

**PROVINCE OF MANITOBA  
NOTES TO THE QUARTERLY FINANCIAL REPORT  
FOR THE NINE MONTHS - APRIL TO DECEMBER 1997**

This report presents the financial results of the Province of Manitoba for the third quarter of the 1997/98 fiscal year. These financial statements have been prepared on a cash basis without adjustments for normal year-end entries.

The comparative data provided for the 1996/97 fiscal year has been recast to reflect the organizational structure of departments established in the 1997/98 Estimates.

THIRD QUARTER - ACTUAL TO ESTIMATED

The third quarter deficit of \$263.4 million was \$74.4 million less than the estimate of \$337.8 million. The estimated amounts represent cash flow projections for the period. The major variances from estimated to actual are not individually material and mainly result from timing differences in the cash flow of receipts and disbursements.

THIRD QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

Compared to the same period last year, total expenditures are \$91.7 million higher. The increase primarily relates to expenditures of \$100.8 million incurred as a result of the 1997 Spring flood. Lower debt servicing costs offset increases in other programming areas.

Revenues were \$18.0 million lower than for the same period last year. The Province's own source revenues increased by \$141.1 million or 5.4% reflecting Manitoba's strong economic performance. This increase was offset by a \$82.4 million reduction in support from the federal government for the Canada Health and Social Transfer. In addition, Equalization revenues from the federal government were \$77.1 million lower than for the same period last year largely due to differences in timing of payments.

The net impact of the changes in expenditure and revenue is a \$184.7 million increase in the third quarter deficit as compared to last year.

YEAR END PROJECTION

The 1997/98 year-end surplus is now forecast to be \$43.5 million, a \$16.7 million increase from the budget surplus of \$26.8 million. This revised forecast is based on increased revenues of \$365.4 million, almost entirely offset by a \$348.6 million increase in expenditures. A significant portion of the increase in both revenues and expenditures is due to the impact of the 1997 Spring flood.

Projected 1997 Spring flood costs of \$210.4 million during the 1997/98 fiscal year are forecast to be offset by \$175.0 million in cost-shared recoveries from the federal government for a net provincial cost of \$35.4 million. It is estimated that total flood costs during the current and future years will exceed \$400.0 million and the net provincial cost will be approximately \$100.0 million. Cost information continues to be compiled and negotiations are ongoing with the federal government respecting cost-sharing. The projections will be updated as information becomes available.

YEAR END PROJECTION (cont'd)

Excluding flood related recoveries, revenues are forecast to increase by \$190.4 million. In January, revised equalization estimates were received from the federal government forecasting a \$105.7 million increase in calculated entitlements. This increase reflects higher current year entitlements and a positive prior year's adjustment of \$42.0 million. Both of these adjustments occurred as a result of the effect of 1996 personal income tax assessment data on the equalization formula. The 1997 Spring flood resulted in the extension of the filing deadline for 1996 personal income tax returns. Delays in filing these returns would artificially increase equalization entitlements with a corresponding reduction to personal income tax revenues. This distortion, when adjusted, will have no material effect on total revenues for either 1997/98 or 1998/99. Also, the Province's own source revenues are projected to increase a further \$71.1 million from the budget projections reflecting continued strong economic growth. Increases include \$28.0 million in retail sales tax (a 6.5% improvement over last year), \$8.6 million in the levy for health and education, \$7.5 million in corporation income tax and \$5.8 million in water power rentals.

In addition to the 1997 Spring flood costs, expenditures are forecast to increase \$138.2 million with \$93.6 million more spending on health programming including \$38.5 million for the hospital program, \$32.3 million for the medical program and \$17.1 million for the home care program. Other increases include \$15.0 million for education and training and \$5.6 million for justice programs. The expenditure forecast includes all of the expenditure requirements which were recently approved by special warrant.

BORROWING ACTIVITY

The original estimated borrowing requirement for the 1997/98 fiscal year of \$1,586.6 million has increased to \$1,996.8 million to accommodate the call of two issues prior to maturity and the refinancing of a portion of promissory notes of Manitoba Hydro at lower interest rates. This estimate includes \$1,880.4 million for refinancing maturing debt issues.

For the period April 1, 1997 to December 31, 1997, \$1,692.6 million has been borrowed; \$287.8 million was raised through the issue of Manitoba Hydro Savings Bonds with the remainder raised in the public market.

