assumptions recommended by the actuary and approved by the Trustees. An actuarial valuation was made as at December 31, 2000 by Eckler Partners Ltd., a firm of consulting actuaries. The results of this valuation have been extrapolated by Eckler Partners Ltd. to December 31, 2001. As at December 31, 2001, the Brandon University Pension Plan was in an actuarial surplus of \$11 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 Board of Governors of Brandon University has approved the use of \$5 million of the plan surplus at December 31, 2000 to improve benefits for members of the Plan. The details of the improvement are currently being finalized by the Trustees and it is expected that the improvement will be implemented in 2002.

The Brandon University recognized expenses equal to its contributions of \$1 million (2001 - \$1 million). Employee contributions equalled the employer contributions.

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

**F. Healthcare Employees Pension Plan - Manitoba (HEPP)**

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 Plans' 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.

As at December 31, 2001, HEPP had 31,817 active and disabled members (2000 - 29,656), 4,265 deferred vested members (2000 - 3,310), and 8,006 retired members (2000 - 7,540). There are currently 175 participating employers.

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 January 1, 2002, using the unit credit actuarial cost method. As at January 1, 2002, HEPP had a going concern actuarial surplus of \$87 million (January 1, 2001 - \$188 million). The employers cannot access this surplus and as a result, no asset has been recorded in the Province's Summary Financial Statements.

**11. AMOUNTS HELD IN TRUST**

The government held certain fiduciary trusts for investment or administration at March 31, 2002, totalling \$435 million (2001 - \$475 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, 2002 totalling \$135 million (2001 - \$147 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)	
	2001	2000
Civil Service Superannuation Fund	2,356	2,253
University of Manitoba Pension Plans	800	814
Brandon University Retirement Plan	<u>76</u>	<u>79</u>
	<b><u>3,232</u></b>	<b><u>3,146</u></b>

**12. FEDERAL ERROR ON INCOME REMITTANCES AND RELATED EFFECTS ON EQUALIZATION**

Under federal-provincial tax collection agreements, the Federal Government administers personal income taxes on behalf of all provinces other than Québec. It has responsibility for the collection of provincial income taxes and for paying the amounts owed to provincial governments. Provinces rely entirely on federal payment reporting and accounting processes. The Federal Government makes interim payments to provinces during the taxation year, based on an estimate of the total amount of provincial income taxes that will ultimately be assessed on tax returns in each province. After the income tax returns for the tax year have been filed and processed, the taxes actually assessed in the province are reconciled with the interim payments. If the interim payments were too high, the difference is paid by the province to Canada or, if they were too low, by Canada to the province.

In the case of mutual fund trusts, refunds of provincial tax assessed on capital gains were never accounted for in the federal reconciliation calculation. On January 29, 2002, the Federal Government disclosed this longstanding error to provinces. For the tax years 1993 through 1999, the Federal Government had determined that capital gains tax refunds claimed by mutual fund trusts nationally totalled \$3.3 billion, with about 90% of the total attributable to the 1997, 1998 and 1999 tax years. For Manitoba, the related amount had been determined to be \$439 million.

On March 28, 2002, the Federal Government recovered from Manitoba \$168 million related to 2000 tax year mutual fund trust capital gains tax refunds. In addition, it is estimated that the overpayment for the 2001 taxation year was \$112 million, one-quarter (\$28 million) of which was related to the 2000/01 fiscal year. The remaining \$84 million estimated overpayment was accrued as a reduction of income tax revenue in the 2001/02 fiscal year. The portions of the error which related to prior fiscal years (\$196 million) have been recorded as an adjustment to the accumulated deficit.

The overall impact of the federal accounting error has significantly wider implications for three principal reasons:

- higher income tax remittances were made from the Federal Government, mainly to Manitoba and Ontario;
- lower Equalization payments were received by Manitoba, and lower Canada Health and Social Transfer (CHST) payments by Ontario; and
- higher Equalization and CHST payments were made to other provinces.

Equalization regulations in effect at the time did not correctly address the effects of the error in respect of mutual fund trusts. In fact, they exacerbated the problem by failing to recognize the impacts of the refunds on Manitoba's fiscal capacity under the Personal Income Tax calculation. On September 4, 2002, confirmation was received from the Federal Government that this anomaly is being addressed. The Federal Government announced that affected provinces would be required to return overpayments for the taxation years 1997 to 1999 net of corresponding adjustments that reflect Equalization offsets. Provinces will not be required to repay amounts for years prior to 1997 as the calculations could not be adequately verified by the federal Auditor General. The net impact of the federal settlement related to 1997 to 1999 on Manitoba is a payable of \$91 million owing to the Federal Government over a ten-year period commencing in 2004/05. Because this amount pertains to prior years, this has also been recorded as an adjustment to the accumulated deficit. As anticipated in the 2002 Manitoba Budget, the Federal Government has announced an Equalization regulation amendment which will result in an adjustment to Equalization revenue estimated at \$138 million for 2001/02.

Individual Income Tax for overpayments and related Equalization adjustments are reflected in the 2001/02 Operating Fund results as noted above and will be adjusted in future fiscal years as indicated in the 2002 Budget.

The Federal Government has also recognized that there was a significant fiscal challenge faced by Manitoba because of the federal error and will be providing a \$140 million transitional payment in 2002/03 as projected in the 2002 Manitoba Budget.

**13. ADJUSTMENTS TO ACCUMULATED DEFICIT****A. Employee Future Benefits**

Effective April 1, 2000, certain health care facilities and the University of Manitoba applied the new accounting recommendations for employee future benefits. It has now been determined that the related increase of \$81 million applied to the accumulated deficit at March 31, 2001 was overstated by \$14 million, of which \$6 million was related to the elimination of the accrual for benefits in non-devolved health care facilities.

**B. Net Assets of Devolved Health Care Facilities**

On April 30, 2001, the Winnipeg Regional Health Authority acquired 100% of the net assets of Selkirk Laundry & Linen. No purchase price was paid for this entity, and the acquisition was accounted for directly in the accumulated deficit.

**C. Liabilities**

Effective April 1, 2001, as a result of a restatement of the designation of a special purpose fund held by the Winnipeg Regional Health Authority, the accumulated deficit was increased by \$5 million.

**14. 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. This amounted to \$82 million for the year ended March 31, 2002 (2001 - \$78 million).

**15. DEBT SERVICING**

Debt servicing costs are net of cost recoveries and interest income of \$1,312 million for the year ended March 31, 2002 (2001 - \$1,222 million).

**16. PURCHASE OF WINNIPEG HYDRO**

*The Purchase of Winnipeg Hydro Act* received Royal Assent on August 9, 2002. The Manitoba Hydro-Electric Board has entered into an agreement with the City of Winnipeg to purchase all of the net assets of Winnipeg Hydro. The consideration principally consists 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 is an electric utility with 94,000 customers and annual revenues of \$125 million.

**17. WATER POWER RENTALS**

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of \$107 million (2001 - \$51 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) (2001 - \$1.63 per MW.h). The increase in the water rental rate coincided with the termination of the agreement with Hydro with respect to northern development projects. The termination of this agreement may result in the government being contingently liable for any future claims.

**18. REVENUE FROM GOVERNMENT ENTERPRISES**

The following amounts from Government Enterprises have been included in revenue:

	(\$ millions)			
	Health & Post Secondary Education Tax		Corporation Capital Tax	
	2002	2001	2002	2001
Manitoba Hydro-Electric Board (Hydro)	6	5	28	29
Manitoba Public Insurance Corporation	1	1		
Manitoba Lotteries Corporation	1	1		

Hydro also remits guarantee fees to the government based on the Hydro debt that the Province guarantees on their behalf, in line with the advantage of the Province's superior borrowing rates. The guarantee fees paid by Hydro for the year ended March 31, 2002 were \$72 million (2001 - \$53 million).

**19. MANITOBA PUBLIC INSURANCE CORPORATION (MPIC) SURPLUS DISTRIBUTION**

On December 4, 2000, the Public Utilities Board of Manitoba approved MPIC's 2001/02 Basic Insurance rate application which included a one-time surplus distribution of 16.6% on motor vehicle premiums renewed during the current fiscal year. To fund the surplus distribution an amount of \$81 million was allocated from the basic insurance rate stabilization reserve.

