

**PROVINCE OF MANITOBA
NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE THREE MONTHS - APRIL TO JUNE, 1997**

This report presents the financial results of the Province of Manitoba for the first 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.

FIRST QUARTER - ACTUAL TO ESTIMATED

The first quarter deficit of \$191.7 million was \$57.3 million less than the \$249.0 million projection. The estimated amounts represent cash flow projections for the period. The major variances arise from timing differences between the cash flow of receipts and disbursements.

FIRST QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

Compared to the same period last year, the first quarter deficit was \$8.7 million higher. The \$11.9 million increase in expenditure primarily results from costs related to 1997 Spring flooding and timing differences for certain payments, partially offset by lower debt servicing costs. Revenues were \$3.2 million higher, reflecting growth in various own source revenues, offset by reductions in federal transfer payments.

YEAR END PROJECTION

The financial impact of the 1997 Spring flood is still being assessed. Cost information continues to be compiled and negotiations are ongoing with the federal government respecting cost-sharing arrangements. The net provincial cost of the 1997 flood (after federal recoveries) will be funded by a transfer from the Fiscal Stabilization Fund. A revised year-end projection will be provided in the second quarter financial report.

BORROWING ACTIVITY

The borrowing requirement for the 1997/98 fiscal year is estimated to be \$1,586.6 million. This includes \$1,317.4 million for refinancing maturing debt issues with the balance required for self-sustaining programs, including Manitoba Hydro.

For the period April 1, 1997 to June 30, 1997, \$758.1 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 THREE MONTHS ENDED JUNE 30, 1997
(with comparative figures for June 30, 1996)
(UNAUDITED)

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)		1997/98		
				ACTUAL	ESTIMATED	VARIANCE
(thousands of dollars)				(thousands of dollars)		
1,236,891	1,240,072	3,181	Total Operating Revenue	1,240,072	1,216,538	23,534
1,375,861	1,381,816	5,955	Total Operating Expenditure	1,381,816	1,424,297	(42,481)
<u>(138,970)</u>	<u>(141,744)</u>	<u>2,774</u>	Operating Surplus(Deficit)	<u>(141,744)</u>	<u>(207,759)</u>	<u>(66,015)</u>
44,036	49,985	5,949	Capital Expenditure	49,985	41,275	8,710
-	-	-	Less: Federal Recoveries	-	-	-
<u>44,036</u>	<u>49,985</u>	<u>5,949</u>	Net Capital Expenditure	<u>49,985</u>	<u>41,275</u>	<u>8,710</u>
<u><u>(183,006)</u></u>	<u><u>(191,729)</u></u>	<u><u>8,723</u></u>	Budgetary Surplus(Deficit)	<u><u>(191,729)</u></u>	<u><u>(249,034)</u></u>	<u><u>(57,305)</u></u>

**PROVINCE OF MANITOBA
STATEMENT OF REVENUE
FOR THE THREE MONTHS ENDED JUNE 30, 1997
(with comparative figures for June 30, 1996)
(UNAUDITED)**

