

**PROVINCE OF MANITOBA
NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE SIX MONTHS - APRIL TO SEPTEMBER 2001**

This report presents the unaudited financial results of the Province of Manitoba for the second quarter of the 2001/02 fiscal year. The comparative data provided for the 2000/01 fiscal year has been restated to reflect the organizational structure of departments established in the 2001/02 Estimates.

SECOND QUARTER - ACTUAL TO ESTIMATE

The net expenditure for the six months ended September 30, 2001 of \$145.2 million was \$76.6 million lower than the projection of \$221.8 million. Expenditures were \$78.5 million less than the six month plan and revenues were \$1.9 million lower than anticipated. The variance is primarily attributable to differences in timing between the flow of receipts and disbursements.

SECOND QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

Second quarter expenditures of \$3,265.5 million were \$146.2 million higher than for the same period last year and revenues of \$3,120.3 million were up by \$194.3 million resulting in a \$48.1 million decrease in net expenditure. The increased expenditure primarily reflects the higher level of expenditure approved in the 2001 Budget for the departments of Health, Education, Training and Youth and Family Services and Housing (totalling \$195.5 million). These program increases are offset by a reduction in public debt servicing costs to September 30, 2001 (\$56.5 million). The improvement in revenue mainly reflects projected revenue growth, included in the 2001 Budget, experienced in results to September 30, 2001. However, as noted in the following section, 2001/02 full-year revenues are projected to be lower than 2000/01 levels as a result of revised federal and own-source receipts over the last six months of the fiscal year. The transfer from the Fiscal Stabilization Fund will be increased to offset the combined impact of higher than anticipated non-discretionary expenditures and the unanticipated revenue shortfall due to economic circumstances.

YEAR END PROJECTION

A \$3.0 million positive year-end balance is now forecast for the operating fund compared to the \$10.4 million forecast in the 2001 Budget.

Total revenue is projected to decline \$114.0 million, or 1.7%, from budget levels. The decrease primarily results from a \$139.8 million projected decline in provincial own-source revenue in individual income tax revenue and corporation income tax revenue. Federal transfers are projected to increase \$25.8 million primarily reflecting an increase in equalization revenue.

Expenditures are projected to increase \$33.4 million primarily as a result of a projected increase in health care expenditures as a result of continued price and volume pressures as well as emergency expenditures due to higher than anticipated fire suppression and flood-related damage costs. These non-discretionary increases are partially offset by a net decrease in other expenditures including a \$48.1 million decrease in public debt costs due to lower than anticipated interest rates and a lower U.S. dollar debt exposure. Continuing management of discretionary program expenditures will ensure that other departments are at or below budget levels while focussing on maintaining vital services to the public. After all reasonable measures to contain expenditures are considered, an increased transfer will be required from the Fiscal Stabilization Fund (estimated at \$140.0 million) to bridge the revenue shortfall resulting from the current economic slowdown.

The Government is committed to achieving a positive balance at year-end while making a \$96 million contribution for debt and pension repayments and meeting its commitment to tax reductions.

CAPITAL INVESTMENT

Expenditure for the acquisition of tangible assets was \$1.5 million less than estimated for the second quarter and \$4.7 million less than expenditures incurred during the same period last year mainly due to differences in timing of project requirements.

BORROWING ACTIVITY

The original estimate of borrowing requirements identified in the 2001 Budget was \$2,200.8 million, including refinancing and funding for health capital. This requirement has decreased to \$2,171.3 million primarily as a result of financing for self-sustaining programs, Manitoba Hydro and health capital being moved to next fiscal year, offset by refinancing Centra Gas debt at a saving to Manitoba Hydro. The revised estimate includes \$1,974.0 million for refinancing maturing debt issues with the balance required for self-sustaining programs, including Manitoba Hydro, and to fund an allocation to the Provincial Sinking Fund for the repurchase of foreign debt.

