

PROVINCE OF MANITOBA

Annual Report and Public Accounts

FOR THE YEAR ENDED MARCH 31, 2021

21



**PROVINCE OF MANITOBA ANNUAL REPORT
AND PUBLIC ACCOUNTS
MARCH 31, 2021**



**MINISTER OF
FINANCE**

Legislative Building
Winnipeg, Manitoba R3C 0V8
CANADA

Her Honour the Honourable Janice C. Filmon, C.M., O.M.
Lieutenant-Governor of the Province of Manitoba

May It Please Your Honour:

I have the privilege of presenting, for the information of Your Honour, the Annual Report of the Province of Manitoba for the year ended March 31, 2021. This document completes the government's accountability reporting for the year. The Report includes a review of the year's results relative to the government's budget. It also contains statistics and indicators of the financial health of the Province.

Included in this Annual Report are the year-end review, management's financial statement discussion and analysis, the summary financial statements and the statutory reporting required in the Public Accounts.

Original signed by Scott Fielding

Honourable Scott Fielding
Minister of Finance

Office of the Minister of Finance
September 2021

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WHERE DOES MY MONEY GO?

REVENUES AND EXPENDITURES AT A GLANCE

Prudent fiscal management requires balancing nearly \$18 billion of own-source revenues and federal transfers with expenditures that flow to departments and other reporting entities.

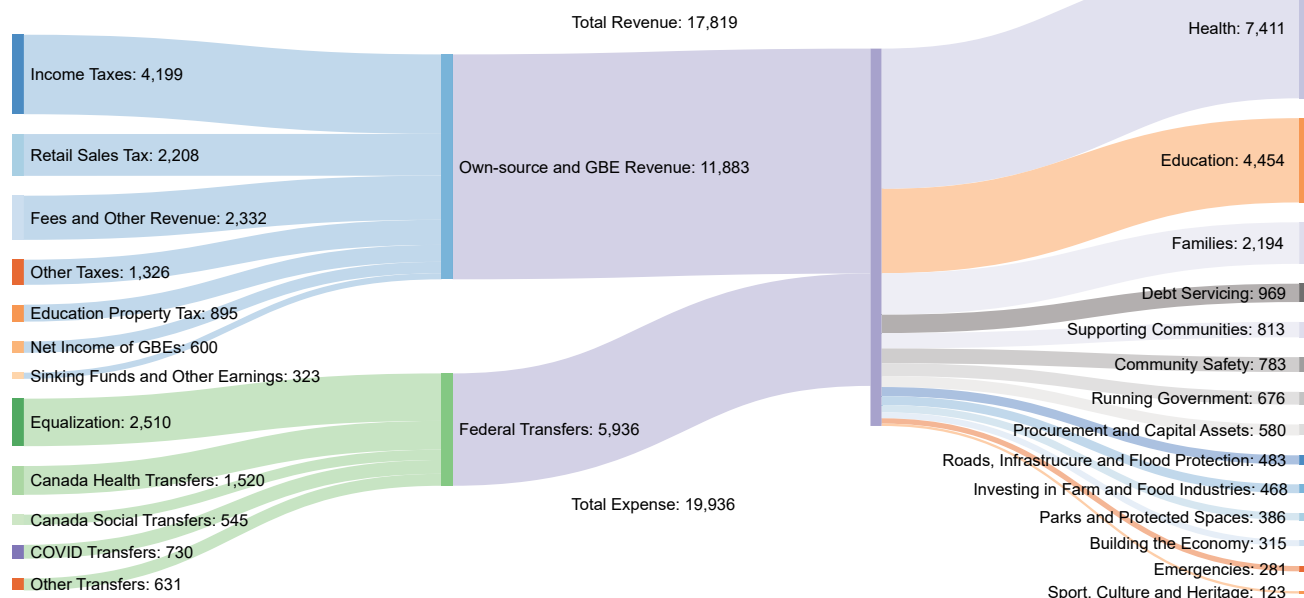
As illustrated below, provincial revenues flow from 12 different sources to priority areas through departments, to their agencies and entities funded by government. Health care accounts for approximately

37% (or \$7.4 billion) of the total budget. Health, education, and supports for social services and families constitute nearly 80% of the budget.