**PROVINCE OF MANITOBA**  
**STATEMENT OF REVENUE AND EXPENDITURE**  
**FOR THE NINE MONTHS ENDED DECEMBER 31, 1997**  
**(with comparative figures for December 31, 1996)**  
**(UNAUDITED)**

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)		1997/98		
				ACTUAL	ESTIMATED	VARIANCE
(thousands of dollars)				(thousands of dollars)		
3,932,442	3,914,395	(18,047)	Total Operating Revenue	3,914,395	3,893,782	20,613
3,808,081	3,908,995	100,914	Total Operating Expenditure	3,908,995	3,950,158	(41,163)
124,361	5,400	(118,961)	Operating Surplus(Deficit) Before Deposit to Debt Retirement Fund	5,400	(56,376)	(61,776)
-	75,000	75,000	Deposit to Debt Retirement Fund	75,000	75,000	-
124,361	(69,600)	(193,961)	Operating Surplus(Deficit)	(69,600)	(131,376)	(61,776)
203,056	193,830	(9,226)	Capital Expenditure	193,830	206,429	(12,599)
<u>(78,695)</u>	<u>(263,430)</u>	<u>184,735</u>	Budgetary Surplus(Deficit)	<u>(263,430)</u>	<u>(337,805)</u>	<u>(74,375)</u>

**PROVINCE OF MANITOBA  
STATEMENT OF REVENUE  
FOR THE NINE MONTHS ENDED DECEMBER 31, 1997  
(with comparative figures for December 31, 1996)  
(UNAUDITED)**

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)	1997/98		
			ACTUAL	ESTIMATED	VARIANCE
(thousands of dollars)			(thousands of dollars)		
<b>TAXATION:</b>					
			Consumer and Corporate Affairs		
25,000	26,938	1,938	- Insurance Corporations Tax	26,938	26,205
7,114	9,775	2,661	- Land Transfer Tax	9,775	7,619
			Energy and Mines		
3,338	3,029	(309)	- Oil and Natural Gas Tax	3,029	3,025
			Finance		
			- Canada-Manitoba Income Tax Collection Agreement		
155,252	163,193	7,941	- Corporation Income Tax	163,193	163,200
1,002,825	1,051,329	48,504	- Individual Income Tax	1,051,329	1,051,500
80,459	87,318	6,859	- Corporation Capital Tax	87,318	84,504
103,621	106,782	3,161	- Gasoline Tax	106,782	105,280
153,964	160,969	7,005	- Levy for Health and Education	160,969	159,480
18,915	18,744	(171)	- Mining Tax	18,744	14,244
42,744	44,588	1,844	- Motive Fuel Tax	44,588	43,823
2,100	-	(2,100)	- Pari Mutuel Tax	-	-
518,910	559,283	40,373	- Retail Sales Tax	559,283	550,484
28,737	30,137	1,400	- Revenue Act, 1964, Part I	30,137	29,680
74,129	76,153	2,024	- Tobacco Tax	76,153	74,527
2,050	2,069	19	- Environmental Protection Tax	2,069	2,197
40	39	(1)	- Other Taxes	39	104
<u>2,219,198</u>	<u>2,340,346</u>	<u>121,148</u>		<u>2,340,346</u>	<u>2,315,872</u>
			<b>GOVERNMENT OF CANADA:</b>		
837,220	760,122	(77,098)	Equalization	760,122	760,122
453,436	371,033	(82,403)	Canada Health and Social Transfer	371,033	371,013
7,983	8,387	404	Other	8,387	8,340
<u>1,298,639</u>	<u>1,139,542</u>	<u>(159,097)</u>		<u>1,139,542</u>	<u>1,139,475</u>
			<b>OTHER REVENUE:</b>		
13,870	5,400	(8,470)	Consumer and Corporate Affairs	5,400	5,191
42,986	47,385	4,399	Highways and Transportation	47,385	49,453
56,097	58,733	2,636	Natural Resources	58,733	58,387
146,500	170,000	23,500	Manitoba Lotteries Corporation	170,000	170,000
104,400	108,100	3,700	Liquor Control Commission	108,100	110,600
9,211	482	(8,729)	Sale of Government Assets	482	317
41,541	44,407	2,866	Other Departments	44,407	44,487
<u>414,605</u>	<u>434,507</u>	<u>19,902</u>		<u>434,507</u>	<u>438,435</u>
<u>3,932,442</u>	<u>3,914,395</u>	<u>(18,047)</u>	<b>TOTAL REVENUE</b>	<u>3,914,395</u>	<u>3,893,782</u>
					<u>20,613</u>