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)	1997/98		
			ACTUAL	ESTIMATED	VARIANCE
(thousands of dollars)			(thousands of dollars)		
TAXATION:					
			Consumer and Corporate Affairs		
8,515	9,172	657			
1,884	2,997	1,113	- Insurance Corporations Tax	9,172	8,485
			- Land Transfer Tax	2,997	2,030
			Energy and Mines		
897	1,075	178	- Oil and Natural Gas Tax	1,075	960
			Finance		
			- Canada-Manitoba Income Tax		
			Collection Agreement		
53,340	50,634	(2,706)	- Corporation Income Tax	50,634	50,634
349,737	371,440	21,703	- Individual Income Tax	371,440	371,484
28,931	31,817	2,886	- Corporation Capital Tax	31,817	28,400
23,866	25,452	1,586	- Gasoline Tax	25,452	24,400
51,279	52,525	1,246	- Levy for Health and Education	52,525	50,100
9,465	-	(9,465)	- Mining Tax	-	-
9,165	10,096	931	- Motive Fuel Tax	10,096	9,400
629	-	(629)	- Pari Mutuel Tax	-	-
124,034	130,101	6,067	- Retail Sales Tax	130,101	127,500
7,372	8,226	854	- Revenue Act, 1964, Part I	8,226	8,300
18,760	18,101	(659)	- Tobacco Tax	18,101	18,600
468	595	127	- Environmental Protection Tax	595	740
688,342	712,231	23,889		712,231	701,033
			GOVERNMENT OF CANADA:		
263,694	257,574	(6,120)	Equalization	257,574	257,574
149,862	125,462	(24,400)	Canada Health and Social Transfer	125,462	124,750
			Other:		
-	-	-	- Justice	-	836
140	55	(85)	- Other Departments	55	76
140	55	(85)		55	912
413,696	383,091	(30,605)		383,091	383,236
			OTHER REVENUE:		
4,197	1,687	(2,510)	Consumer and Corporate Affairs	1,687	1,411
1,175	2,295	1,120	Energy and Mines	2,295	1,609
14,209	17,179	2,970	Highways and Transportation	17,179	14,022
20,682	17,682	(3,000)	Natural Resources	17,682	14,844
50,000	59,101	9,101	Manitoba Lotteries Corporation	59,101	59,000
44,590	46,806	2,216	Other Departments	46,806	41,383
134,853	144,750	9,897		144,750	132,269
1,236,891	1,240,072	3,181	TOTAL REVENUE	1,240,072	1,216,538
					23,534

PROVINCE OF MANITOBA
STATEMENT OF EXPENDITURE
FOR THE THREE MONTHS ENDED JUNE 30, 1997
(with comparative figures for June 30, 1996)
(UNAUDITED)

1996/97 ACTUAL	1997/98 ACTUAL	INCREASE (DECREASE)		1997/98		
				ACTUAL	ESTIMATED	VARIANCE
(thousands of dollars)				(thousands of dollars)		
3,735	3,876	141	Legislative Assembly	3,876	3,922	(46)
626	587	(39)	Executive Council	587	591	(4)
9,249	8,301	(948)	Agriculture	8,301	9,668	(1,367)
35	61	26	Children and Youth Secretariat	61	58	3
896	746	(150)	Civil Service Commission	746	931	(185)
1,499	2,578	1,079	Community Support Programs	2,578	1,970	608
3,579	1,850	(1,729)	Consumer and Corporate Affairs	1,850	1,961	(111)
13,423	13,100	(323)	Culture, Heritage and Citizenship	13,100	12,995	105
273,723	279,235	5,512	Education and Training	279,235	307,055	(27,820)
7,160	8,651	1,491	Employee Benefits and Other Payments	8,651	10,076	(1,425)
1,943	1,865	(78)	Energy and Mines	1,865	2,234	(369)
3,414	3,226	(188)	Environment	3,226	3,149	77
146,853	145,273	(1,580)	Family Services	145,273	150,098	(4,825)
365,505	362,800	(2,705)	Finance	362,800	361,783	1,017
17,362	17,476	114	Government Services	17,476	18,872	(1,396)
414,447	413,210	(1,237)	Health	413,210	423,821	(10,611)
36,069	48,002	11,933	Highways and Transportation	48,002	36,803	11,199
14,114	13,891	(223)	Housing	13,891	13,925	(34)
5,119	4,189	(930)	Industry, Trade and Tourism	4,189	5,059	(870)
27,388	26,971	(417)	Justice	26,971	27,993	(1,022)
2,891	2,773	(118)	Labour	2,773	2,828	(55)
18,713	26,927	8,214	Natural Resources	26,927	19,684	7,243
4,334	4,979	645	Northern Affairs	4,979	5,758	(779)
19,171	20,439	1,268	Rural Development	20,439	19,943	496
96	98	2	Seniors Directorate	98	115	(17)
6,576	3,298	(3,278)	Sport	3,298	5,309	(2,011)
175	174	(1)	Status of Women	174	173	1
15,398	12,347	(3,051)	Urban Affairs	12,347	13,781	(1,434)
179	93	(86)	Enabling Appropriations	93	334	(241)
6,225	4,785	(1,440)	Other Appropriations	4,785	4,683	102
<u>1,419,897</u>	<u>1,431,801</u>	<u>11,904</u>	TOTAL EXPENDITURE	<u>1,431,801</u>	<u>1,465,572</u>	<u>(33,771)</u>

