

**PROVINCE OF MANITOBA
NOTES TO THE PRELIMINARY UNAUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 1999**

These preliminary statements for the year ended March 31, 1999 are subject to audit. The amounts reported represent the most current data available and it is expected that they will remain largely unchanged when final audited financial statements are issued for the year.

The financial results of the fiscal year have been prepared on a basis consistent with the accounting policies of the province which are detailed in the Public Accounts. The comparative data provided for the 1997/98 fiscal year has been recast to reflect the organizational structure of departments established in the 1998/99 Estimates.

1998/99 YEAR-END RESULTS

For the 1998/99 fiscal year, a budgetary surplus of \$39.6 million was achieved, an increase of \$16.6 million from the \$23.0 million surplus projected in the 1998 Budget and an \$18.9 million increase from the surplus of \$20.7 million projected in the Third Quarter Financial Report.

Manitoba's overall economic performance in 1998 was very strong and this is reflected in the fiscal results of the province. Real gross domestic product grew 3.4%, which is higher than the national growth rate for the third consecutive year. Total private capital investment is projected to have risen by 8.4% in 1998, the seventh consecutive year of growth. The average unemployment rate in 1998 was 5.7%, tied for the lowest rate in Canada.

Comparison to Budget

Total revenue was \$6,067.9 million, an increase of \$158.7 million, or 2.7% from the budget estimate of \$5,909.2 million. This increase is mainly due to the impact of revised population data as noted in the first quarterly report that increased federal transfers revenue by \$127.0 million (equalization \$118.0 million & CHST \$9.0 million).

The remaining \$31.7 million increase in revenue is attributable to higher than anticipated economic growth which affects a number of revenue sources, including a \$37.5 million, or 4.4%, increase in retail sales tax. As discussed in previous reports, federal data confirms the flood-related data distortion that resulted in 1998/99 individual income tax being approximately \$290.0 million higher than budget. This increase is offset by a corresponding \$290.0 million reduction in equalization revenue.

Expenditures increased by \$142.2 million largely due to a \$123.8 million increase in health care, including \$50.5 million for acute care services reflecting funding for higher service levels to reduce waiting times, \$39.0 million for medical services, \$17.3 million for the acquisition of assets from the Red Cross for the newly created Canadian Blood Service and other increased blood service costs, \$12.4 million related to the Hepatitis C settlement and \$9.8 million for the home care program. Other increases include \$21.0 million for the provision for Year 2000 improvements and modifications for systems used to deliver critical services in government and health care, \$9.0 million for capital projects delivered through funding agreements with the City of Winnipeg and \$6.7 million for justice programs. Public debt costs of \$515.3 million were virtually unchanged from the budget estimate of \$515.0 million.

Comparison to Previous Year

Revenue increased by \$225.9 million, or 3.9% from 1997/98 actual revenue. This includes the impact of revised population data on 1998/99 equalization as previously noted, and the offsetting adjustments to both individual income tax and equalization in 1998/99, also previously noted. In addition, economic growth contributed to increases in own-source revenue including a \$86.1 million, or 6.0%, increase in individual income tax revenue (including tax rate reductions implemented in 1998/99) and a \$53.4 million, or 6.4%, increase in retail sales tax revenue. Other increases include the additional allocations from the fiscal stabilization fund in 1998/99 of \$75.0 million for debt retirement and, \$49.7 million for capital initiatives as well as a \$45.5 million increase in federal transfers related to the transfer of labour market training programs from the federal government to Manitoba. These increases were offset by a \$140.4 million reduction in Federal transfer revenue mainly due to one-time disaster assistance payments in 1997/98 related to the 1997 flood.

Operating and capital expenditures increased by \$192.4 million, or 3.7%, from 1997/98 actual expenditures. This increase is primarily comprised of a \$135.4 million increase in health spending for acute care, medical services and home care and, \$75.5 million in increased support for education, including the \$45.5 million transfer of labour market training programs from the federal government to Manitoba which is completely offset by increased transfers from the federal government. In addition, spending increases over 1997/98 included increased expenditures on justice programs and urban affairs' capital programs. These increases were offset by a \$111.5 million reduction in Other Appropriations mainly due to one-time disaster assistance payments in 1997/98. Public debt interest costs declined \$4.8 million from the 1997/98 actual.