An ongoing challenge in managing expenditures is the provincial public debt, which increased to over \$30 billion in 2020/21 due to the COVID-19 pandemic, and requires annual debt servicing costs of around \$1 billion.

Manitoba Revenues and Expenditures, 2020/21

Millions of Dollars



INTRODUCTION TO THE ANNUAL REPORT

The financial results for the 2020/21 fiscal year were adversely affected by the COVID-19 pandemic. This is a result of the government's increased expenditures to protect Manitobans and their livelihoods, and decreased revenues due to the effects of the COVID-19 pandemic on the provincial economy.

Like governments around the world, Manitoba is recording a large budget deficit for fiscal year 2020/21, which resulted in a corresponding increase in debt. The province's summary financial position as at March 31, 2021 is a net loss of \$2,117 million, an increase of nearly two billion compared to Budget 2020. These fiscal outcomes, and the ongoing risks posed by the virus, were unthinkable just a year and a half ago when Budget 2020 preparations were underway.

Provincial own-source revenues were \$566 million less than the prior year, largely due to a significant decrease in personal and corporate income tax remittances tied to the economic downturn. Other provincial taxation revenues and the net income of Government Business Enterprises, notably Manitoba Liquor and Lotteries Corporation, were also negatively

affected. COVID-19-related transfers from the federal government of \$730 million helped to offset the revenue shortfall. As a result, total summary revenues compared to the Budget 2020 forecast were \$82 million higher than expected.

Expenses before debt servicing were \$2,011 million greater than the budget, or \$2,368 million greater than the prior year. Expenses were driven primarily by COVID-19-related spending, including the public health response and numerous support programs and transfers to individuals, businesses, and other sectors. A full description of these expenditures is provided beginning on page 25.

The net debt-to-GDP ratio, an important measure of fiscal sustainability, was also impacted by the cost of the pandemic. The projection, prior to the pandemic, was 34.2% net debt-to-GDP but, with unexpected pandemic borrowing, the ratio at year-end was 38.5%. The 2020/21 net debt is \$27.4 billion, up from the pre-pandemic forecast of \$26.4 billion. Despite the increased borrowing, debt servicing costs were marginally better than budgeted at \$969 million due to favourable interest rates.

At a Glance – Financial Results

| | 2021 | | 2020 | Change from | |
|----------------------------------|--------------|----------------|----------|----------------|----------------|
| | Budget | Actual | Actual | Budget | Actual |
| (Millions of Dollars) | | | | | |
| Revenue | 17,737 | 17,819 | 17,641 | 82 | 178 |
| Expenses | 16,956 | 18,967 | 16,599 | 2,011 | 2,368 |
| Debt Servicing | 1,001 | 969 | 1,037 | (32) | (68) |
| Summary Net Income (Loss) | (220) | (2,117) | 5 | (1,897) | (2,122) |
| Net Debt | (26,436) | (27,424) | (25,220) | (988) | (2,204) |

Recognizing the enduring impact of the COVID-19 pandemic, an updated projection to eliminate the provincial deficit again was enshrined in revisions to the balanced budget legislation that have reset the baseline deficit in 2020/21. The Fiscal Responsibility and Taxpayer Protection Act now requires that the deficit be eliminated within eight years, which will necessitate a whole-of-government effort.

2020/2021 Financial Results Explained:

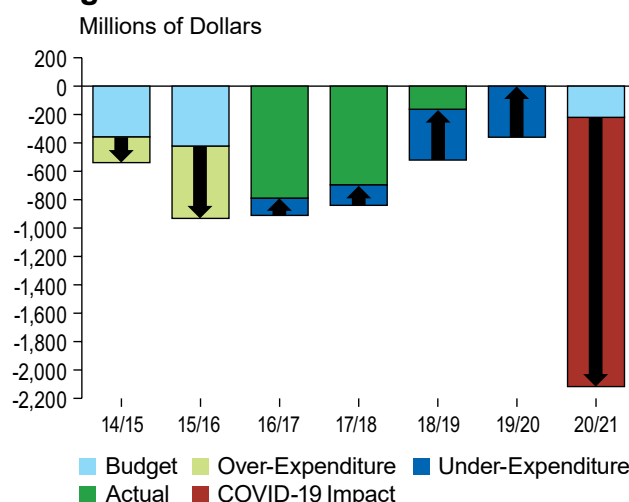
As reported in the 2019/20 Public Accounts, four years of meticulous work by this government to correct the fiscal course while continuing to spend on Manitobans' priorities, allowed the province to achieve its first surplus in 10 years.