**PROVINCE OF MANITOBA**  
**STATEMENT OF EXPENDITURE**  
**FOR THE NINE MONTHS ENDED DECEMBER 31, 1997**  
**(with comparative figures for December 31, 1996)**  
**(UNAUDITED)**

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)		1997/98		
				ACTUAL	ESTIMATED	VARIANCE
(thousands of dollars)				(thousands of dollars)		
11,390	11,427	37	Legislative Assembly	11,427	11,600	(173)
2,061	2,258	197	Executive Council	2,258	2,240	18
54,664	63,002	8,338	Agriculture	63,002	68,261	(5,259)
80	176	96	Children and Youth Secretariat	176	268	(92)
2,842	2,960	118	Civil Service Commission	2,960	3,021	(61)
4,719	5,425	706	Community Support Programs	5,425	5,433	(8)
12,016	6,648	(5,368)	Consumer and Corporate Affairs	6,648	6,778	(130)
36,744	37,925	1,181	Culture, Heritage and Citizenship	37,925	39,037	(1,112)
736,936	752,570	15,634	Education and Training	752,570	750,894	1,676
28,104	31,098	2,994	Employee Benefits and Other Payments	31,098	28,063	3,035
7,338	8,102	764	Energy and Mines	8,102	8,621	(519)
9,742	9,924	182	Environment	9,924	9,433	491
452,951	452,786	(165)	Family Services	452,786	459,577	(6,791)
725,912	696,526	(29,386)	Finance	696,526	699,697	(3,171)
30,961	30,674	(287)	Government Services	30,674	31,536	(862)
1,315,433	1,324,208	8,775	Health	1,324,208	1,339,374	(15,166)
172,659	169,313	(3,346)	Highways and Transportation	169,313	173,180	(3,867)
35,248	32,755	(2,493)	Housing	32,755	33,437	(682)
17,725	14,687	(3,038)	Industry, Trade and Tourism	14,687	17,448	(2,761)
111,707	112,902	1,195	Justice	112,902	112,932	(30)
9,261	9,095	(166)	Labour	9,095	9,046	49
62,462	67,610	5,148	Natural Resources	67,610	74,180	(6,570)
12,844	12,261	(583)	Northern Affairs	12,261	12,927	(666)
48,694	49,503	809	Rural Development	49,503	53,363	(3,860)
356	342	(14)	Seniors Directorate	342	374	(32)
12,828	8,763	(4,065)	Sport	8,763	10,754	(1,991)
579	579	-	Status of Women	579	594	(15)
62,207	58,983	(3,224)	Urban Affairs	58,983	64,277	(5,294)
1,338	1,344	6	Enabling Appropriations	1,344	1,489	(145)
31,336	128,979	97,643	Other Appropriations	128,979	128,753	226
<u>4,011,137</u>	<u>4,102,825</u>	<u>91,688</u>	<b>TOTAL EXPENDITURE</b>	<u>4,102,825</u>	<u>4,156,587</u>	<u>(53,762)</u>

**PROVINCE OF MANITOBA**  
**STATEMENT OF VALUATION AND PURPOSE OF**  
**DIRECT AND GUARANTEED DEBT OUTSTANDING**  
**DECEMBER 31, 1997**  
**(with comparative figures for March 31, 1997)**  
**(UNAUDITED)**