COMPLIANCE WITH BALANCED BUDGET LEGISLATION

The Balanced Budget, Debt Repayment and Taxpayer Protection Act requires the government to achieve a balanced budget in every fiscal year commencing on or after April 1, 1995.

Based on the year-end budgetary surplus of \$39.6 million, the government is in compliance with the requirements of this Act. The 1998/99 surplus is being transferred to the Fiscal Stabilization Fund. See page 9 for the status of the Fiscal Stabilization Fund as at March 31, 1999.

BORROWING ACTIVITY

The original borrowing requirement for the 1998/99 fiscal year of \$1,345.2 million increased to \$2,067.2 million to accommodate refunding Manitoba Hydro promissory notes, refunding of issues called for early maturity and to fund an allocation to the Provincial Sinking Fund for the repurchase of foreign debt. This requirement includes \$1,458.0 million for refinancing maturing debt issues with the balance required for sinking funds and self-sustaining programs, including Manitoba Hydro. The increase in borrowing requirements for the 1998/99 fiscal year did not have an impact on net general government purpose debt.

Of the total 1998/99 borrowing requirement, \$187.9 million was raised through the issue of Builder Bonds Series 4 with the remainder raised in the public market.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1999
(with comparative figures for March 31, 1998)
(UNAUDITED)**

1997/98 <u>ACTUAL</u> (thousands of dollars)	1998/99 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>1998/99</u> (thousands of dollars)		
				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
Revenue						
3,957,821	4,508,155	550,334	Own-Source Revenue	4,508,155	4,176,252	331,903
1,884,130	1,559,715	(324,415)	Government of Canada	1,559,715	1,732,923	(173,208)
<u>5,841,951</u>	<u>6,067,870</u>	<u>225,919</u>	Total Revenue	<u>6,067,870</u>	<u>5,909,175</u>	<u>158,695</u>
Program Expenditure						
4,843,750	4,950,265	106,515	Current	4,950,265	4,809,842	140,423
326,853	412,722	85,869	Capital	412,722	411,295	1,427
<u>5,170,603</u>	<u>5,362,987</u>	<u>192,384</u>	Total Program Expenditure	<u>5,362,987</u>	<u>5,221,137</u>	<u>141,850</u>
520,120	515,316	(4,804)	Public Debt Costs	515,316	515,000	316
<u>5,690,723</u>	<u>5,878,303</u>	<u>187,580</u>	Total Expenditure	<u>5,878,303</u>	<u>5,736,137</u>	<u>142,166</u>
75,000	150,000	75,000	Debt Retirement	150,000	150,000	-
76,228	39,567	(36,661)	Budgetary Surplus	39,567	23,038	16,529
(76,228)	(39,567)	36,661	Less: Net Revenue Transferred to Fiscal Stabilization Fund	(39,567)	(23,038)	(16,529)
<u>-</u>	<u>-</u>	<u>-</u>	Net Result - Transferred to Accumulated Deficit	<u>-</u>	<u>-</u>	<u>-</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE
FOR THE YEAR ENDED MARCH 31, 1999
(with comparative figures for March 31, 1998)
(UNAUDITED)**