**20. SUBSEQUENT EVENT**

*The Manitoba Hydro Amendment Act* was proclaimed on August 9, 2002. This amendment requires Manitoba Hydro to distribute up to \$288 million of its retained earnings to the government by the end of its 2003/04 fiscal year.

**21. COMPARATIVE FIGURES**

Certain of the 2001 financial statement figures have been reclassified to be consistent with the 2002 presentation.

## SCHEDULE 1

## SUMMARY STATEMENT OF AMOUNTS RECEIVABLE

As at March 31, 2002

	(\$ millions)	
	2002	2001
<b>TAXATION REVENUE:</b>		
Corporation capital tax.....	1	1
Corporation income tax.....	41	67
Gasoline tax.....	14	14
Health and education levy.....	24	22
Individual income tax.....	105	112
Insurance corporation tax.....	11	10
Motive fuel tax.....	7	7
Retail sales tax.....	82	83
Revenue Act, 1964, part 1.....	7	8
Tobacco tax.....	11	11
	<u>303</u>	<u>335</u>
<b>GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:</b>		
Canada health and social transfer.....	3	2
Equalization.....	138	76
Municipal corporations.....	62	61
Provincial and territories.....	13	9
Shared cost programs/agreements.....	124	122
Other.....	5	59
	<u>345</u>	<u>329</u>
<b>INTEREST:</b>		
Province of Manitoba sinking fund.....	73	86
Other investments.....	10	14
	<u>83</u>	<u>100</u>
<b>OTHER:</b>		
Health services.....	21	43
Liquor Control Commission.....	18	7
Manitoba Lotteries Corporation.....	3	3
Morris Macdonald School Division.....	2	-
Water power rentals.....	11	5
Other.....	94	103
	<u>149</u>	<u>161</u>
	<u>880</u>	<u>925</u>

## SCHEDULE 2

## SUMMARY STATEMENT OF LOANS AND ADVANCES

As at March 31, 2002

	(\$ millions)	
	2002	2001
<b>GOVERNMENT ENTERPRISES:</b>		
Liquor Control Commission.....	5	5
Manitoba Hydro-Electric Board.....	7,221	7,017
Manitoba Lotteries Corporation.....	170	170
	<u>7,396</u>	<u>7,192</u>
<b>OTHER:</b>		
Hudson Bay Mining and Smelting Co. Ltd.....	23	26
Loans and mortgages.....	629	612
Manitoba Potash Corporation.....	3	3
Regional family services agencies.....	7	6
Rural economic development initiatives program.....	3	3
Treaty Indian fuel tax.....	1	1
	<u>666</u>	<u>651</u>
Less: Valuation allowance.....	92	98
	<u>574</u>	<u>553</u>
	7,970	7,745
Less: Sinking funds provided for repayment of applicable debt.....	1,520	1,347
	<u>6,450</u>	<u>6,398</u>
Less: Debt incurred for and repayable by The Manitoba-Hydro Electric Board and Manitoba Lotteries Corporation.....	5,871	5,840
	<u>5,871</u>	<u>5,840</u>
<b>NET LOANS AND ADVANCES</b>	<u>579</u>	<u>558</u>



SUMMARY FINANCIAL STATEMENTS

**GOVERNMENT ENTERPRISES**  
**SCHEDULE OF SUMMARY OPERATING RESULTS AND FINANCIAL POSITION**  
For the Year Ended March 31, 2002  
(\$ millions)

**SCHEDULE 3**

	UTILITY	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 2002	TOTAL 2001
<b>RESULTS OF OPERATIONS</b>						
Revenues from operations	1,864	846	990	1	3,701	3,566
Expenses: From operations	1,168	864	569	2	2,603	2,421
Debt servicing	482	-	11	-	493	431
Total expenses	1,650	864	580	2	3,096	2,852
Net income before surplus distribution	214	(18)	410	(1)	605	714
Surplus distribution (Note 19)	-	(81)	-	-	(81)	-
Net income	214	(99)	410	(1)	524	714
Transfers to the government	-	-	(411)	-	(411)	(397)
Net increase in equity in government enterprises	214	(99)	(1)	(1)	113	317
Net increase in equity in government enterprises resulting from:						
Increase in equity in government enterprises before surplus distribution					194	317
Decrease in equity in government enterprises - surplus distribution					(81)	-
Net increase in equity in government enterprises					113	317
<b>FINANCIAL POSITION</b>						
Assets:						
Cash and temporary investments	14	115	33	2	164	115
Amounts receivable	411	161	12	-	584	664
Portfolio investments	-	1,775	-	3	1,778	1,784
Capital assets	6,325	40	180	-	6,545	6,360
Pension assets	473	-	-	-	473	443
Other assets	1,366	111	30	4	1,511	1,388
Total assets	8,589	2,202	255	9	11,055	10,754
Liabilities:						
Accounts payable, accrued liabilities and deferred revenue	719	360	69	-	1,148	1,139
Long-term debt:						
Owing to the government	5,733	-	174	2	5,909	5,870
Owing to others	413	-	1	-	414	420
Provision for future benefits:						
Pension obligations	422	75	-	-	497	456
Future cost of existing claims	-	1,558	-	-	1,558	1,453
Total liabilities	7,287	1,993	244	2	9,526	9,338
Net assets	1,302	209	11	7	1,529	1,416
Adjustments required for consolidation **	-	-	-	(1)	(1)	(1)
Equity in government enterprises	1,302	209	11	6	1,528	1,415

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

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

## SCHEDULE 4

## SUMMARY STATEMENT OF LONG-TERM INVESTMENTS

As at March 31, 2002

	(\$ millions)	
	2002	2001
<b>OTHER INVESTMENTS, AT COST</b>		
Common shares -		
Manitoba Potash Corporation - 490,000 shares.....	5	5
Preferred shares -		
3863620 Canada Limited - 11,000,000 shares.....	16	-
Faneuil ISG Inc - 56,000 shares.....	-	6
Special shares -		
Crocus Investment Fund - 2,000,000 shares.....	2	2
Debentures -		
Faneuil ISG Inc.....	-	10
Municipalities.....	2	2
Profit sharing agreement -		
Hudson Bay Mining and Smelting re: Ruttan Mine.....	11	11
Other -		
Limited partnership investments.....	9	4
	<u>45</u>	<u>40</u>
Less: Valuation allowance.....	38	38
	<u>7</u>	<u>2</u>

SUMMARY FINANCIAL STATEMENTS

**SUMMARY STATEMENT OF TANGIBLE CAPITAL ASSETS**  
For the Year Ended March 31, 2002  
(\$ millions)

**SCHEDULE 5**

	Land	Buildings	Vehicles	Aircraft and Vessels	Machinery Equipment and Furniture	Road Construction	Computer Hardware and Software	Leasehold Improvements	Assets Under Construction	Totals 2002	Totals 2001
Opening Cost	49	1,650	65	44	546	51	290	12	279	2,986	2,258
Add:											
Land capitalization	-	-	-	-	-	-	-	-	-	-	19
April 1, 1999 assets recorded (Note 1)	-	5	-	-	-	-	-	-	-	5	2
RHA transfer of assets	-	-	-	-	-	-	-	-	-	-	521
Net additions (disposals) during the year	7	173	10	1	51	3	56	6	(118)	189	186
Closing Cost	56	1,828	75	45	597	54	346	18	161	3,180	2,986
Accumulated Amortization											
Opening	-	568	34	23	392	35	129	6	-	1,187	838
Add:											
RHA transfer of Accumulated Amortization	-	-	-	-	-	-	-	-	-	-	253
April 1, 1999 assets recorded (Note 1)	-	1	-	-	-	-	-	-	-	1	-
Net amortization during the year	-	39	3	2	36	1	36	1	-	118	96
Closing Accumulated Amortization	-	608	37	25	428	36	165	7	-	1,306	1,187
Net Book Value of Tangible Capital	56	1,220	38	20	169	18	181	11	161	1,874	1,799

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

During the year, assets acquired in prior fiscal years with a net book value of \$4 million (2001-\$2 million) were identified and recorded.

Note 2: During the year the Province capitalized \$1.1 million of interest relating to assets under construction.