Canadian Dollar Equivalent at Date of Issue Dec 31/97	Canadian Dollar Equivalent at Date of Issue Mar 31/97	Increase (Decrease) Dec 31/97 over Mar 31/97		Canadian Dollar Valuation (Note 1) Dec 31/97	Canadian Dollar Valuation (Note 1) Mar 31/97	Increase (Decrease) Dec 31/97 over Mar 31/97
(thousands of dollars)				(thousands of dollars)		
<b>Direct Debt Payable in:</b>						
8,467,452	7,913,617	553,835	Canadian Dollars	8,467,452	7,913,617	553,835
2,749,235	2,832,768	(83,533)	Foreign Issues Swapped to Canadian Dollars	2,841,211	2,930,815	(89,604)
4,074,490	4,583,730	(509,240)	U.S. Dollars	4,951,407	5,337,523	(386,116)
1,171,824	804,471	367,353	Foreign Issues Swapped to U.S. Dollars	1,279,082	885,139	393,943
<u>16,463,001</u>	<u>16,134,586</u>	<u>328,415</u>	<b>Total Direct Debt</b>	<u>17,539,152</u>	<u>17,067,094</u>	<u>472,058</u>
<b>Guaranteed Debt Payable in:</b>						
484,843	523,033	(38,190)	Canadian Dollars	484,843	523,033	(38,190)
<u>484,843</u>	<u>523,033</u>	<u>(38,190)</u>	<b>Total Guaranteed Debt</b>	<u>484,843</u>	<u>523,033</u>	<u>(38,190)</u>
16,947,844	16,657,619	290,225	<b>Total Direct and Guaranteed Debt</b> (Note 2)	18,023,995	17,590,127	433,868
4,818,844	4,677,624	141,220	Less: Sinking Fund Investments	4,818,844	4,677,624	141,220
75,000	-	75,000	Less: Debt Retirement Fund	75,000	-	75,000
<u>12,054,000</u>	<u>11,979,995</u>	<u>74,005</u>	<b>Net Direct and Guaranteed Debt</b> (Note 3)	<u>13,130,151</u>	<u>12,912,503</u>	<u>217,648</u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at December 31, 1997 and March 31, 1997 adjusted for any foreign currency contracts entered into for settlement after these dates.

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at December 31, 1997, total gross debt was payable 65% in Canadian dollars and 35% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 78% in Canadian dollars (76% at March 31, 1997) and 22% in U.S. dollars (24% at March 31, 1997) while Manitoba Hydro was payable 41% in Canadian dollars and 59% in U.S. dollars.

Note 3: The above debt was issued for the following purposes:

	December 31, 1997		March 31, 1997	
	(in thousands)	(per capita) (Note 4)	(in thousands)	(per capita) (Note 4)
General Government Programs	6,802,106	5,958	6,807,955	5,964
The Manitoba Hydro-Electric Board	5,285,674	4,630	4,892,770	4,286
Other	1,042,371	913	1,211,778	1,062
	<u>13,130,151</u>	<u>11,501</u>	<u>12,912,503</u>	<u>11,312</u>

Note 4: Per capita data is based upon population figures at October 1, 1997 and April 1, 1997, as reported by Statistics Canada.

**PROVINCE OF MANITOBA  
STATEMENT OF THE FISCAL STABILIZATION FUND  
FOR THE NINE MONTHS ENDED DECEMBER 31, 1997  
(with comparative figures for December 31, 1996)  
(UNAUDITED)**

	1997/98	1996/97
	(thousands of dollars)	
<b>Fund Balance Beginning of Year</b>	577,494	210,350
<b>Revenue:</b>		
Interest Earnings	1,556	119
<b>Expenditure:</b>		
Transfer to be made to Consolidated Fund Revenue (see note)	100,000	-
	479,050	210,469

Note: Represents the \$100.0 million committed in the 1997 Budget to provide for reductions in federal transfer payments for health, education and support to families.

**PROVINCE OF MANITOBA  
PROJECTION TO YEAR-END  
FOR THE YEAR ENDING MARCH 31, 1998  
(UNAUDITED)**

	<u>March 31, 1998 Revised Projection</u>	<u>March 31, 1998 Budget Projection</u>
	(thousands of dollars)	
Total Operating Revenue (see note)	5,777,256	5,411,847
Total Operating Expenditure	5,328,640	4,993,346
Operating Surplus Before Deposit to Debt Retirement Fund	<u>448,616</u>	<u>418,501</u>
Deposit to Debt Retirement Fund	<u>75,000</u>	<u>75,000</u>
Operating Surplus	373,616	343,501
Capital Expenditure	<u>330,072</u>	<u>316,740</u>
<b>Budgetary Surplus</b>	<u><u>43,544</u></u>	<u><u>26,761</u></u>

Note: Includes transfer from the Fiscal Stabilization Fund of \$100.0 million to offset the reduction in the federal government's contribution to health, education and support to families.