1997/98 <u>ACTUAL</u> (thousands of dollars)	1998/99 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>1998/99</u> (thousands of dollars)		
				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
			Taxation:			
			Consumer and Corporate Affairs			
36,079	38,836	2,757	- Insurance Corporations Tax	38,836	38,700	136
11,784	11,505	(279)	- Land Transfer Tax	11,505	12,000	(495)
			Energy and Mines			
4,256	1,615	(2,641)	- Oil and Natural Gas Tax	1,615	3,570	(1,955)
			Finance			
192,703	215,228	22,525	- Corporation Income Tax	215,228	228,200	(12,972)
1,431,076	1,807,157	376,081	- Individual Income Tax	1,807,157	1,480,200	326,957
118,688	120,166	1,478	- Corporation Capital Tax	120,166	114,200	5,966
152,157	155,673	3,516	- Gasoline Tax	155,673	155,000	673
216,194	224,122	7,928	- Levy for Health and Education	224,122	225,400	(1,278)
24,304	2,764	(21,540)	- Mining Tax	2,764	10,000	(7,236)
65,928	68,712	2,784	- Motive Fuel Tax	68,712	66,300	2,412
830,142	883,563	53,421	- Retail Sales Tax	883,563	846,100	37,463
51,757	55,330	3,573	- Revenue Act, 1964, Part I	55,330	53,000	2,330
112,752	114,065	1,313	- Tobacco Tax	114,065	110,000	4,065
2,823	2,995	172	- Environmental Protection Tax	2,995	3,000	(5)
111	111	-	- Other Taxes	111	112	(1)
<u>3,250,754</u>	<u>3,701,842</u>	<u>451,088</u>		<u>3,701,842</u>	<u>3,345,782</u>	<u>356,060</u>
			Government of Canada:			
1,164,320	912,474	(251,846)	Equalization	912,474	1,061,000	(148,526)
			Social Transfers			
507,139	513,301	6,162	- Canada Health and Social Transfer	513,301	498,000	15,301
(3,178)	2,140	5,318	- Canada Assistance Plan	2,140	-	2,140
			Other			
2,272	1,645	(627)	- Culture, Heritage and Citizenship	1,645	353	1,292
15,258	59,858	44,600	- Education	59,858	61,670	(1,812)
5,145	17,421	12,276	- Natural Resources	17,421	19,416	(1,995)
168,142	27,698	(140,444)	- Emergency Expenditures	27,698	67,450	(39,752)
<u>25,032</u>	<u>25,178</u>	<u>146</u>	- Other Departments	<u>25,178</u>	<u>25,034</u>	<u>144</u>
<u>1,884,130</u>	<u>1,559,715</u>	<u>(324,415)</u>		<u>1,559,715</u>	<u>1,732,923</u>	<u>(173,208)</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE (continued)
FOR THE YEAR ENDED MARCH 31, 1999
(with comparative figures for March 31, 1998)
(UNAUDITED)**

1997/98 <u>ACTUAL</u> (thousands of dollars)	1998/99 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>1998/99</u> (thousands of dollars)		
				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
			Other Revenue:			
4,174	2,286	(1,888)	Agriculture	2,286	2,775	(489)
8,104	8,498	394	Consumer and Corporate Affairs	8,498	6,781	1,717
1,854	3,760	1,906	Education and Training	3,760	2,274	1,486
7,541	5,137	(2,404)	Energy and Mines	5,137	5,778	(641)
4,307	12,393	8,086	Finance	12,393	1,796	10,597
71,078	71,619	541	Highways and Transportation	71,619	66,137	5,482
82,078	77,297	(4,781)	Natural Resources	77,297	77,215	82
153,428	159,714	6,286	Crown Corporations	159,714	158,000	1,714
220,265	225,130	4,865	Revenue from Lotteries	225,130	227,000	(1,870)
			Allocations from Fiscal			
			Stabilization Fund	184,703	226,400	(41,697)
100,000	184,703	84,703	Other Departments	55,776	56,314	(538)
<u>54,238</u>	<u>55,776</u>	<u>1,538</u>		<u>806,313</u>	<u>830,470</u>	<u>(24,157)</u>
707,067	806,313	99,246				
<u>5,841,951</u>	<u>6,067,870</u>	<u>225,919</u>	Total Revenue	<u>6,067,870</u>	<u>5,909,175</u>	<u>158,695</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF EXPENDITURE
FOR THE YEAR ENDED MARCH 31, 1999
(with comparative figures for March 31, 1998)
(UNAUDITED)**