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF BORROWINGS

SCHEDULE 6

As at March 31, 2002

(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan	Loans and Mortgages	Treasury Bills	Totals	
	Cdn	US	Cdn	Cdn	Cdn	2002	2001
2002.....	-	-	-	-	-	-	2,104
2003.....	2,490	524	132	-	325	3,471	2,875
2004.....	1,571	735	126	-	-	2,432	2,173
2005.....	1,090	77	119	-	-	1,286	1,295
2006.....	670	322	126	-	-	1,118	1,056
2007.....	701	797	150	-	-	1,648	766
2002-2007.....	<u>6,522</u>	<u>2,455</u>	<u>653</u>	<u>-</u>	<u>325</u>	<u>9,955</u>	<u>10,269</u>
2008-2012 Operating Fund.....	3,285	1,100	519	-	-	4,904	4,754
2013-2022 Operating Fund.....	2,052	1,734	88	-	-	3,874	3,545
2023-2041 Operating Fund.....	1,586	-	-	-	-	1,586	1,386
2002-2041 Crown Organizations.....	<u>6</u>	<u>-</u>	<u>-</u>	<u>423</u>	<u>-</u>	<u>429</u>	<u>593</u>
2008-2041.....	<u>6,929</u>	<u>2,834</u>	<u>607</u>	<u>423</u>	<u>-</u>	<u>10,793</u>	<u>10,278</u>
Total borrowings.....	<u>13,451</u>	<u>5,289</u>	<u>1,260</u>	<u>423</u>	<u>325</u>	<u>20,748</u>	<u>20,547</u>
Reduced by:							
Unamortized debt issue costs.....	24	7	-	-	-	31	45
Debt of the Province of Manitoba held as government investments .....	<u>35</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35</u>	<u>43</u>
	<u>13,392</u>	<u>5,282</u>	<u>1,260</u>	<u>423</u>	<u>325</u>	<u>20,682</u>	<u>20,459</u>

	March 31/02 Cdn \$ Valuation (See Note)	March 31/01 Cdn \$ Valuation (See Note)
Borrowings payable in:		
Canadian dollars	12,237	12,141
Foreign issues hedged to Canadian dollars	3,222	2,624
U.S. dollars	3,734	4,766
Foreign issues hedged to U.S. dollars	<u>1,555</u>	<u>1,016</u>
Total borrowings	<u>20,748</u>	<u>20,547</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 range from approximately 4.25% to 16.53%.

## SCHEDULE 7

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

As at March 31, 2002

	(\$ millions)	
	2002	2001
Accounts payable.....	<u>842</u>	<u>724</u>
Accrued charges:		
Interest accrued on borrowings and trust funds.....	<u>266</u>	<u>303</u>
Other accrued liabilities:		
Agriculture Income Disaster Assistance Program.....	-	56
Canada Manitoba Adjustment Program.....	-	92
Canadian Farm Income Program .....	39	-
Community Access Program.....	3	5
Compensation for Victims of Crime.....	19	19
Disaster assistance.....	9	4
Flood claims.....	40	40
Gross Revenue Insurance Plan.....	3	18
Hepatitis C Assistance.....	9	11
Land Acquisition Claims.....	2	2
Manfor Ltd. Divestiture.....	2	2
Net Income Stabilization.....	3	3
Provision for Housing Renovations.....	16	20
Ruttan Mines Clean-up.....	5	5
Salaries and Benefits.....	348	347
Tripartite Land Assembly Program.....	3	3
Other.....	<u>12</u>	<u>8</u>
	<u>513</u>	<u>635</u>
Provision for future losses on guarantees.....	<u>16</u>	<u>17</u>
Deferrals.....	<u>317</u>	<u>265</u>
	<u>1,954</u>	<u>1,944</u>

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

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

**CROWN ORGANIZATIONS:**

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

**SCHEDULE 8  
(cont'd)**

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

**SCHEDULE 8  
(cont'd)**

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

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

**Utility:**

Manitoba Hydro-Electric Board

**Insurance:**

Manitoba Public Insurance Corporation  
Workers Compensation Board

**Finance:**

Liquor Control Commission  
Manitoba Lotteries Corporation  
Manitoba Product Stewardship Corporation

**Resource Development:**

Leaf Rapids Town Properties Ltd.  
Manitoba Hazardous Waste Management Corporation



## SCHEDULE 9

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

As at March 31, 2002

(\$ millions)

	2001-02 Summary Budget	2001-02 Operations per Entity Financial Statements	Adjustments on Consolidation	2001-02 Summary Net Income	2000-01 Summary Net Income
<b>OPERATING FUND AND SPECIAL FUNDS</b>					
Operating Fund and Special Funds	46	26	-	26	153
<b>CROWN ORGANIZATIONS</b>					
Assiniboine Community College	-	-	-	-	1
Brandon University	-	-	-	-	5
CancerCare Manitoba	-	1	(1)	-	(2)
Deer Lodge Centre Inc.	-	1	1	2	(1)
Keewatin Community College	-	1	1	2	-
Manitoba Agricultural Credit Corporation	-	(1)	1	-	-
Manitoba Crop Insurance Corporation	(9)	(21)	-	(21)	57
Manitoba Gaming Control Commission	-	-	1	1	1
Manitoba Water Services Board	-	(1)	-	(1)	(1)
Public Schools Finance Board	-	2	-	2	(5)
Red River College	-	3	4	7	3
Regional Health Authorities	-	(9)	(1)	(10)	-
Special Operating Agencies Financing Authority	(4)	14	(11)	3	2
University of Manitoba	-	45	(14)	31	45
<b>TOTAL CROWN ORGANIZATIONS</b>	<b>(13)</b>	<b>35</b>	<b>(19)</b>	<b>16</b>	<b>105</b>
<b>GOVERNMENT ENTERPRISES</b>					
Leaf Rapids Town Properties Ltd.	-	(1)	-	(1)	-
Manitoba Liquor Control Commission	-	-	163	163	158
Manitoba Hydro - Electric Board	99	214	-	214	270
Manitoba Lotteries Corporation	-	-	248	248	239
Manitoba Product Stewardship Corporation	(1)	(1)	-	(1)	-
Manitoba Public Insurance Corporation (MPIC)	38	(16)	-	(16)	46
Workers Compensation Board	-	(2)	-	(2)	1
	136	194	411	605	714
Surplus Distribution - MPIC (Note 19)	-	(81)	-	(81)	-
	136	113	411	524	714
Less: Adjustments on Consolidation	-	-	(411)	(411)	(397)
<b>TOTAL GOVERNMENT ENTERPRISES (Schedule 3)</b>	<b>136</b>	<b>113</b>	<b>-</b>	<b>113</b>	<b>317</b>
<b>PENSION ASSET INCREASE</b>	23	86	(84)	2	-
<b>PENSION LIABILITY INCREASE</b>	(156)	-	(167)	(167)	(144)
<b>TOTAL SUMMARY NET INCOME (LOSS)</b>	<b>36</b>	<b>260</b>	<b>(270)</b>	<b>(10)</b>	<b>431</b>