By cautiously balancing competing spending needs and pressures with available revenues, Manitoba's net debt slowed to a 3.6% annual growth rate over the last four years ending in 2019/20, compared to 10.9% annual growth in the previous four years. Moreover, the increase in the net debt in the 2019/20 Public Accounts was \$125 million, the lowest in 11 years. These results were accomplished while the government continued to make significant investments in priority areas, including health care, education and social services.

In the financial and credit rating communities, Manitoba gained credibility and was acknowledged for fiscal progress rather than failed budget commitments. Budget 2020 illustrated the progress made to fix the finances and move the province to a more sustainable fiscal foundation, while outlining ongoing work to further build resilience to withstand economic volatility.

The improved fiscal position allowed for more decisive action to protect Manitobans as the COVID-19 pandemic gained momentum in the province.

Budget Plan vs Actual



On March 11, 2020, the day when Budget 2020 was initially scheduled for release, the World Health Organization declared COVID-19 a pandemic. Unlike previous global recessions, the COVID-19 pandemic recession was an entirely external event, similar to a significant natural disaster. On March 19, Manitoba released a Budget 2020 Supplement to reassure Manitobans and stakeholders of the government's fiscal capacity and plans to respond to a fast-evolving public health and economic emergency.

To ensure enough funding was available during a period of credit market uncertainty, The Loan Act, 2020, provided the government with an additional \$5 billion of borrowing authority. Inclusive of COVID-19 pandemic-related funding and base budget requirements, Manitoba borrowed almost \$7.7 billion in the 2020/21 fiscal year, the highest on record.

In addition, the replenishment of the Rainy Day Fund (formally, the Fiscal Stabilization Account) from a low of \$114.5 million in 2016/17 to \$800 million by March 31, 2020 provided the government with additional fiscal flexibility and resiliency. To keep the province from borrowing additional funds in the capital markets, a draw of \$215 million from the fund was made at the end of the fiscal year, saving taxpayers an estimated \$45 million in debt servicing costs over 10 years. These funds were used to cover the costs of the Manitoba Bridge Grant program.

Recognizing the fast-changing environment, a further fiscal update was released on June 30, 2020, *Assessing the Impact of COVID-19 in Manitoba*. This report, among the first in Canada, was in addition to the quarterly economic and fiscal reports that provided information on the evolving nature of the COVID-19 pandemic recession, its fiscal implications for Manitoba, and the provincial response.

To manage the increased spending requirements, Manitoba tabled three Supplementary Appropriation Acts during 2020/21, totalling nearly \$2 billion, that provided the necessary expenditure authority for government COVID-19 pandemic programs.

| Additional COVID-19 Expenditure Authority | Millions |
|--|-----------------|
| Supplementary Appropriation Act | \$1,000 |
| Supplementary Appropriation Act, 2 | 577 |
| Supplementary Appropriation Act, 3 | 400 |
| Total additional spending authority | \$1,977 |

To ensure full transparency and accountability, the government passed these expenditure requests in the Legislative Assembly, instead of using a Special Warrant when the Legislative Assembly was not sitting. Details on the government's COVID-19 pandemic programs are outlined in the section titled Fiscal Summary of the COVID-19 Response in Manitoba of this report.

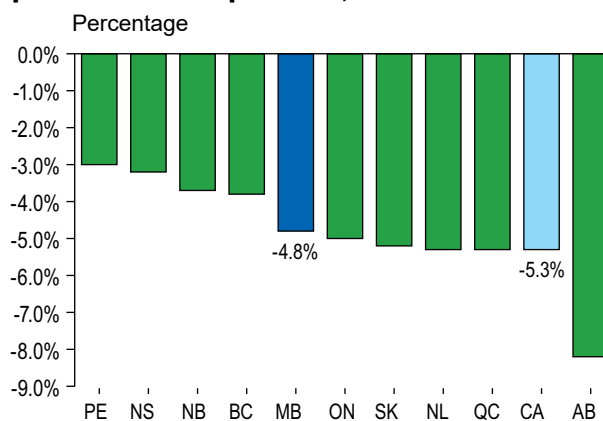
Financial results explained: Economic factors

Throughout the fiscal year, with increasing speed and intensity, the COVID-19 pandemic affected almost all aspects of life in Manitoba. To protect lives, public health orders required intermittent shutdowns of large segments of the economy throughout the year, with a large impact on businesses where personal contact is higher.