1997/98 <u>ACTUAL</u> (thousands of dollars)	1998/99 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>1998/99</u> (thousands of dollars)		
				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
16,654	19,187	2,533	Legislative Assembly	19,187	18,961	226
3,162	3,461	299	Executive Council	3,461	3,906	(445)
94,775	98,737	3,962	Agriculture	98,737	99,086	(349)
728	2,334	1,606	Children and Youth Secretariat	2,334	2,796	(462)
4,128	4,053	(75)	Civil Service Commission	4,053	4,258	(205)
6,168	6,250	82	Community Support Programs	6,250	6,255	(5)
9,808	9,734	(74)	Consumer and Corporate Affairs	9,734	10,491	(757)
53,083	53,333	250	Culture, Heritage and Citizenship	53,333	51,936	1,397
1,045,021	1,120,487	75,466	Education and Training	1,120,487	1,131,469	(10,982)
41,080	48,166	7,086	Employee Benefits and Other Payments	48,166	46,650	1,516
13,020	17,802	4,782	Energy and Mines	17,802	14,358	3,444
12,933	13,378	445	Environment	13,378	13,895	(517)
656,952	660,887	3,935	Family Services	660,887	664,626	(3,739)
729,718	723,310	(6,408)	Finance	723,310	729,239	(5,929)
47,642	53,407	5,765	Government Services	53,407	53,182	225
1,914,047	2,049,410	135,363	Health	2,049,410	1,925,643	123,767
219,415	234,246	14,831	Highways and Transportation	234,246	231,502	2,744
48,484	39,474	(9,010)	Housing	39,474	43,509	(4,035)
36,457	43,425	6,968	Industry, Trade and Tourism	43,425	40,142	3,283
177,887	191,880	13,993	Justice	191,880	185,228	6,652
12,661	13,089	428	Labour	13,089	13,167	(78)
105,117	131,965	26,848	Natural Resources	131,965	146,195	(14,230)
16,801	18,423	1,622	Northern Affairs	18,423	18,204	219
45,731	49,728	3,997	Rural Development	49,728	50,545	(817)
518	668	150	Seniors Directorate	668	635	33
14,903	15,519	616	Sport	15,519	15,350	169
845	872	27	Status of Women	872	929	(57)
74,392	87,778	13,386	Urban Affairs	87,778	78,732	9,046
39,415	29,663	(9,752)	Enabling Appropriations	29,663	15,023	14,640
249,178	137,637	(111,541)	Other Appropriations	137,637	180,225	(42,588)
-	-	-	Year-End Savings	-	(60,000)	60,000
<u>5,690,723</u>	<u>5,878,303</u>	<u>187,580</u>	Total Expenditure	<u>5,878,303</u>	<u>5,736,137</u>	<u>142,166</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF ACCUMULATED DEFICIT
FOR THE YEAR ENDED MARCH 31, 1999
(with comparative figures for March 31, 1998)
(UNAUDITED)**

	<u>1998/99</u>	<u>1997/98</u>
	(thousands of dollars)	
ACCUMULATED DEFICIT, BEGINNING OF YEAR	7,081,311	7,076,378
Prior years' adjustments		
Accrual of Severance Payable (see Note)	98,491	-
Taxation - Doubtful Accounts Receivable	-	4,497
Municipal Assistance Program	-	9,900
Repurchase of Serial Debentures of School Divisions and Districts	(7,749)	(9,464)
Net Result for the year	-	-
ACCUMULATED DEFICIT, END OF YEAR	<u><u>7,172,053</u></u>	<u><u>7,081,311</u></u>

Note: During the 1998/99 year, the Government expanded its accounting policies to include full accrual accounting for severance pay. As a result, an estimated liability was recorded at March 31, 1999 in the amount of \$99,991,000. This resulted in an increase to the accumulated deficit of \$98,491,000 and an increase in severance pay expense for the 1998/99 year of \$1,500,000.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
MARCH 31, 1999
(with comparative figures for March 31, 1998)
(UNAUDITED)**