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

Canadian Dollar Equivalent at Date of Issue June 30/97	Canadian Dollar Equivalent at Date of Issue Mar 31/97	Increase (Decrease) June 30/97 over Mar 31/97		Canadian Dollar Valuation (Note 1) June 30/97	Canadian Dollar Valuation (Note 1) Mar 31/97	Increase (Decrease) June 30/97 over Mar 31/97
(thousands of dollars)				(thousands of dollars)		
			Direct Debt Payable in:			
8,039,587	7,913,617	125,970	Canadian Dollars	8,039,588	7,913,617	125,971
2,552,556	2,832,768	(280,212)	Foreign Issues Swapped to Canadian Dollars	2,632,812	2,930,815	(298,003)
4,583,730	4,583,730		U.S. Dollars	5,305,520	5,337,523	(32,003)
804,471	804,471		Foreign Issues Swapped to U.S. Dollars	879,832	885,139	(5,307)
<u>15,980,344</u>	<u>16,134,586</u>	<u>(154,242)</u>	Total Direct Debt	<u>16,857,752</u>	<u>17,067,094</u>	<u>(209,342)</u>
			Guaranteed Debt Payable in:			
537,510	523,033	14,477	Canadian Dollars	537,510	523,033	14,477
<u>537,510</u>	<u>523,033</u>	<u>14,477</u>	Total Guaranteed Debt	<u>537,510</u>	<u>523,033</u>	<u>14,477</u>
16,517,854	16,657,619	(139,765)	Total Direct and Guaranteed Debt	(Note 2) 17,395,262	17,590,127	(194,865)
4,694,100	4,677,624	16,476	Less: Sinking Fund Investments	(Note 3) 4,694,100	4,677,624	16,476
<u>11,823,754</u>	<u>11,979,995</u>	<u>(156,241)</u>	Net Direct and Guaranteed Debt	<u>12,701,162</u>	<u>12,912,503</u>	<u>(211,341)</u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at June 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 June 30, 1997, total gross debt was payable 64% in Canadian dollars and 36% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 76% in Canadian dollars (76% at March 31, 1997) and 24% 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>June 30, 1997</u> (in thousands)	<u>(per capita)</u> (Note 4)	<u>March 31, 1997</u> (in thousands)	<u>(per capita)</u> (Note 4)
General Government Programs	6,658,621	5,799	6,807,955	5,929
The Manitoba Hydro-Electric Board	4,890,319	4,890,319	4,892,770	4,261
Other	1,152,222	1,152,222	1,211,778	1,055
	<u>12,701,162</u>	<u>6,048,340</u>	<u>12,912,503</u>	<u>11,245</u>

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

PROVINCE OF MANITOBA
STATEMENT OF THE FISCAL STABILIZATION FUND
FOR THE THREE MONTHS ENDED JUNE 30, 1997
(with comparative figures for June 30, 1996)
(UNAUDITED)

	1997/98	1996/97
	(thousands of dollars)	
Fund Balance Beginning of Year	577,494	210,350
Revenue:		
Interest Earnings	558	-
Expenditure:		
Committed for Transfer to Consolidated Fund Revenue as per the 1997 Budget (see note)	100,000	-
	478,052	210,350

Note: Additional funds will be transferred to provide for the provincial cost of the 1997 Spring flood. An estimate of this amount is being compiled and will be reflected in the second quarter financial report.