## SCHEDULE 10

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

As at March 31, 2002

	(\$ millions)			
	Accumulated Surplus (Deficit) March 31, 2001	2001-02 Summary Net Income	Adjustments to Accumulated Surplus (Deficit)	Accumulated Surplus (Deficit) March 31, 2002
<b>OPERATING FUND AND SPECIAL FUNDS</b>				
Operating Fund and Special Funds	(6,288)	26	(355)	(6,617)
<b>CROWN ORGANIZATIONS</b>				
Addictions Foundation of Manitoba	4	-	-	4
Assiniboine Community College	8	-	-	8
Brandon University	41	-	-	41
CancerCare Manitoba	34	-	-	34
Child and Family Services of Western Manitoba	1	-	-	1
Communities Economic Development Fund	1	-	-	1
Deer Lodge Centre Inc.	3	2	-	5
Economic Innovation and Technology Council	1	-	-	1
Keewatin Community College	2	2	-	4
Manitoba Adolescent Treatment Centre	2	-	-	2
Manitoba Agricultural Credit Corporation	3	-	-	3
Manitoba Crop Insurance Corporation	308	(21)	-	287
Manitoba Development Corporation	4	-	-	4
Manitoba Gaming Control Commission	1	1	-	2
Manitoba Habitat Heritage Corporation	1	-	-	1
Manitoba Health Services Insurance Plan	(1)	-	-	(1)
Manitoba Water Services Board	-	(1)	-	(1)
Public Schools Finance Board	(7)	2	-	(5)
Red River College	7	7	-	14
Regional Health Authorities	203	(10)	14	207
Special Operating Agencies Financing Authority	54	3	(8)	49
University of Manitoba	248	31	-	279
Venture Manitoba Tours	3	-	-	3
Winnipeg Child and Family Services	(1)	-	-	(1)
	<u>920</u>	<u>16</u>	<u>6</u>	<u>942</u>
<b>GOVERNMENT ENTERPRISES</b>				
Leaf Rapids Town Properties Ltd.	2	(1)	-	1
Liquor Control Commission	-	163	(163)	-
Manitoba Hazardous Waste Management Corporation	6	-	-	6
Manitoba Hydro - Electric Board	1,088	214	-	1,302
Manitoba Lotteries Corporation	5	248	(248)	5
Manitoba Product Stewardship Corporation	7	(1)	-	6
Manitoba Public Insurance Corporation	229	(97)	-	132
Workers Compensation Board	78	(2)	-	76
	<u>1,415</u>	<u>524</u>	<u>(411)</u>	<u>1,528</u>
Adjustments on Consolidation	-	(411)	411	-
	<u>1,415</u>	<u>113</u>	<u>-</u>	<u>1,528</u>
<b>NON-DEVOLVED HEALTH CARE FACILITIES</b>	71	-	6	77
<b>PENSION ASSETS</b>	21	2	84	107
<b>PENSION LIABILITY</b>	(3,050)	(167)	-	(3,217)
<b>TOTAL SUMMARY BALANCES</b>	<u>(6,911)</u>	<u>(10)</u>	<u>(259)</u>	<u>(7,180)</u>

\* Differences may result from rounding.

**SUMMARY STATEMENT OF EXPENSE BY TYPE**

**SCHEDULE 11**

For the Year Ended March 31, 2002

	(\$ millions)	
	2002	2001
Personnel Services.....	2,278	2,116
Grants/Transfer Payments.....	2,812	2,853
Transportation.....	94	61
Communications.....	46	47
Supplies and Services.....	701	684
Social Assistance Related.....	605	541
Other Operating.....	449	374
Debt Servicing - Provincial Departments.....	499	593
- Crown Organizations.....	78	70
Minor Capital.....	46	37
Amortization of Tangible Capital Assets.....	118	120
	<u>7,726</u>	<u>7,496</u>

**SUMMARY STATEMENT OF NET DEBT**

**SCHEDULE 12**

For the Year Ended March 31, 2002

	(\$ millions)	
	2002	2001
Accumulated deficit, end of year.....	7,180	6,911
Tangible capital assets.....	1,874	1,799
Assets of non-devolved health care facilities.....	<u>759</u>	<u>694</u>
	9,813	9,404
Less:		
Liabilities of non-devolved health care facilities.....	<u>682</u>	<u>623</u>
<b>SUMMARY NET DEBT</b>	<u><u>9,131</u></u>	<u><u>8,781</u></u>

Note: Net debt is the excess of liabilities over financial assets. Neither tangible capital assets nor the net assets of non-devolved health care facilities are considered to be financial assets since they cannot be immediately converted into cash to pay down liabilities. Net debt represents how much the government would have to borrow in total, after liquidating its financial assets, in order to pay all of its liabilities. The increase during the 2001-02 fiscal year is primarily a result of recording the impact of the Federal accounting error.

**PROVINCE OF MANITOBA**

**SPECIAL PURPOSE**

**STATEMENTS OF ACCOUNTABILITY**  
**FOR**

**STEWARDSHIP OF CENTRAL**  
**GOVERNMENT OPERATIONS**

**AND**

**BALANCED BUDGET LEGISLATION**

SECTION 2

OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

---

TABLE OF CONTENTS	PAGE
Statement of Responsibility . . . . .	83
Auditor's Report. . . . .	85
Special Purpose Statement of Financial Position. . . . .	87
Special Purpose Statement of Revenue and Expense. . . . .	88
Special Purpose Statement of Accumulated Deficits (Surpluses). . . . .	89
Special Purpose Statement of Changes in Cash Flow and Temporary Investments. . . . .	90
Notes to the Financial Statements. . . . .	91
Schedules to the Financial Statements	
Schedule 1 - Amounts Receivable. . . . .	103
Schedule 2 - Loans and Advances. . . . .	104
Schedule 3 - Long-Term Investments. . . . .	104
Schedule 4 - Amounts Held in Trust for Investment or Administration and Trust Assets. . . . .	105
Schedule 5 - Tangible Capital Assets. . . . .	106
Schedule 6 - Schedule of Borrowings. . . . .	107
Schedule 7 - Accounts Payable, Accrued Charges, Provisions and Deferrals. . . . .	108
Schedule 8 - Operating Revenue and Expense. . . . .	109
Schedule 9 - Changes in Other Special Funds. . . . .	110
Schedule 10 - Expense by Type. . . . .	111
Schedule 11 - Net Debt. . . . .	111

---

## STATEMENT OF RESPONSIBILITY

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

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

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

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

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

On behalf of the Government

HONOURABLE GREG SELINGER  
Minister of Finance  
September 17, 2002



**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 Legislative Assembly of Manitoba**

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, 2002 and the special purpose statements of revenue and expense, accumulated deficits (surpluses) and changes in cash flow and temporary investments for the year then ended. These special purpose financial statements are the responsibility of the Government. My responsibility is to express an opinion on these special purpose financial statements based on my audit.

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

In my opinion, these Special Purpose Financial Statements present fairly the financial assets and liabilities of the Operating Fund and Special Funds as at March 31, 2002 and the results of operations and the changes in cash flow and temporary investments for the year then ended in accordance with the accounting policies stated in Note 1 to the financial statements and applied, on a basis consistent with that of the preceding year.

Winnipeg, Manitoba  
September 17, 2002

Jon W. Singleton, CA•CISA  
Auditor General

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

As at March 31, 2002

SCHEDULE		(\$ millions)	
		2002	2001
	<b>ASSETS</b>		
	Cash and Temporary Investments (Note 2).....	127	479
1	Amounts Receivable.....	712	690
2	Loans and Advances.....	778	738
3	Long-Term Investments.....	5	5
	Deferred Charge for Health Care Facilities (Note 1A6).....	392	236
		<u>2,014</u>	<u>2,148</u>
4	Trust Assets (Note 1F)	2,062	2,018
5	Tangible Capital Assets	391	380
		<u>391</u>	<u>380</u>
	<b>TOTAL ASSETS</b>	<u>4,467</u>	<u>4,546</u>
	<b>LIABILITIES</b>		
6	Borrowings.....	20,254	19,866
	Less: Sinking Funds (Note 4).....	(6,485)	(6,189)
	Less: Debt Incurred For and Repayable By The Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	(5,871)	(5,840)
		<u>7,898</u>	<u>7,837</u>
	Less: Unamortized Foreign Currency Fluctuation.....	(143)	(220)
	Net Borrowings	7,755	7,617
7	Accounts Payable, Accrued Charges, Provisions and Deferrals.....	1,267	1,199
		<u>9,022</u>	<u>8,816</u>
4	Amounts Held in Trust for Investment or Administration (Note 1F)	2,062	2,018
		<u>2,062</u>	<u>2,018</u>
	<b>TOTAL LIABILITIES</b>	<u>11,084</u>	<u>10,834</u>
	<b>ACCUMULATED (DEFICITS) SURPLUSES</b>		
	Operating Fund.....	(6,990)	(6,710)
	Fiscal Stabilization Fund.....	247	320
	Debt Retirement Fund.....	100	75
9	Other Special Funds.....	26	27
		<u>26</u>	<u>27</u>
11	<b>ACCUMULATED DEFICIT</b>	<u>(6,617)</u>	<u>(6,288)</u>

