

**PROVINCE OF MANITOBA
NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE SIX MONTHS - APRIL TO SEPTEMBER 1997**

This report presents the unaudited financial results of the Province of Manitoba for the second 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.

SECOND QUARTER - ACTUAL TO ESTIMATED

The second quarter deficit of \$199.7 million was \$130.2 million less than the projection of \$329.9 million. The estimated amounts represent cash flow projections for the period. The major variances from estimated to actual are not individually material and result mainly from timing differences in the cash flow of receipts and disbursements.

SECOND QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

Compared to the same period last year, total actual expenditures were \$118.2 million higher. This increase is primarily due to timing variances, including \$78.7 million in grant payments by the Department of Education and Training which were paid at the end of September in the current fiscal year rather than the beginning of October as occurred in 1996/97. As well, expenditures of \$60.0 million resulting from the 1997 flood contributed to the year over year expenditure increase.

Revenues were \$25.6 million higher than for the same period last year. The Province's own source revenues continued to strengthen and increased by \$86.3 million or 5.0%, including \$47.4 million from income taxes (a 6.3% year over year increase) and \$27.3 million from retail sales taxes (an 8.5% year over year increase). These increases were offset by a \$60.7 million reduction in transfers from the federal government, primarily related to the Canada Health and Social Transfer.

YEAR END PROJECTION

The 1997/98 year-end surplus is now forecast to be \$28.0 million, a \$1.2 million increase from the budget surplus of \$26.8 million. This revised forecast is based on increased revenues of \$307.3 million, offset by a \$306.1 million increase in expenditures. The majority of the increase in both revenues and expenditures is due to the impact of the 1997 Spring flood.

Projected 1997/98 flood costs of \$235.0 million are forecast to be offset by \$195.0 million in cost-shared recovery from the federal government for a net provincial cost of \$40.0 million which will be funded by a transfer to revenue from the Fiscal Stabilization Fund. It is estimated that total 1997 flood costs will exceed \$300.0 million with a net provincial cost of \$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.

Excluding 1997 flood costs, revenues are forecast to increase by \$72.3 million, primarily due to projected increases in own source revenue resulting from strong economic growth, including a \$50.3 million increase in taxation revenue, mostly from a \$28.0 million increase in retail sales tax, and a \$9.6 million increase in other own source revenue.

YEAR END PROJECTION (cont'd.)

The revised forecast of retail sales tax is \$51.6 million, or 6.8% higher than in 1996/97.

In addition to the 1997 Spring flood costs, expenditures are forecast to increase by \$71.1 million, mostly because more money has been committed to health care programs.

BORROWING ACTIVITY

The original estimated borrowing requirement for the 1997/98 fiscal year of \$1,586.6 million has increased to \$1,836.8 million to accommodate the call of two issues prior to maturity and the refunding of a portion of the promissory notes of Manitoba Hydro at lower interest costs. This estimate includes \$1,720.4 million for refinancing maturing debt issues. The estimated borrowing represents requirements to refinance existing debt and does not result in an increase in the Province's net general purpose debt.

For the period April 1, 1997 to September 30, 1997, \$908.0 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 SIX MONTHS ENDED SEPTEMBER 30, 1997
(with comparative figures for September 30, 1996)
(UNAUDITED)**

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)		1997/98		
(thousands of dollars)				ACTUAL	ESTIMATED	VARIANCE
				(thousands of dollars)		
2,538,466	2,564,055	25,589	Total Operating Revenue	2,564,055	2,523,308	40,747
2,509,046	2,626,190	117,144	Total Operating Expenditure	2,626,190	2,692,681	(66,491)
<u>29,420</u>	<u>(62,135)</u>	<u>91,555</u>	Operating Surplus(Deficit)	<u>(62,135)</u>	<u>(169,373)</u>	<u>(107,238)</u>
136,541	137,607	1,066	Capital Expenditure	137,607	160,574	(22,967)
<u>(107,121)</u>	<u>(199,742)</u>	<u>92,621</u>	Budgetary Surplus(Deficit)	<u>(199,742)</u>	<u>(329,947)</u>	<u>(130,205)</u>

**PROVINCE OF MANITOBA
STATEMENT OF REVENUE
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1997
(with comparative figures for September 30, 1996)
(UNAUDITED)**