For the period April 1, 2001 to September 30, 2001, \$1,281.6 million has been borrowed of which \$825.5 million was raised in the public market.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001
(with comparative figures for September 30, 2000)
(UNAUDITED)**

2000/01 <u>ACTUAL</u> (thousands of dollars)	2001/02 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>2001/02</u> (thousands of dollars)		
				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
Revenue						
1,995,631	2,149,172	153,541	Own Source Revenue	2,149,172	2,150,833	(1,661)
930,339	971,085	40,746	Government of Canada	971,085	971,293	(208)
<u>2,925,970</u>	<u>3,120,257</u>	<u>194,287</u>	Total Revenue	<u>3,120,257</u>	<u>3,122,126</u>	<u>(1,869)</u>
Expenditure						
2,872,032	3,074,770	202,738	Program Expenditure	3,074,770	3,152,442	(77,672)
247,225	190,709	(56,516)	Debt Servicing	190,709	191,527	(818)
<u>3,119,257</u>	<u>3,265,479</u>	<u>146,222</u>	Total Expenditure	<u>3,265,479</u>	<u>3,343,969</u>	<u>(78,490)</u>
(193,287)	(145,222)	(48,065)	Net Revenue/(Expenditure)	(145,222)	(221,843)	(76,621)
Interfund Transfers						
-	-	-	Debt/Pension Repayment	-	-	-
-	-	-	Fiscal Stabilization Fund	-	-	-
<u>(193,287)</u>	<u>(145,222)</u>	<u>(48,065)</u>	Balance Under Balanced Budget Legislation	<u>(145,222)</u>	<u>(221,843)</u>	<u>(76,621)</u>

**PROVINCE OF MANITOBA
OPERATING FUND - STATEMENT OF REVENUE
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001
(with comparative figures for September 30, 2000)
(UNAUDITED)**

2000/01 <u>ACTUAL</u> (thousands of dollars)	2001/02 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>200102</u> <u>ACTUAL</u> (thousands of dollars)	<u>ESTIMATE</u> (thousands of dollars)	<u>VARIANCE</u>
			Taxation:			
			Consumer and Corporate Affairs			
19,799	20,078	279	- Insurance Corporations Tax	20,078	19,806	272
6,996	7,358	362	- Land Transfer Tax	7,358	6,794	564
<u>26,795</u>	<u>27,436</u>	<u>641</u>		<u>27,436</u>	<u>26,600</u>	<u>836</u>
			Finance			
798,515	832,255	33,740	- Individual Income Tax	832,255	838,560	(6,305)
136,903	183,480	46,577	- Corporation Income Tax	183,480	179,924	3,556
67,450	72,066	4,616	- Corporation Capital Tax	72,066	74,985	(2,919)
67,357	67,740	383	- Gasoline Tax	67,740	67,891	(151)
95,505	97,349	1,844	- Levy for Health and Education	97,349	95,192	2,157
6,352	16,056	9,704	- Mining Tax	16,056	15,411	645
26,158	26,832	674	- Motive Fuel Tax	26,832	27,701	(869)
399,666	408,130	8,464	- Retail Sales Tax	408,130	408,674	(544)
21,426	24,113	2,687	- Revenue Act, 1964, Part I	24,113	23,169	944
52,912	63,085	10,173	- Tobacco Tax	63,085	59,867	3,218
1,416	1,593	177	- Environmental Protection Tax	1,593	1,532	61
<u>1,673,660</u>	<u>1,792,699</u>	<u>119,039</u>		<u>1,792,699</u>	<u>1,792,906</u>	<u>(207)</u>
			Industry, Trade and Mines			
1,774	1,963	189	- Oil and Natural Gas Tax	1,963	2,067	(104)
<u>1,702,229</u>	<u>1,822,098</u>	<u>119,869</u>		<u>1,822,098</u>	<u>1,821,573</u>	<u>525</u>
			Other Revenue:			
21,202	56,566	35,364	Conservation - Water Power Rentals	56,566	56,380	186
12,157	13,377	1,220	Conservation - Other	13,377	13,024	353
37,233	38,481	1,248	Transportation and Government Services	38,481	39,761	(1,280)
122,000	118,000	(4,000)	Manitoba Lotteries Corporation	118,000	118,000	-
64,000	64,600	600	Liquor Control Commission	64,600	64,388	212
36,810	36,050	(760)	Other Departments	36,050	37,707	(1,657)
<u>293,402</u>	<u>327,074</u>	<u>33,672</u>		<u>327,074</u>	<u>329,260</u>	<u>(2,186)</u>
<u>1,995,631</u>	<u>2,149,172</u>	<u>153,541</u>	Total Own Source Revenue	<u>2,149,172</u>	<u>2,150,833</u>	<u>(1,661)</u>
			Government of Canada:			
537,144	600,888	63,744	Equalization	600,888	600,888	-
362,147	338,916	(23,231)	Canada Health and Social Transfer	338,916	338,916	-
			Other			
21,835	24,032	2,197	- Education, Training and Youth	24,032	22,928	1,104
9,213	7,249	(1,964)	- Other Departments	7,249	8,561	(1,312)
<u>930,339</u>	<u>971,085</u>	<u>40,746</u>		<u>971,085</u>	<u>971,293</u>	<u>(208)</u>
<u>2,925,970</u>	<u>3,120,257</u>	<u>194,287</u>	Total Revenue	<u>3,120,257</u>	<u>3,122,126</u>	<u>(1,869)</u>