Workplaces and schools converted to online platforms, travel was significantly curtailed and closed, and public gatherings restricted. Statistics reveal the magnitude of these measures on the Manitoba economy, showing provincial real GDP declining 4.8% in 2020. This level of decline in economic output marks the worst recession the province has encountered in modern history.

Manitoba was not alone: the following chart shows that all provinces experienced a substantial decline in economic activity, ranging from a drop in real GDP of 8.2% to 3.0% in 2020. Manitoba was ranked 5th among provinces.

Growth in real GDP at basic prices, provincial comparison, 2020



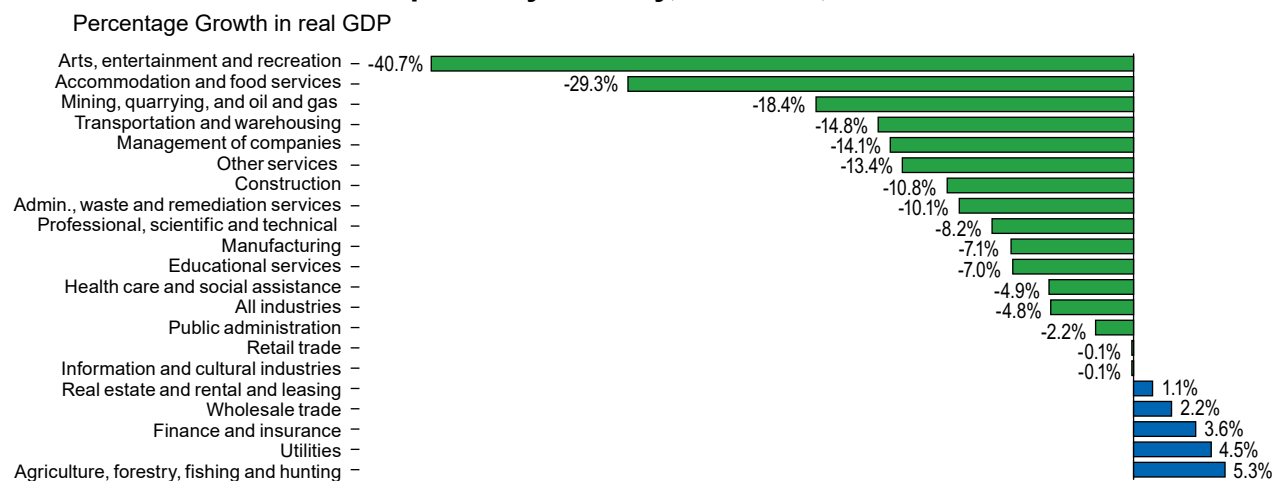
Data Source: Statistics Canada

Decreased economic output results in lower earnings that affect provincial tax revenues, and the negative impacts were felt in almost all industries. Close personal contact businesses experienced the largest declines in output and job losses, with economic output (measured as real GDP) declining by 40.7% in the arts, entertainment and recreation sector, followed by a 29.3% decline in the accommodation and food services sector. These sectors also have a higher representation of youth, women, and older workers.

The collapse in local and international export demand, coupled with significant disruptions to supply chains, affected output in the mining (down by 18.4%), construction (down by 10.8%) and manufacturing sectors (down by 7.1%).