Canadian Dollar Equivalent at Date of Issue Mar 31/99	Canadian Dollar Equivalent at Date of Issue Mar 31/98	Increase (Decrease) Mar 31/99 over Mar 31/98		Canadian Dollar Valuation (Note 1) Mar 31/99	Canadian Dollar Valuation (Note 1) Mar 31/98	Increase (Decrease) Mar 31/99 over Mar 31/98
(thousands of dollars)				(thousands of dollars)		
Direct Debt Payable in:						
10,203,163	8,575,028	1,628,135	Canadian Dollars	10,175,362	8,575,028	1,600,334
1,994,764	2,654,435	(659,671)	Issues Swapped to Canadian Dollars	2,045,427	2,746,411	(700,984)
4,308,044	4,074,490	233,554	U.S. Dollars	5,517,267	4,895,424	621,843
740,294	1,271,824	(531,530)	Issues Swapped to U.S. Dollars	880,384	1,363,002	(482,618)
<u>17,246,265</u>	<u>16,575,777</u>	<u>670,488</u>	Total Direct Debt	<u>18,618,440</u>	<u>17,579,865</u>	<u>1,038,575</u>
Guaranteed Debt Payable in:						
476,766	507,565	(30,799)	Canadian Dollars	476,766	507,565	(30,799)
296,709	532,500	(235,791)	U.S. Dollars	296,709	532,500	(235,791)
<u>773,475</u>	<u>1,040,065</u>	<u>(266,590)</u>	Total Guaranteed Debt	<u>773,475</u>	<u>1,040,065</u>	<u>(266,590)</u>
18,019,740	17,615,842	403,898	Total Direct and Guaranteed Debt (Note 2)	19,391,915	18,619,930	771,985
5,764,945	5,225,942	539,003	Less: Sinking Fund Investments	5,764,945	5,225,942	539,003
230,103	76,309	153,794	Less: Debt Retirement Fund	230,103	76,309	153,794
<u>12,024,692</u>	<u>12,313,591</u>	<u>(288,899)</u>	Net Direct and Guaranteed Debt (Note 3)	<u>13,396,867</u>	<u>13,317,679</u>	<u>79,188</u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at March 31, 1999 and March 31, 1998 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 March 31, 1999, 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 (78% at March 31, 1998) and 22% in U.S. dollars (22% at March 31, 1998) while Manitoba Hydro was payable 43% in Canadian dollars (38% at March 31, 1998) and 57% in U.S. dollars (62% at March 31, 1998)

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

	March 31, 1999		March 31, 1998	
	(in thousands)	(per capita) (Note 4)	(in thousands)	(per capita) (Note 4)
General Government Programs	6,772,599	5,930	6,772,495	5,958
The Manitoba Hydro-Electric Board	5,680,836	4,974	5,568,799	4,899
Other	943,432	826	976,385	859
	<u>13,396,867</u>	<u>11,730</u>	<u>13,317,679</u>	<u>11,716</u>

Note 4: Per capita data is based upon population figures at April 1, 1999 and April 1, 1998, as reported by Statistics Canada.

**PROVINCE OF MANITOBA
STATEMENT OF THE FISCAL STABILIZATION FUND
FOR THE YEAR ENDED MARCH 31, 1999
(with comparative figures for March 31, 1998)
(UNAUDITED)**

	1998/99 Actual	1997/98 Actual
	(thousands of dollars)	
Fund Balance, Beginning of Year	565,003	577,494
Revenue:		
Investments	16,881	11,625
Transfer from Operating Fund Revenue	39,567	76,228
	56,448	87,853
Expenditure:		
Transfer to Operating Fund Revenue (Note 1)	185,702	100,344
Fund Balance, End of Year (Note 2)	435,749	565,003

Note 1: In 1998/99, includes budgeted allocations of \$75 million for accelerated debt retirement, \$60 million to offset reductions in federal transfer payments for health, education and support to families, \$49.7 million for new capital initiatives, and \$999,000 for expenditures from the Economic Innovation and Technology Fund.

Note 2: As a result of the planned deposits and withdrawals noted in the 1999 Budget, the fund balance is projected to be \$281.7 million as at March 31, 2000.