PROVINCE OF MANITOBA
OPERATING FUND - STATEMENT OF PART A – OPERATING EXPENDITURE
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001
(with comparative figures for September 30, 2000)
(UNAUDITED)

2000/01 ACTUAL	2001/02 ACTUAL	INCREASE (DECREASE)		2001/02		
				ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)				(thousands of dollars)		
10,159	10,709	550	Legislative Assembly	10,709	11,309	(600)
1,415	1,559	144	Executive Council	1,559	1,577	(18)
12,178	14,438	2,260	Aboriginal and Northern Affairs	14,438	15,933	(1,495)
196,578	202,924	6,346	Advanced Education	202,924	205,425	(2,501)
41,947	42,825	878	Agriculture and Food	42,825	43,745	(920)
1,635	1,892	257	Civil Service Commission	1,892	1,925	(33)
3,164	3,083	(81)	Community Support Programs	3,083	3,282	(199)
70,595	71,948	1,353	Conservation	71,948	75,513	(3,565)
4,357	4,485	128	Consumer and Corporate Affairs	4,485	4,799	(314)
29,235	29,911	676	Culture, Heritage and Tourism	29,911	30,661	(750)
492,549	553,046	60,497	Education, Training and Youth	553,046	558,245	(5,199)
22,453	23,963	1,510	Employee Pensions and Other Costs	23,963	24,507	(544)
364,125	384,298	20,173	Family Services and Housing	384,298	391,616	(7,318)
74,818	73,783	(1,035)	Finance - Departmental Costs	73,783	74,860	(1,077)
247,225	190,709	(56,516)	Finance - Debt Servicing Costs	190,709	191,527	(818)
1,195,030	1,309,827	114,797	Health	1,309,827	1,317,177	(7,350)
4,636	6,096	1,460	Healthy Child Manitoba	6,096	7,745	(1,649)
15,230	13,964	(1,266)	Industry, Trade and Mines	13,964	19,208	(5,244)
64,736	55,377	(9,359)	Intergovernmental Affairs	55,377	69,657	(14,280)
93,636	85,722	(7,914)	Justice	85,722	102,078	(16,356)
11,315	11,659	344	Labour and Immigration	11,659	11,397	262
356	287	(69)	Seniors Directorate	287	330	(43)
5,166	5,184	18	Sport	5,184	5,190	(6)
447	519	72	Status of Women	519	479	40
143,557	150,396	6,839	Transportation and Government Services	150,396	159,345	(8,949)
122	551	429	Enabling Appropriations	551	900	(349)
12,593	16,324	3,731	Other Appropriations	16,324	15,539	785
3,119,257	3,265,479	146,222	Total Expenditure	3,265,479	3,343,969	(78,490)

PROVINCE OF MANITOBA
OPERATING FUND - STATEMENT OF PART B – CAPITAL INVESTMENT
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2001
(with comparative figures for September 30, 2000)
(UNAUDITED)