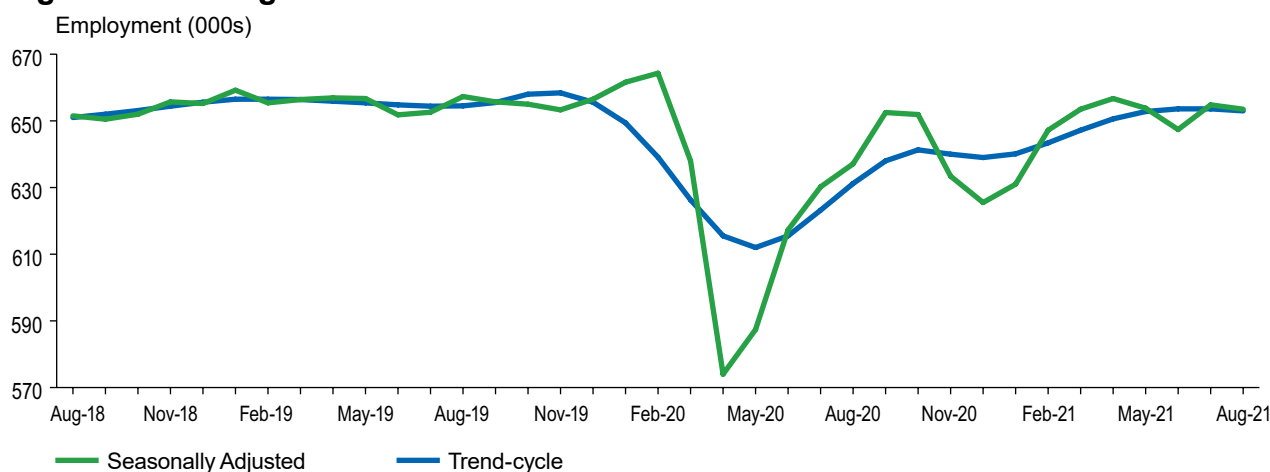
Manitoba's employment level fluctuated with the waves of the pandemic. As illustrated in the graph, during the initial Canada-wide economic shutdown from March to May (the first wave), employment fell by 90,000 workers. An over initial recovery within two months followed, but smaller shutdowns during the second and the third waves in the fall and winter of 2020 tempered a full recovery in jobs. In the first eight months of 2021, Manitoba employment is averaging 649,700 workers, which is up 23,500 from the 2020 average (January to August), but still down 6,100 from 2019. However, as evident in the most recent unemployment rate of 5.7%, the lowest among provinces, there are encouraging signs of a recovery in employment.

Growth in real GDP at basic prices by industry, Manitoba, 2020



Data Source: Statistics Canada

Manitoba Employment, seasonally adjusted and trend cycle, August 2018 to August 2021



Data Source: Statistics Canada

Financial results explained: Revenues

The economic downturn had a substantial impact on government revenues. Own-source revenue, sources excluding federal transfers and government business enterprises, are \$571 million lower compared to budget. This is offset by \$730 million in incremental federal transfers related to the COVID-19 pandemic response. On a net basis, total revenue is marginally up by \$82 million.

Personal income tax revenue is \$325 million below budget. This reflects the negative impact of the COVID-19 pandemic on personal and household income. Corporate income tax revenue is \$97 million below budget, mostly due to the decline in overall economic production, generating lower business profitability.

Key Changes to 2020/21 Revenue

(Millions of Dollars)

| | |
|-----------------------------------|--------|
| Summary Budget – Revenue | 17,737 |
| Taxation Revenue | |
| Individual Income Tax | (325) |
| Corporation Income Tax | (97) |
| Retail Sales Tax | 187 |
| Other Taxes | (281) |
| Total Changes in Taxation Revenue | (516) |
| Other Own Source Revenue | (55) |
| Government Business Enterprises | (147) |
| Federal COVID-19 Transfers | 730 |
| Other Federal Transfers | 70 |
| Net Increase in Revenue | 82 |
| 2020/21 Revenue | 17,819 |

Retail sales tax revenue is \$187 million above budget, reflecting the deferral of the 1% rate reduction that was to take effect on July 1, 2020, offset by eliminating sales tax on property insurance policy sales. In addition, an unanticipated increase in consumer spending further boosted sales tax remittances.

Other taxes, which include corporation taxes, fuel taxes, payroll tax, and others, are \$281 million below budget, mainly due to the Green Levy that did not proceed because of the COVID-19 pandemic and marginal declines in other tax categories.

Manitoba Hydro's net income was \$72 million above Budget 2020 projections, due to the postponement of certain expenditures related to the Keeyask Generating Station.

Manitoba Liquor and Lotteries Corporation's net income was \$225 million below the budget. The lower than anticipated revenue is due to the closures of gaming and other venues operated by the corporation to protect the public and staff, partially offset by an increase from liquor sales.