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



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

For the Year Ended March 31, 2002

(\$ millions)			(\$ millions)						
Operating Fund	Special Funds	Total 2001		Operating Fund Budget	Operating Fund Actual	Fiscal Stabilization Fund	Debt Retirement Fund	Other Special Funds	Total 2002
<b>OPERATING REVENUE (Schedule 8)</b>									
2,050	5	2,055	Manitoba Collections.....	2,133	2,151	-	-	2	2,153
2,201	-	2,201	Income Taxes.....	2,129	1,965	-	-	-	1,965
2,091	-	2,091	Federal Transfers.....	2,128	2,206	-	-	-	2,206
410	-	410	Crown Corporations.....	413	424	-	-	-	424
-	16	16	Interest Earned.....	-	-	14	4	1	19
<u>6,752</u>	<u>21</u>	<u>6,773</u>		<u>6,803</u>	<u>6,746</u>	<u>14</u>	<u>4</u>	<u>3</u>	<u>6,767</u>
<u>6,615</u>	<u>5</u>	<u>6,620</u>	<b>OPERATING EXPENSES (Schedules 8 &amp; 10)</b>	<u>6,757</u>	<u>6,737</u>	<u>-</u>	<u>-</u>	<u>4</u>	<u>6,741</u>
<u>137</u>	<u>16</u>	<u>153</u>	<b>NET REVENUE (EXPENSES)</b>	<u>46</u>	<u>9</u>	<u>14</u>	<u>4</u>	<u>(1)</u>	<u>26</u>
<b>INTERFUND TRANSFERS</b>									
(96)	96	-	Transfer to Debt Retirement Fund.	(96)	(96)	-	96	-	-
			Transfer from						
			Fiscal Stabilization Fund						
			In Lieu of Manitoba Hydro						
-	-	-	Retained Earnings Distribution....	-	150	(150)	-	-	-
-	-	-	Other.....	60	-	-	-	-	-
<u>(96)</u>	<u>96</u>	<u>-</u>		<u>(36)</u>	<u>54</u>	<u>(150)</u>	<u>96</u>	<u>-</u>	<u>-</u>
41	112	153	<b>EXCESS OF REVENUE OVER EXPENSES FOR BALANCED BUDGET LEGISLATION</b>	10	63	(136)	100	(1)	26
<b>INTERFUND TRANSFER</b>									
			Less: Transfer to						
(41)	41	-	Fiscal Stabilization Fund.....	(10)	(63)	63	-	-	-
<u>-</u>	<u>153</u>	<u>153</u>	<b>NET RESULT FOR THE YEAR</b>	<u>-</u>	<u>-</u>	<u>(73)</u>	<u>100</u>	<u>(1)</u>	<u>26</u>

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

For the Year Ended March 31, 2002

(\$ millions)

	Operating Fund	Fiscal Stabilization Fund	Debt Retirement Fund	Other Special Funds	Total 2002	Total 2001
Balance, Beginning of Year.....	6,710	(320)	(75)	(27)	6,288	6,424
Changes in Accounting Policy						
Federal Accounting Error (Note 9).....	287	-	-	-	287	-
Amortization of Unrealized Foreign Exchange Fluctuations, Debt Discount and Deferred Income	-	-	-	-	-	21
Tangible Capital Assets (Note 3).....	(4)	-	-	-	(4)	(21)
Transfer for Pension Obligation (Note 11).....	-	-	75	-	75	21
Repurchase of Serial Debentures (Note 1G).....	(3)	-	-	-	(3)	(4)
Net Result for the Year.....	<u>-</u>	<u>73</u>	<u>(100)</u>	<u>1</u>	<u>(26)</u>	<u>(153)</u>
Balance, End of Year (Schedule 11).....	<u>6,990</u>	<u>(247)</u>	<u>(100)</u>	<u>(26)</u>	<u>6,617</u>	<u>6,288</u>

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

For the Year Ended March 31, 2002

	(\$ millions)	
	2002	2001
Cash and Temporary Investments Provided by (Used in)		
Operating Activities:		
Net Result for the year - Operating Fund.....	-	-
- Special Funds.....	26	153
Changes in non-cash items:		
Amounts Receivable.....	(22)	(94)
Valuation Allowance.....	-	2
Accounts Payable, Accrued Charges, Provisions and Deferrals.....	68	83
Amortization of Foreign Currency Fluctuation.....	58	96
Amortization of Debt Discount.....	14	12
Amortization of Investment Discounts and Premiums.....	(4)	(14)
Amortization of Tangible Capital Assets.....	34	31
Adjustment to Accumulated Deficit - Federal Accounting Error .....	(287)	-
Adjustment to Accumulated Deficit - Other .....	4	-
	<u>(109)</u>	<u>269</u>
Investing Activities:		
Made.....	(1,298)	(863)
Realized.....	744	533
Acquisition of Tangible Capital Assets.....	(45)	(43)
	<u>(599)</u>	<u>(373)</u>
Financing Activities:		
Debt Issued.....	2,607	2,391
Debt Redeemed.....	(2,051)	(2,387)
Changes in Sinking Funds.....	(200)	288
	<u>356</u>	<u>292</u>
Changes in Cash and Temporary Investments.....	(352)	188
Cash and Temporary Investments, beginning of year.....	<u>479</u>	<u>291</u>
Cash and Temporary Investments, end of year.....	<u><u>127</u></u>	<u><u>479</u></u>

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED MARCH 31, 2002**

**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 for senior governments as recommended by the Canadian Institute of Chartered Accountants (CICA), with the following exceptions:

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

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

**B. The Reporting Entity**

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

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

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

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

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

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

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

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

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

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

### C. Gross Accounting Concept

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

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

**D. Modified Accrual Accounting**

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

- 1) **Government of Canada Receipts** – Generally, entitlements from the Government of Canada are recorded on a cash basis except for accruals of prior year adjustments determined before June 30 each year. For this 2001/02 fiscal year, a special adjustment was made in relation to additional Equalization entitlements which accrued to the Province for that year as a result of an error made by the Federal Government in remitting personal income tax collections, as described in Note 9. Though negotiations began before the year-end, final confirmation was not received from the Federal Government until September 4, 2002. Because of the significance of the amount, the accounts were held open to appropriately reflect this item in the fiscal year to which it relates.
- 2) **Revenue** – All revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Government transfers are recognized as revenue in the period during which the transaction is authorized and any eligibility criteria are met. Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense.
- 3) **Expenses** – All expenses incurred for goods or services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the government's use that are reflected as expenses when incurred.

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

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

**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 for settlement after the fiscal year end. Discounts or premiums, and commissions incurred at the time of the issue of debt are amortized monthly to debt servicing expense over the term of the debt.
- 2) The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account, and amortized monthly to debt servicing expense over the remaining term of the debt. The unamortized portion of foreign currency fluctuation also reflects the gains or losses on the conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call and these gains and losses are amortized over the original remaining term of the debt.
- 3) Loans, advances and long-term investments are recorded at cost less valuation allowances. A valuation allowance is provided to reduce the value of the assets to their estimated realizable value or to reflect the impact of significant concessionary terms on outstanding loans. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized monthly to debt servicing expense over the term of the related debt issue.

4) Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward foreign exchange contract fixing the value has been negotiated, in which case that rate or amount is used. The year end investment translation adjustments reflecting the foreign currency fluctuation between year ends are amortized monthly over the remaining life of the investment and included with debt servicing expense. Expenses and other transaction charges incurred on the purchase of investments during the year are charged to debt servicing expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.

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

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

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal.

6) A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as a deferred contribution which is amortized to revenue on the same basis as the asset is amortized. Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are deducted from the cost of the related asset with any amortization calculated on the net amount.

7) During the 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.

8) Guarantees of the government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the government's best estimate of future payments less recoveries.

#### **F. Amounts Held in Trust for Investment or Administration**

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

**G. Serial Debentures of School Divisions and Districts**

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

**H. Use of Estimates**

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

**2. CASH AND TEMPORARY INVESTMENTS**

Temporary investments are recorded at the lower of cost and market value. As at March 31, 2002, the cost of cash and temporary investments was \$127 million (2001 - \$479 million) with a market value of \$127 million (2001 - \$482 million). Investment revenue earned on the temporary investments during the year was \$10 million (2001 - \$19 million).

**3. TANGIBLE CAPITAL ASSETS**

During the year, assets acquired in prior fiscal years with a net book value of \$4 million (2001 - \$2 million) were identified and recorded. Also included in the 2001 comparative figure is the capitalization of land amounting to \$19 million.