2000/01 <u>ACTUAL</u>	2001/02 <u>ACTUAL</u>	INCREASE (DECREASE)		<u>2001/02</u>		
(thousands of dollars)				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
(thousands of dollars)				(thousands of dollars)		
29	24	(5)	Agriculture and Food	24	26	(2)
125	428	303	Conservation	428	330	98
-	12	12	Consumer and Corporate Affairs	12	20	(8)
1,245	49	(1,196)	Finance	49	102	(53)
-	89	89	Health	89	379	(290)
-	526	526	Justice	526	838	(312)
7,203	6,287	(916)	Transportation and Government Services	6,287	8,277	(1,990)
9,714	6,245	(3,469)	Enabling Appropriations	6,245	5,169	1,076
<u>18,316</u>	<u>13,660</u>	<u>(4,656)</u>	Total Capital Investment	<u>13,660</u>	<u>15,141</u>	<u>(1,481)</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
SEPTEMBER 30, 2001
(with comparative figures for March 31, 2001)
(UNAUDITED)**

Canadian Dollar Equivalent at Date of Issue <u>Sept. 30/01</u>	Canadian Dollar Equivalent at Date of Issue <u>March 31/01</u>	Increase (Decrease) Sept. 30/01 over <u>March 31/01</u>		Canadian Dollar Valuation (Note 1) <u>Sept. 30/01</u>	Canadian Dollar Valuation (Note 1) <u>March 31/01</u>	Increase (Decrease) Sept. 30/01 over <u>March 31/01</u>
(thousands of dollars)				(thousands of dollars)		
			Direct Debt Payable in:			
11,643,797	11,576,012	67,785	Canadian Dollars	11,615,997	11,548,212	67,785
2,581,807	2,489,533	92,274	Issues Swapped to Canadian Dollars	2,753,819	2,624,374	129,445
3,188,951	3,656,931	(467,980)	U.S. Dollars	4,138,756	4,765,523	(626,767)
1,103,111	881,092	222,019	Issues Swapped to U.S. Dollars	1,243,438	1,015,640	227,798
<u>18,517,666</u>	<u>18,603,568</u>	<u>(85,902)</u>	Total Direct Debt	<u>19,752,010</u>	<u>19,953,749</u>	<u>(201,739)</u>
			Guaranteed Debt Payable in:			
615,588	416,102	199,486	Canadian Dollars	615,588	416,102	199,486
-	-	-	U.S. Dollars	-	-	-
<u>615,588</u>	<u>416,102</u>	<u>199,486</u>	Total Guaranteed Debt	<u>615,588</u>	<u>416,102</u>	<u>199,486</u>
19,133,254	19,019,670	113,584	Total Direct and Guaranteed Debt (Note 2)	20,367,598	20,369,851	(2,253)
6,009,253	6,138,654	(129,401)	Less: Sinking Fund Investments	6,009,253	6,138,654	(129,401)
<u>173,262</u>	<u>75,227</u>	<u>98,035</u>	Less: Debt Retirement Fund	<u>173,262</u>	<u>75,227</u>	<u>98,035</u>
<u>12,950,739</u>	<u>12,805,789</u>	<u>144,950</u>	Net Direct and Guaranteed Debt (Note 3)	<u>14,185,083</u>	<u>14,155,970</u>	<u>29,113</u>

See notes on following page.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
SEPTEMBER 30, 2001
(with comparative figures for March 31, 2001)
(UNAUDITED)**

NOTES:

1. The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at September 30, 2001 and March 31, 2001.
2. Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at September 30, 2001, total gross debt was payable 74% in Canadian dollars and 26% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 91% in Canadian dollars (87% at March 31, 2001) and 9% in U.S. dollars (13% at March 31, 2001) while Manitoba Hydro was payable 46% in Canadian dollars (47% at March 31, 2001) and 54% in U.S. dollars (53% at March 31, 2001)
3. The above debt was issued for the following purposes:

	<u>September 30, 2001</u>		<u>March 31, 2001</u>	
	<u>(in thousands)</u>	<u>(per capita)</u> (Note 6)	<u>(in thousands)</u>	<u>(per capita)</u> (Note 6)
General Government Programs	6,245,071	5,430	6,537,300	5,693
The Manitoba Hydro-Electric Board	6,286,379	5,466	6,052,524	5,271
Capital Investments (Note 4)	260,390	226	260,390	227
Manitoba Hospital Facilities (Note 4)	320,000	278	220,000	192
Other	<u>1,073,243</u>	<u>933</u>	<u>1,085,756</u>	<u>946</u>
Total (Note 5)	<u>14,185,083</u>	<u>12,333</u>	<u>14,155,970</u>	<u>12,329</u>

4. Capital Investments are the stock of tangible assets held by government. These are paid off over the useful life of the assets (See Main Estimates page 161 for details.). Manitoba Hospital Facilities debt was recorded as Provincial debt for the first time in 2000/01. Previously, this debt was held in the name of individual health facilities at a higher overall cost to taxpayers. Hospital facilities debt is repaid over terms up to 20 years.
5. The \$29.1 million increase in total debt is comprised of a \$321.3 million increase due to the continued consolidation of Hospital Facilities debt on to the Province's records, Manitoba Hydro new cash requirements and the refinancing of Centra Gas debt at a saving to Manitoba Hydro, offset by the 2001/02 deposit to the Debt Retirement Fund and maturing general purpose debt not yet refinanced which totals \$292.2 million.
6. Per capita data is based upon population figures at July 1, 2001 and April 1, 2001 as reported by Statistics Canada. Taxpayer supported debt, including debt for general programs, capital investments and hospital facilities, decreased as a result of maturing general purpose debt not yet refinanced, offset by the continued consolidation of hospital facility debt. Self sustaining debt, including Manitoba Hydro, increased due to new cash requirements of Manitoba Hydro and refinancing of Centra Gas debt. Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar debt.

**PROVINCE OF MANITOBA
FISCAL STABILIZATION FUND
PROJECTION FOR THE YEAR ENDING MARCH 31, 2002
(with comparative figures for March 31, 2001)
(UNAUDITED)**

	<u>2001/02</u> <u>Projection</u>	<u>2000/2001</u> <u>Actual</u>
	(thousands of dollars)	
Fund Balance, Beginning of Year	<u>320,494</u>	<u>264,790</u>
Revenue:		
Interest Earnings	<u>5,100</u>	<u>15,240</u>
Interfund Transfers (See Note)		
Transfer from the Operating Fund	2,978	40,464
Transfer to the Operating Fund		
- Budgeted Level	(60,000)	-
- Additional Level	<u>(140,000)</u>	<u>-</u>
	<u>(197,022)</u>	<u>40,464</u>
Fund Balance, End of Year	<u><u>128,572</u></u>	<u><u>320,494</u></u>

Note: (1) As per 2001 Budget

**PROVINCE OF MANITOBA
DEBT RETIREMENT FUND
PROJECTION FOR THE YEAR ENDING MARCH 31, 2002
(with comparative figures for March 31, 2001)
(UNAUDITED)**

	2001/02 Projection	2000/01 Actual
	(thousands of dollars)	
Fund Balance, Beginning of Year	75,227	-
Revenue:		
Interest Earnings	3,900	227
Transfer from Operating Fund	96,000	96,357
	99,900	96,584
Expenditure:		
Transfer to Operating Fund for:		
- Debt Retirement	-	-
- Pension Obligation	(21,357)	(21,357)
	(21,357)	(21,357)
Fund Balance, End of Year	153,770	75,227

**PROVINCE OF MANITOBA
OPERATING FUND
PROJECTION FOR THE YEAR ENDING MARCH 31, 2002
(UNAUDITED)**

	<u>Revised Projection</u>	<u>Budget Projection</u>
	(thousands of dollars)	
Revenue	6,689,389	6,803,399
Expenditure	6,790,411	6,756,978
Net Revenue/(Expenditure)	<u>(101,022)</u>	<u>46,421</u>
Interfund Transfers		
Debt/Pension Repayment	(96,000)	(96,000)
Fiscal Stabilization Fund		
- Budgeted Level	60,000	60,000
- Additional Transfer	<u>140,000</u>	
	<u>104,000</u>	<u>(36,000)</u>
Balance Under Balanced Budget Legislation	<u><u>2,978</u></u>	<u><u>10,421</u></u>