Manitoba Public Insurance's net income was \$21 million below budget due to the premium refunds to its policy holders in 2020/21.

| | 2020/21 Budget | 2020/21 Actual | 2019/20 Actual |
|---|-------------------|-------------------|-------------------|
| Net Income of Government Business Enterprises (GBEs) | | | |
| Manitoba Liquor and Lotteries Corporation | 650 | 425 | 606 |
| Deposit Guarantee Corporation of Manitoba | 27 | 29 | 28 |
| Manitoba Hydro-Electric Board | 47 | 119 | 99 |
| Manitoba Public Insurance Corporation | 48 | 27 | 180 |
| Contingency | (25) | - | - |
| Total Income From GBEs | 747 | 600 | 913 |

Financial results explained: Expenses

Government spending in 2020/21 was dominated by the urgent and significant response to the COVID-19 pandemic. The government released an unprecedented level of support throughout the year with a resulting expenditure growth for the COVID-19 pandemic alone, estimated at 10.3% for the year, or \$1.8 billion over budget, in addition to tax and fee relief.

Overall, expenditure growth was 13.0% for the fiscal year.

Additional information on the numerous COVID-19 pandemic-related spending commitments, including the federal government's contributions are described in a separate section below the government spent nearly \$2.1 billion across the following categories:

| Summary of Manitoba's COVID-19 Response in 2020/21 | \$000s |
|--|------------------|
| Supports to individuals and households | 409,529 |
| Supports to businesses and non-profit sectors | 470,207 |
| Public health response, PPE and related goods and services | 666,485 |
| Supports for other sectors (including Restart Capital) | 549,942 |
| Total | 2,096,163 |

The COVID-19 pandemic expenditures were incurred across several departments on the front-lines of the response resulting in significant over-expenditures in those departments compared to budget:

- **Health and Seniors Care:** overspent by \$576 million, primarily due to increased funding to health service delivery organizations for the COVID-19 pandemic response, including the provision of supplies and equipment and contingent liabilities;
- **Central Services:** overspent by \$366 million, primarily due to the purchase of COVID-19 pandemic supplies like personal protective equipment (PPE) and other related materials;
- **Finance:** overspent by \$402 million, primarily due to COVID-19 pandemic support programs such as the Bridge Grant, Risk Recognition Program, and the Caregiver Wage Support programs;
- **Municipal Relations:** overspent by \$347 million, primarily due to COVID-19 pandemic supports, including the Restart Capital programs and increased funding to municipalities.

Other expenditure changes are described in the Financial Statement Discussion and Analysis Report.

Financial results explained: Accounting matters

The Province has received qualified audit opinions to its Public Accounts since 2017/18. The source of both qualifications has now been resolved, however they will remain until both the current and prior year Public Accounts audit opinions are free of qualification.

The Workers Compensation Board (WCB) qualification has been addressed with the legislative amendments to the Workers Compensation Act in 2020, effectively removing WCB from the government reporting entity in 2020/21. The qualification for WCB will remain in Public Accounts until 2021/22.

The Manitoba Agricultural Services Corporation (MASC) qualification has been addressed by a change in accounting policy to be implemented effective April 1, 2021 that will account for the whole insurance program, not just the MASC trust, as externally restricted liabilities. The MASC qualification will remain in Public Accounts until 2022/23, where both current and prior years will be unqualified.

The 2020/21 Public Accounts is the first year that our auditors are required to audit under a more stringent and revised auditing standard. Chartered Professional Accountants (CPA) Canada has issued a new Canadian Auditing Standard (CAS),

CAS 540 for auditing accounting estimates and related disclosures. This revised CAS responds to changes in financial reporting standards and a more complex business environment, which together, have increased the importance of accounting estimates to the public and other users of government financial statements.

The province has proactively engaged external experts to assess and assign values to some of the significant estimated liabilities of the government. These include the remediation liabilities associated with orphaned and abandoned mines, contaminated sites across the province, contingent liabilities for legal claims, and retroactive contingent liabilities for both settled and unsettled labour contracts in the public sector. The total impact of this work to assess government's balance sheet estimates in 2020/21 increased the liabilities to nearly \$1.1 billion, with a one-time increase to expenses. These expenses are non-recurring, and one-time in nature, to comply with the new auditing standard of accounting estimates.