**4. SINKING FUNDS**

Sinking funds are recorded at the lower of cost and market value. As at March 31, 2002, sinking funds had a cost of \$6,485 million (2001 - \$6,189 million) and a market value of \$6,881 million (2001 - \$6,647 million). Investment revenue earned on the sinking funds during the year was \$310 million (2001 - \$361 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)	
	2002	2001
Province of Manitoba	4,961	4,835
Manitoba Hydro-Electric Board	1,520	1,347
University of Manitoba	<u>4</u>	<u>7</u>
Total sinking funds	<u>6,485</u>	<u>6,189</u>



**5. GUARANTEES**

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

	(\$ millions)	
	2002	2001
Promissory notes, bank loans, lines of credit and other	16	19
Debt issued by government enterprises and Crown organizations	587	407
Manitoba Grow Bonds and other	<u>8</u>	<u>9</u>
	611	435
Less: Sinking funds	<u>25</u>	<u>25</u>
Total guarantees outstanding	<b><u>586</u></b>	<b><u>410</u></b>

Provision for future losses on guarantees in the amount of \$14 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.

**6. FINANCIAL COMMITMENTS**

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

	(\$ millions)	
	2002	2001
Financial arrangements for completed projects:		
Hospitals and personal care homes	615	575
Public schools	416	387
Manitoba Housing and Renewal Corporation	191	198
Brandon University	<u>2</u>	<u>2</u>
	<b><u>1,224</u></b>	<b><u>1,162</u></b>
Future commitments:		
Infrastructure and capital grants	86	111
Rental of tangible capital assets	<u>103</u>	<u>101</u>
	<u>189</u>	<u>212</u>
	<b><u>1,413</u></b>	<b><u>1,374</u></b>

In addition to the approved outstanding debt for hospitals and personal care homes, lines of credit up to \$73 million (2001 - \$128 million) have been approved to finance capital projects for hospitals and personal care homes currently in process. On completion of these projects, the borrowings will be converted to other financing arrangements.

In December of 2001, the government entered into a funding agreement with the City of Winnipeg and the TN Arena Limited Partnership regarding the True North Entertainment Complex. The Province's maximum commitment, after Federal Infrastructure contributions, is \$13 million.

**7. CONTINGENCIES**

The government has been named in various legal actions, including treaty land entitlements. No provision has been made at March 31, 2002 in the accounts where the final results are uncertain.

**A. Canadian National Railways (CNR)**

The CNR had requested a declaration that *The Retail Sales Tax Act* does not apply to a major part of its costs related to railway rolling stock. CNR also requested a refund of sales tax it had paid in that respect. In April, 2002, CNR and the Province agreed to abandon their actions as well as their claims and each agreed to release the other party.

**B. Flood Costs**

A provision has been made at March 31, 2002 for all flood claims and disaster financial assistance. The final amount of the government's share of these costs in the future is uncertain at the date these financial statements were issued.

**C. Northern Development Projects - Water Rental Rate Agreement**

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

**8. PENSION LIABILITY**

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

The government is required, under the amended provisions of *The Balance Budget, Debt Repayment and Taxpayer Accountability Act*, to set aside funds beginning in 2000/01, to address the government's unfunded pension liability. The minimum annual contribution must be sufficient to equal the contributions made by employees and teachers hired on or after April 1, 2000. While the minimum contribution was \$6 million (2001 - \$3 million) for the year ended March 31, 2002, the government set aside \$75 million (2001 - \$21 million) in the pension assets trust account. These funds are separately invested and maintained in trust accounts of the government and are increased by interest earned. The balance in the account as at March 31, 2002 was \$107 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, 1998	4.0%	3.0%	7.0%
Teachers'	January 1, 2001	4.0%	3.0%	7.0%
MLA	March 31, 2000	4.0%	3.0%	7.0%

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, 2002, the CSP had approximately 25,900 (2001 - 25,100) 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, 2002, was \$29 million (2001 - \$28 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, 2002 amounted to \$39 million (2001 - \$35 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, 2002, payments of \$53 million (2001 - \$51 million) were made to the CSSF.

An actuarial valuation report of the government's liability to the employees included in the CSSF was completed as of December 31, 1998. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,277 million as at March 31, 2002 (2001 - \$1,194 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, 2002, the Teachers' Retirement Allowances Fund (TRAF) had approximately 29,000 (2001 - 29,000) participants including active members, retired teachers and former teachers with entitlements.

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

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

less

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

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

The TPA requires that teachers contribute 5.7% on pensionable earnings up to the CPP maximum earnings, and 7.3% on pensionable earnings above the maximum. 83.6% of contributions are used to fund basic benefits and 16.4% of contributions are allocated for indexing benefits. Contributions continue until the teacher's retirement or other termination from service. Teacher contributions for the year ended March 31, 2002, amounted to \$47 million (2001 - \$46 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, 2002, payments of \$84 million (2001 - \$76 million) were made to TRAF.

An actuarial report was completed for TRAF as of January 1, 2001, which determined the government's pension liability on an indexed basis. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$1,833 million at March 31, 2002 (2001 - \$1,687 million).

### **C. Members of the Legislative Assembly Plan**

The pension plan for Members of the Legislative Assembly (MLAs) is established and governed by *The Legislative Assembly Act (LAA)*. For MLAs elected prior to the dissolution of the Assembly of the 35th Legislature, the LAA provides for defined pension benefits based on years of service. For those elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. As at March 31, 2002, there are 119 (2001 – 123) plan members who are entitled to receive future pension benefits in accordance with the LAA.

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

An actuarial valuation report of the government's liability to the MLAs included in the pension plan was completed as of March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the government's actuarial liability has been calculated on an indexed basis to be \$28 million as at March 31, 2002 (2001- \$28 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.

**9. FEDERAL ERROR ON INCOME REMITTANCES AND RELATED EFFECTS ON EQUALIZATION**

Under federal-provincial tax collection agreements, the Federal Government administers personal income taxes on behalf of all provinces other than Québec. It has responsibility for the collection of provincial income taxes and for paying the amounts owed to provincial governments. Provinces rely entirely on federal payment reporting and accounting processes. The Federal Government makes interim payments to provinces during the taxation year, based on an estimate of the total amount of provincial income taxes that will ultimately be assessed on tax returns in each province. After the income tax returns for the tax year have been filed and processed, the taxes actually assessed in the province are reconciled with the interim payments. If the interim payments were too high, the difference is paid by the province to Canada or, if they were too low, by Canada to the province.

In the case of mutual fund trusts, refunds of provincial tax assessed on capital gains were never accounted for in the federal reconciliation calculation. On January 29, 2002, the Federal Government disclosed this longstanding error to provinces. For the tax years 1993 through 1999, the Federal Government had determined that capital gains tax refunds claimed by mutual fund trusts nationally totalled \$3.3 billion, with about 90% of the total attributable to the 1997, 1998 and 1999 tax years. For Manitoba, the related amount had been determined to be \$439 million.

On March 28, 2002, the Federal Government recovered from Manitoba \$168 million related to 2000 tax year mutual fund trust capital gains tax refunds. In addition, it is estimated that the overpayment for the 2001 taxation year was \$112 million, one-quarter (\$28 million) of which was related to the 2000/01 fiscal year. The remaining \$84 million estimated overpayment was accrued as a reduction of income tax revenue in the 2001/02 fiscal year. The portions of the error which related to prior fiscal years (\$196 million) have been recorded as an adjustment to the accumulated deficit.

The overall impact of the federal accounting error has significantly wider implications for three principal reasons:

- higher income tax remittances were made from the Federal Government, mainly to Manitoba and Ontario;
- lower Equalization payments were received by Manitoba, and lower Canada Health and Social Transfer (CHST) payments by Ontario; and
- higher Equalization and CHST payments were made to other provinces.

Equalization regulations in effect at the time did not correctly address the effects of the error in respect of mutual fund trusts. In fact, they exacerbated the problem by failing to recognize the impacts of the refunds on Manitoba's fiscal capacity under the Personal Income Tax calculation. On September 4, 2002, confirmation was received from the Federal Government that this anomaly is being addressed. The Federal Government announced that affected provinces would be required to return overpayments for the taxation years 1997 to 1999 net of corresponding adjustments that reflect Equalization offsets. Provinces will not be required to repay amounts for years prior to 1997 as the calculations could not be adequately verified by the federal Auditor General. The net impact of the federal settlement related to 1997 to 1999 on Manitoba is a payable of \$91 million owing to the Federal Government over a ten-year period commencing in 2004/05. Because this amount pertains to prior years, this has also been recorded as an adjustment to the accumulated deficit. As anticipated in the 2002 Manitoba Budget, the Federal Government has announced an Equalization regulation amendment which will result in an adjustment to Equalization revenue estimated at \$138 million for 2001/02.