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)		1997/98		
(thousands of dollars)				ACTUAL	ESTIMATED	VARIANCE
				(thousands of dollars)		
TAXATION:						
			Consumer and Corporate Affairs			
16,730	17,916	1,186	- Insurance Corporations Tax	17,916	17,532	384
4,719	5,379	660	- Land Transfer Tax	5,379	5,000	379
			Energy and Mines			
2,049	2,092	43	- Oil and Natural Gas Tax	2,092	1,958	134
			Finance			
			- Canada-Manitoba Income Tax Collection Agreement			
94,754	97,817	3,063	- Corporation Income Tax	97,817	87,674	10,143
653,959	698,281	44,322	- Individual Income Tax	698,281	694,772	3,509
57,144	61,204	4,060	- Corporation Capital Tax	61,204	60,417	787
65,239	67,980	2,741	- Gasoline Tax	67,980	66,753	1,227
100,050	105,680	5,630	- Levy for Health and Education	105,680	103,225	2,455
18,915	3,444	(15,471)	- Mining Tax	3,444	-	3,444
25,504	26,923	1,419	- Motive Fuel Tax	26,923	26,496	427
1,567	-	(1,567)	- Pari Mutuel Tax	-	-	-
320,588	347,884	27,296	- Retail Sales Tax	347,884	335,001	12,883
17,438	18,380	942	- Revenue Act, 1964, Part I	18,380	18,726	(346)
46,942	48,727	1,785	- Tobacco Tax	48,727	46,601	2,126
1,339	1,352	13	- Environmental Protection Tax	1,352	1,350	2
<u>1,426,937</u>	<u>1,503,059</u>	<u>76,122</u>		<u>1,503,059</u>	<u>1,465,505</u>	<u>37,554</u>
GOVERNMENT OF CANADA:						
527,135	515,148	(11,987)	Equalization	515,148	515,148	-
299,683	250,258	(49,425)	Canada Health and Social Transfer	250,258	249,600	658
2,589	3,311	722	Other	3,311	4,908	(1,597)
<u>829,407</u>	<u>768,717</u>	<u>(60,690)</u>		<u>768,717</u>	<u>769,656</u>	<u>(939)</u>
OTHER REVENUE:						
9,051	3,488	(5,563)	Consumer and Corporate Affairs	3,488	3,040	448
29,626	33,104	3,478	Highways and Transportation	33,104	33,259	(155)
39,490	37,511	(1,979)	Natural Resources	37,511	36,045	1,466
98,000	115,000	17,000	Manitoba Lotteries Corporation	115,000	115,000	-
68,800	71,600	2,800	Liquor Control Commission	71,600	70,000	1,600
9,081	250	(8,831)	Sale of Government Assets	250	59	191
28,074	31,326	3,252	Other Departments	31,326	30,744	582
<u>282,122</u>	<u>292,279</u>	<u>10,157</u>		<u>292,279</u>	<u>288,147</u>	<u>4,132</u>
<u>2,538,466</u>	<u>2,564,055</u>	<u>25,589</u>	TOTAL REVENUE	<u>2,564,055</u>	<u>2,523,308</u>	<u>40,747</u>

PROVINCE OF MANITOBA
STATEMENT OF EXPENDITURE
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1997
(with comparative figures for September 30, 1996)
(UNAUDITED)

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)		1997/98		
				ACTUAL	ESTIMATED	VARIANCE
(thousands of dollars)			(thousands of dollars)			
7,626	7,755	129	Legislative Assembly	7,755	7,945	(190)
1,345	1,380	35	Executive Council	1,380	1,442	(62)
33,581	35,942	2,361	Agriculture	35,942	40,290	(4,348)
70	124	54	Children and Youth Secretariat	124	178	(54)
2,029	1,997	(32)	Civil Service Commission	1,997	2,140	(143)
3,396	3,445	49	Community Support Programs	3,445	3,610	(165)
8,512	4,535	(3,977)	Consumer and Corporate Affairs	4,535	4,748	(213)
25,235	26,173	938	Culture, Heritage and Citizenship	26,173	27,819	(1,646)
445,891	537,923	92,032	Education and Training	537,923	532,300	5,623
17,995	18,598	603	Employee Benefits and Other Payments	18,598	19,937	(1,339)
4,784	5,399	615	Energy and Mines	5,399	4,773	626
7,152	6,875	(277)	Environment	6,875	6,836	39
300,052	299,752	(300)	Family Services	299,752	304,185	(4,433)
521,871	511,603	(10,268)	Finance	511,603	522,906	(11,303)
16,340	16,061	(279)	Government Services	16,061	16,343	(282)
871,692	869,917	(1,775)	Health	869,917	868,568	1,349
119,142	133,774	14,632	Highways and Transportation	133,774	144,781	(11,007)
18,479	17,680	(799)	Housing	17,680	18,531	(851)
12,552	9,876	(2,676)	Industry, Trade and Tourism	9,876	12,331	(2,455)
70,791	70,452	(339)	Justice	70,452	73,361	(2,909)
6,529	6,283	(246)	Labour	6,283	6,461	(178)
44,024	39,504	(4,520)	Natural Resources	39,504	42,110	(2,606)
9,581	9,683	102	Northern Affairs	9,683	10,558	(875)
37,417	39,161	1,744	Rural Development	39,161	42,345	(3,184)
257	240	(17)	Seniors Directorate	240	246	(6)
8,706	6,528	(2,178)	Sport	6,528	8,540	(2,012)
407	393	(14)	Status of Women	393	442	(49)
29,721	25,155	(4,566)	Urban Affairs	25,155	26,302	(1,147)
841	735	(106)	Enabling Appropriations	735	1,183	(448)
19,569	56,854	37,285	Other Appropriations	56,854	102,044	(45,190)
<u>2,645,587</u>	<u>2,763,797</u>	<u>118,210</u>	TOTAL EXPENDITURE	<u>2,763,797</u>	<u>2,853,255</u>	<u>(89,458)</u>