Strategic Outcomes, Financial Outlook, and Strategic Infrastructure Investments

FOR THE YEAR ENDED MARCH 31, 2021



STRATEGIC OUTCOMES

The government undertook significant work over the past five years to better serve Manitobans and improve outcomes. Smarter government investments that focus on the front lines, tax relief where it matters, better fiscal management of summary government and ongoing public sector transformation have all contributed to this effort.

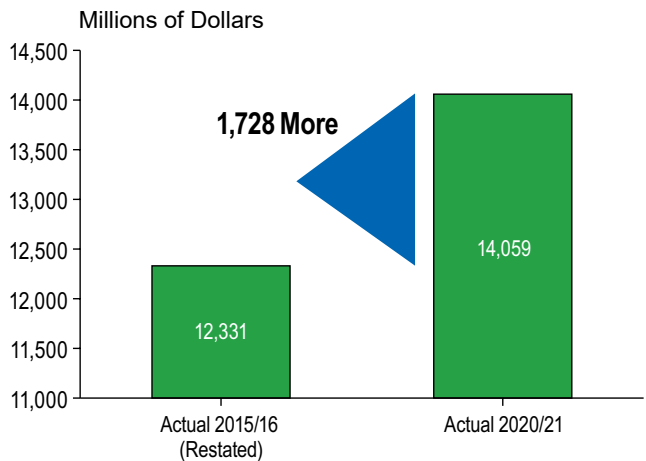
Investing in front-line services:

On the Big Three Front-Line Services – Health, Education and Families – Manitoba has among the highest investments per capita across provinces.

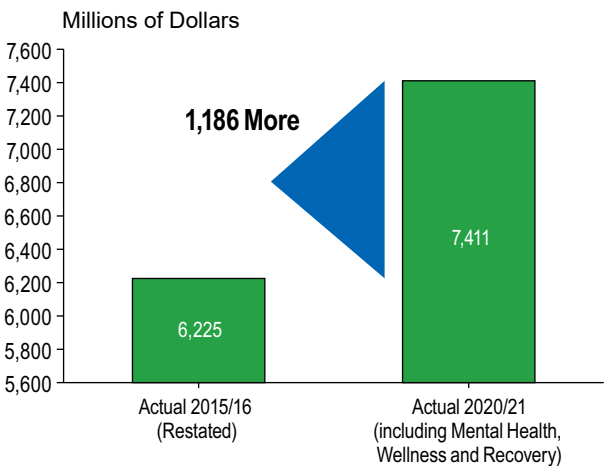
Funding continues to grow in these sectors. Combined, expenditures in these service areas has increased by \$1.7 billion since 2015/16. Health care has seen a gain of \$1.2 billion, followed by Education up by \$307 million and Families up by \$235 million, including COVID-19 pandemic spending.

Despite some delays experienced because of the COVID-19 pandemic, Manitoba continues on the transformation journey to ensure long-term sustainability and agility of departments, improving online and physical access, and offering consistent and equitable services to all Manitobans across these and other priority areas.