Individual Income Tax for overpayments and related Equalization adjustments are reflected in the 2001/02 Operating Fund results as noted above and will be adjusted in future fiscal years as indicated in the 2002 Budget.

The Federal Government has also recognized that there was a significant fiscal challenge faced by Manitoba because of the federal error and will be providing a \$140 million transitional payment in 2002/03 as projected in the 2002 Manitoba Budget.

**10. EXPENSES IN EXCESS OF LEGISLATIVE AUTHORITY**

The following voted appropriations were over expended as a result of adjustments after March 31, 2002.

	(\$ millions)
Employee Pensions and Other Costs	
Employee Pensions and Other Costs	2
Justice	
Criminal Justice	1
Other Appropriations	
Allowance for Losses and Expenditures Incurred by Crown Corporations and Other Provincial Entities	1

**11. TRANSFER FOR DEBT RETIREMENT AND PENSION OBLIGATIONS**

The government transferred \$96 million to the Debt Retirement Fund from the Operating Fund for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8 (4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The government transferred \$75 million from the Debt Retirement Fund for the specific purpose of reducing pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. This transfer was made in accordance with subsection 8 (6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The balance in the pension assets trust account as at March 31, 2002 was \$107 million.

**12. BALANCED BUDGET LEGISLATION**

Section 6 of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires the Minister of Finance to report on compliance with the Act in the audited financial statements of the Operating Fund for each fiscal year. The Statement of Revenue and Expense shows a positive balance of \$63 in the Operating Fund. The government is therefore in compliance with the Act.

**13. WATER POWER RENTALS**

Water power rental revenue from the Manitoba Hydro-Electric Board (Hydro), in the amount of \$107 million (2001 - \$51 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) (2001 - \$1.63 per MW.h). The increase in the water rental rate coincided with the termination of the agreement with Hydro with respect to northern development projects. The termination of this agreement may result in the government being contingently liable for any future claims.

**14. REVENUE FROM GOVERNMENT ENTERPRISES**

The following amounts from Government Enterprises have been included in revenue:

	(\$ millions)			
	Health & Post Secondary Education Tax		Corporation Capital Tax	
	2002	2001	2002	2001
Manitoba Hydro-Electric Board (Hydro)	6	5	28	29
Manitoba Public Insurance Corporation	1	1		
Manitoba Lotteries Corporation	1	1		

Hydro also remits guarantee fees to the government based on the Hydro debt that the Province guarantees on their behalf, in line with the advantage of the Province's superior borrowing rates. The guarantee fees paid by Hydro for the year ended March 31, 2002 were \$72 million (2001 - \$53 million).

**15. SUBSEQUENT EVENT**

*The Manitoba Hydro Amendment Act* was proclaimed on August 9, 2002. This amendment requires Manitoba Hydro to distribute up to \$288 million of its retained earnings to the government by the end of its 2003/04 fiscal year.

**16. COMPARATIVE FIGURES**

Certain of the 2001 financial statement figures have been reclassified to be consistent with the 2002 presentation.

**AMOUNTS RECEIVABLE**

**SCHEDULE 1**

As at March 31, 2002

	(\$ millions)	
	2002	2001
Taxation Revenue:		
Corporation Capital Tax.....	1	1
Corporation Income Tax.....	41	67
Gasoline Tax.....	14	14
Health and Education Levy.....	24	22
Individual Income Tax.....	105	112
Insurance Corporation Tax.....	11	10
Motive Fuel Tax.....	7	7
Retail Sales Tax.....	82	83
Revenue Act, 1964, Part 1.....	7	8
Tobacco Tax.....	11	11
	<u>303</u>	<u>335</u>
Government of Canada and Other Governments:		
Shared Cost Programs/Agreements.....	121	122
Canada Health and Social Transfer.....	3	2
Equalization.....	138	76
	<u>262</u>	<u>200</u>
Interest Income:		
Province of Manitoba Sinking Fund.....	73	86
Other Investments.....	8	15
	<u>81</u>	<u>101</u>
Other:		
Employee Purchase Plan.....	-	1
Gross Revenue Insurance Plan.....	-	6
Liquor Control Commission.....	18	7
Manitoba Lotteries Corporation.....	3	3
Morris Macdonald School Division .....	2	-
Regional Health Authorities.....	10	10
Special Operating Agencies.....	-	1
Sundry Departmental Revenue.....	20	18
Water Power Rentals.....	11	5
Sundry.....	2	3
	<u>66</u>	<u>54</u>
	<u>712</u>	<u>690</u>



**LOANS AND ADVANCES**

**SCHEDULE 2**

As at March 31, 2002

	Crown Organizations, and Government Enterprises		(\$ millions)	
	Other	2002 Total	2001 Total	
Due 1 Year or Less.....	765	17	782	938
Due Over 1 Year.....	7,499	30	7,529	7,132
Total.....	<u>8,264</u>	<u>47</u>	<u>8,311</u>	<u>8,070</u>
Less: Sinking Funds.....	1,525	-	1,525	1,354
	<u>6,739</u>	<u>47</u>	<u>6,786</u>	<u>6,716</u>
Less: Valuation Allowance.....	125	12	137	138
	<u>6,614</u>	<u>35</u>	<u>6,649</u>	<u>6,578</u>
Less: Debt incurred for and repayable by The Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	5,871	-	5,871	5,840
Net.....	<u><u>743</u></u>	<u><u>35</u></u>	<u><u>778</u></u>	<u><u>738</u></u>

**LONG-TERM INVESTMENTS**

**SCHEDULE 3**

As at March 31, 2002

	Crown Corporations		(\$ millions)	
	Other	2002 Total	2001 Total	
Shares:				
Common.....	9	5	14	14
Preferred.....	2	-	2	2
Special.....	-	2	2	2
Debentures.....	1	-	1	1
Profit Sharing Agreement.....	-	11	11	11
	<u>12</u>	<u>18</u>	<u>30</u>	<u>30</u>
Less: Valuation Allowance.....	7	18	25	25
Net.....	<u><u>5</u></u>	<u><u>-</u></u>	<u><u>5</u></u>	<u><u>5</u></u>

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

**SCHEDULE 4**

As at March 31, 2002

	(\$ millions)	
	2002	2001
<b>AMOUNTS HELD IN TRUST</b>		
Government Enterprises.....	1,222	1,198
Crown Organizations.....	594	674
Fiduciary and Other Government Related Trusts.....	139	125
Pension Assets (Note 8).....	<u>107</u>	<u>21</u>
	<u>2,062</u>	<u>2,018</u>
 <b>TRUST ASSETS</b>		
Cash and Temporary Investments.....	838	863
Sinking Funds.....	27	27
Funds on Deposit for Investment and Administration.....	1,090	1,107
Pension Assets (Note 8).....	<u>107</u>	<u>21</u>
	<u>2,062</u>	<u>2,018</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 \$135 million (2001 - \$147 million) in the form of bonds and other securities not reflected in the above numbers.

**TANGIBLE CAPITAL ASSETS**  
**For the Year Ended March 31, 2002**  
 (\$ millions)

**SCHEDULE 5**

	Land	Buildings- Brick Mortar and Steel	Build- ings- Wood Frame	Vehicles	Aircraft and Vessels	Mach. Equip't and Furn.	Road Construction and Maintenance Equipment	Computer Hardware and Software	Assets Under Construction	Lease- hold Improve- ments	Totals 2002	Totals 2001
Opening costs	19	238	28	2	44	15	51	174	81	2	654	592
Add:												
Land capitalization	-	-	-	-	-	-	-	-	-	-	-	19
Additions during the year	-	-	-	-	-	1	3	28	9	-	41	41
April 1, 1999 assets recorded (Note 1)	-	5	-	-	-	-	-	-	-	-	5	2
Less:												
Disposals during the year	-	(1)	-	-	-	-	(1)	-	-	-	(2)	-
Settlements of Assets under construction	-	34	-	-	1	-	1	10	(46)	-	-	-
Closing costs	19	276	28	2	45	16	54	212	44	2	698	654
Accumulated Amortization												
Opening accum'd amortiza	-	139	24	2	23	8	35	43	-	-	274	243
Add:												
Amortization	-	5	-	-	2	2	2	23	-	-	34	31
April 1, 1999 assets recorded (Note 1)	-	1	-	-	-	-	-	-	-	-	1	-
Less:												
Disposals	-	(1)	-	-	-	-	(1)	-	-	-	(2)	-
Closing accum'd amortizati	-	144	24	2	25	10	36	66	-	-	307	274
Net Book Value of Tangible Capital Assets	19	132	4	-	20	6	18	146	44	2	391	380

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

During the year, assets acquired in prior fiscal years with a net book value of \$4 million (2001-\$2 million) were identified and recorded.