PROVINCE OF MANITOBA
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
SEPTEMBER 30, 1997
(with comparative figures for March 31, 1997)
(UNAUDITED)

Canadian Dollar Equivalent at Date of Issue Sept 30/97 <u>(thousands of dollars)</u>	Canadian Dollar Equivalent at Date of Issue Mar 31/97 <u>(thousands of dollars)</u>	Increase (Decrease) Sept 30/97 over Mar 31/97		Canadian Dollar Valuation (Note 1) Sept 30/97 <u>(thousands of dollars)</u>	Canadian Dollar Valuation (Note 1) Mar 31/97 <u>(thousands of dollars)</u>	Increase (Decrease) Sept 30/97 over Mar 31/97
			Direct Debt Payable in:			
8,143,770	7,913,617	230,153	Canadian Dollars	8,143,770	7,913,617	230,153
2,804,756	2,832,768	(28,012)	Foreign Issues Swapped to Canadian Dollars	2,898,812	2,930,815	(32,003)
4,331,530	4,583,730	(252,200)	U.S. Dollars	5,052,255	5,337,523	(285,268)
804,471	804,471	-	Foreign Issues Swapped to U.S. Dollars	883,669	885,139	(1,470)
<u>16,084,527</u>	<u>16,134,586</u>	<u>(50,059)</u>	Total Direct Debt	<u>16,978,506</u>	<u>17,067,094</u>	<u>(88,588)</u>
			Guaranteed Debt Payable in:			
521,830	523,033	(1,203)	Canadian Dollars	521,830	523,033	(1,203)
<u>521,830</u>	<u>523,033</u>	<u>(1,203)</u>	Total Guaranteed Debt	<u>521,830</u>	<u>523,033</u>	<u>(1,203)</u>
16,606,357	16,657,619	(51,262)	Total Direct and Guaranteed Debt (Note 2)	17,500,336	17,590,127	(89,791)
4,745,013	4,677,624	67,389	Less: Sinking Fund Investments	4,745,013	4,677,624	67,389
<u>11,861,344</u>	<u>11,979,995</u>	<u>(118,651)</u>	Net Direct and Guaranteed Debt (Note 3)	<u>12,755,323</u>	<u>12,912,503</u>	<u>(157,180)</u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at September 30, 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 September 30, 1997, total gross debt was payable 66% in Canadian dollars and 34% 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:

	<u>September 30, 1997</u>		<u>March 31, 1997</u>	
	<u>(in thousands)</u>	<u>(per capita)</u>	<u>(in thousands)</u>	<u>(per capita)</u>
		(Note 4)		(Note 4)
General Government Programs	6,771,277	5,913	6,807,955	5,947
The Manitoba Hydro-Electric Board	4,888,349	4,269	4,892,770	4,274
Other	1,095,697	957	1,211,778	1,059
	<u>12,755,323</u>	<u>11,139</u>	<u>12,912,503</u>	<u>11,280</u>

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

**PROVINCE OF MANITOBA
STATEMENT OF THE FISCAL STABILIZATION FUND
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 1997
(with comparative figures for September 30, 1996)
(UNAUDITED)**

	1997/98	1996/97
	(thousands of dollars)	
Fund Balance Beginning of Year	577,494	210,350
Revenue:		
Interest Earnings	1,263	-
Expenditure:		
Transfer to Consolidated Fund Revenue (see note)	140,000	-
	438,757	210,350

Note: In addition to the \$100.0 million committed in the 1997 Budget to provide for reductions in federal transfer payments for health, education and support to families, \$40.0 million is currently projected to be transferred to provide for the 1997/98 provincial share of costs of the 1997 Spring flood.

**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)	5,719,135	5,411,847
Total Operating Expenditure	5,288,843	4,993,346
Operating Surplus Before Deposit to Debt Retirement Fund	<u>430,292</u>	<u>418,501</u>
Deposit to Debt Retirement Fund	75,000	75,000
Operating Surplus	<u>355,292</u>	<u>343,501</u>
Capital Expenditure	327,336	316,740
Less: Federal Recoveries	-	-
Net Capital Expenditure	<u>327,336</u>	<u>316,740</u>
Budgetary Surplus	<u><u>27,956</u></u>	<u><u>26,761</u></u>

Note: Includes transfers from the Fiscal Stabilization Fund of:

- \$100.0 million to offset reduction in the federal government's contribution to health, education and family services.
- \$40.0 million to offset net provincial costs associated with the 1997 Spring flood. This amount is subject to change as actual claims are received and as cost-sharing is finalized.