Note 2: During the year the Province capitalized \$1.1 million of interest relating to assets under construction.

SCHEDULE OF BORROWINGS

SCHEDULE 6

As at March 31, 2002

(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan Cdn	Prom Notes and Treasury Bills Cdn	Totals	
	Cdn	US			2002	2001
2002.....	-	-	-	-	-	2,104
2003.....	2,490	524	132	325	3,471	2,875
2004.....	1,571	735	126	-	2,432	2,173
2005.....	1,090	77	119	-	1,286	1,295
2006.....	670	322	126	-	1,118	1,056
2007.....	701	797	150	-	1,648	766
2002-2007.....	<u>6,522</u>	<u>2,455</u>	<u>653</u>	<u>325</u>	<u>9,955</u>	<u>10,269</u>
2008-2012.....	3,285	1,100	519	-	4,904	4,754
2013-2022.....	2,052	1,734	88	-	3,874	3,545
2023-2042.....	<u>1,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,586</u>	<u>1,386</u>
2008-2042.....	<u>6,923</u>	<u>2,834</u>	<u>607</u>	<u>-</u>	<u>10,364</u>	<u>9,685</u>
Total Borrowings.....	13,445	5,289	1,260	325	20,319	19,954
Reduced by:						
Unamortized Debt Issue Costs.....	24	7	-	-	31	45
Debt of the Province of Manitoba held as Provincial Investments .....	<u>34</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>43</u>
	<u>13,387</u>	<u>5,282</u>	<u>1,260</u>	<u>325</u>	<u>20,254</u>	<u>19,866</u>
			March 31/02 Cdn \$ Valuation (See Note)	March 31/01 Cdn \$ Valuation (See Note)		
Borrowings payable in:						
Canadian dollars			11,808	11,548		
Foreign issues hedged to Canadian dollars			3,222	2,624		
U.S. dollars			3,734	4,766		
Foreign issues hedged to U.S. dollars			<u>1,555</u>	<u>1,016</u>		
Total borrowings			<u>20,319</u>	<u>19,954</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 range from approximately 4.25% to 16.53%.

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

**SCHEDULE 7**

As at March 31, 2002

	(\$ millions)	
	2002	2001
Accounts Payable.....	534	376
Accrued Charges:		
Interest Accrued on Provincial Borrowings and Trust Funds.....	265	311
Other Accrued Liabilities:		
Agriculture Income Disaster Assistance Program.....	-	56
Canada Manitoba Adjustment Program.....	-	38
Canadian Farm Income Program.....	39	-
Communities Economic Development Fund.....	1	1
Community Access Program.....	3	5
Compensation for Victims of Crime.....	19	19
Crown Organizations - Vacation Liability.....	12	12
Disaster Assistance.....	9	4
Economic Development Partnership Agreement.....	1	-
Fairford First Nation.....	4	4
Flood Claims.....	40	40
Hepatitis C Assistance.....	9	11
Infrastructure Works Program.....	3	-
Land Acquisition Claims.....	2	2
Manfor Ltd. Divestiture.....	2	2
Net Income Stabilization.....	3	3
Provision for Housing Renovations.....	-	7
Ruttan Mines Clean-up.....	5	5
Salaries and Benefits.....	79	65
Salaries and Benefits - Severance.....	115	111
Tripartite Land Assembly Program.....	3	3
VLT Grants Payable.....	1	-
Other.....	4	5
Provision for Future Losses on Guarantees.....	14	15
Deferrals.....	<u>100</u>	<u>104</u>
	<u><u>1,267</u></u>	<u><u>1,199</u></u>

## SCHEDULE 8

## OPERATING REVENUE AND EXPENSE

For the Year Ended March 31, 2002

(\$ millions)

	2002	2001	
	Budget Estimate	Actual	Actual
<b>OPERATING REVENUE</b>			
Manitoba Collections:			
Retail Sales Tax.....	958	966	933
Fuel Taxes.....	224	223	224
Levy for Health and Education.....	241	244	239
Mining Tax.....	20	9	45
Other Taxes.....	399	401	376
Fees and Other Revenue.....	291	308	233
Income Taxes:			
Corporation Income Tax.....	375	306	444
Individual Income Tax.....	1,754	1,659	1,757
Federal Transfers:			
Equalization.....	1,306	1,399	1,339
Canada Health and Social Transfer.....	678	685	546
Federal Health Supplement.....	-	-	92
Medical Equipment Fund.....	18	3	-
Shared Cost and Other.....	126	119	114
Crown Corporations.....	413	424	410
<b>TOTAL OPERATING REVENUE.....</b>	<b>6,803</b>	<b>6,746</b>	<b>6,752</b>
<b>OPERATING EXPENSES</b>			
Health.....	2,591	2,669	2,502
Education.....	1,489	1,469	1,439
Family Services and Housing.....	809	810	774
Community, Economic and Resource Development.....	891	814	845
Justice and Other Government.....	579	561	544
Debt Servicing.....	458	414	511
	6,817	6,737	6,615
Less: Budgeted Underexpenditure.....	60	-	-
<b>TOTAL OPERATING EXPENSES (Schedule 10).....</b>	<b>6,757</b>	<b>6,737</b>	<b>6,615</b>

**CHANGES IN OTHER SPECIAL FUNDS**

**SCHEDULE 9**

For the Year Ended March 31, 2002

	(\$ millions)				
	Mining Community Reserve	Quarry Rehabilitation Reserve Fund	Other Funds	Total 2002	Total 2001
Surplus, Beginning of Year.....	<u>20</u>	<u>5</u>	<u>2</u>	<u>27</u>	<u>26</u>
Revenue.....	1	-	2	3	6
Expenses / Transfers.....	<u>3</u>	<u>-</u>	<u>1</u>	<u>4</u>	<u>5</u>
Net Result for the Year.....	<u>(2)</u>	<u>-</u>	<u>1</u>	<u>(1)</u>	<u>1</u>
Surplus, End of Year.....	<u><u>18</u></u>	<u><u>5</u></u>	<u><u>3</u></u>	<u><u>26</u></u>	<u><u>27</u></u>

**EXPENSE BY TYPE**

**SCHEDULE 10**

For the Year Ended March 31, 2002

	(\$ millions)	
	2002	2001
Personnel Services.....	719	671
Grants/Transfer Payments.....	4,488	4,384
Transportation.....	48	45
Communications.....	31	29
Supplies and Services.....	311	302
Social Assistance Related.....	541	489
Other Operating.....	108	111
Debt Servicing - Department of Finance.....	414	511
- Other Departments.....	13	14
Minor Capital.....	30	28
Amortization of Tangible Capital Assets.....	<u>34</u>	<u>31</u>
	<u><u>6,737</u></u>	<u><u>6,615</u></u>

Note: Debt servicing costs shown above are net of cost recoveries and interest income of \$1,248 million (2001 - \$1,220 million).

**NET DEBT**

**SCHEDULE 11**

For the Year Ended March 31, 2002

	(\$ millions)	
	2002	2001
Accumulated deficit, end of year.....	6,617	6,288
Deferred charge for health care facilities.....	392	236
Tangible capital assets.....	<u>391</u>	<u>380</u>
<b>NET DEBT</b>	<u><u>7,400</u></u>	<u><u>6,904</u></u>

Note: Net debt is the excess of liabilities over financial assets. Neither tangible capital assets nor the deferred charge for health care facilities are considered to be financial assets since they cannot be immediately converted into cash to pay down liabilities. Net debt represents how much the government would have to borrow in total, after liquidating its financial assets, in order to pay all of its liabilities. The increase during the 2001-02 fiscal year is primarily a result of recording the impact of the Federal accounting error.