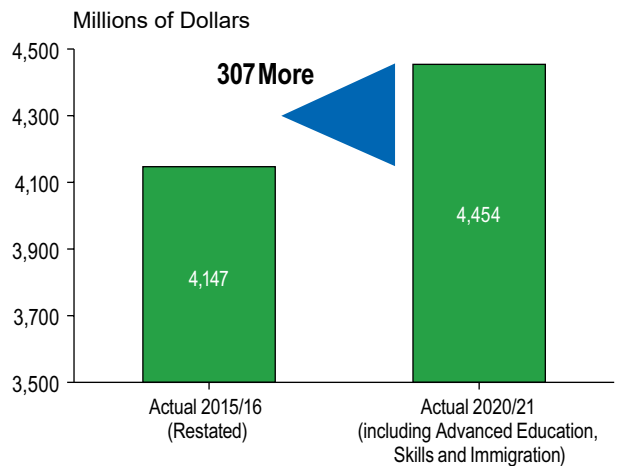
Big 3 Front-Line Services



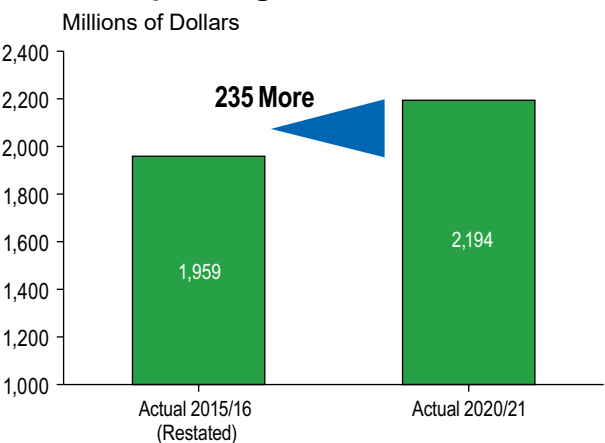
Health Spending



Education Spending



Families Spending



Making life affordable for Manitobans

The government remains focused on ensuring that Manitoba has an affordable and competitive tax environment that rewards productivity, encourages economic growth and increases job creation.

Several tax measures took effect July 1, 2020 saving Manitobans over \$80 million last year, including accelerating the removal of provincial sales tax from residential and business property insurance policies and personal income tax preparation services, reducing vehicle registration fees by 10% and eliminating probate fees. Budget 2020 also made adjustments and extensions to various provincial corporate tax credits to incentivize growth and to the Levy for Health and Education (payroll tax).

Departmental Highlights

The following pages provide a selection of activities across government departments over the fiscal year, including the COVID-19 pandemic response and new and ongoing programs.

Additional information is available in the respective departmental Annual Reports and in the *Fiscal Summary of the COVID-19 Response in Manitoba* section of this report.

ADVANCED EDUCATION, SKILLS AND IMMIGRATION

- *COVID-19 pandemic response highlight:* Provided post-secondary institutions with a one-time investment of \$25.6 million through the Transitional Support Fund, to help respond to unanticipated challenges posed by the pandemic.
- Launched the multi-year Skills, Talent and Knowledge Strategy in February 2021 to provide a framework for stronger partnerships between the Province, educational institutions and the business community. The strategy will help students develop the skills needed to participate fully in the community and contribute to a growing economy.
- Helped 17,106 Manitoba students, including low-income and Indigenous students, access funding for post-secondary education through the Manitoba Student Aid program providing approximately \$254 million through federal and provincial student loans, grants and bursaries.

- Nominated 5,657 immigrants from 106 countries through the Manitoba Provincial Nominee Program in 2020. Approximately 85% of all nominees were already working or had job offers from Manitoba employers at the time of nomination.

AGRICULTURE AND RESOURCE DEVELOPMENT

- *COVID-19 pandemic response highlight:* Developed COVID-19 pandemic prevention and protection guides targeting food processors, resource prospectors and developers.
- Introduced several initiatives, including extension of mining licences, personal protective equipment (PPE) purchase assistance and COVID-19 pandemic compliance inspections, to help businesses and companies navigate and mitigate the impacts of the pandemic.
- Continued work with Manitoba First Nations communities on mineral development protocols for Crown-Indigenous consultations.
- Partnered in the development of the \$20 million Manitoba Mineral Development Fund (MMDF) to assist First Nations in economic development partnership opportunities.
- Led the Manitoba Drought Management Strategy ensuring a whole-of-government coordinated approach to address drought conditions.
- In 2020/21, 14 watershed districts received \$5.5 million in grants to help improve watershed health and resiliency.
- The Canadian Agricultural Partnership (CAP) – Ag Action Manitoba program leveraged \$150.6 million in private sector financing by providing \$9.5 million to support capital asset projects in 45 companies, creating 320 jobs.

CENTRAL SERVICES

- *COVID-19 pandemic response highlight:* Negotiated an estimated \$150 million in procurement service contracts and over \$513 million in purchased goods, including PPE and vaccine clinic supplies to support the government's pandemic response. Awarded approximately \$206 million or 40% of purchase orders to Manitoba vendors.

- Partnered with Health and Seniors Care to establish the Manitoba Emergency Response Warehouse to ensure Manitoba has a robust and sustainable stockpile of medical equipment and materials, including PPE, to reinforce the health care system and public sector supplies in the event of large-scale health crises and other emergency situations.
- Completed work on the approval of over \$1 billion in Investing in Canada Infrastructure Program (ICIP) projects and played a key role in delivering capital projects within K-12 schools and work in municipalities' water and sewer infrastructure projects as part of the \$500 million Manitoba Restart Program.

CONSERVATION AND CLIMATE

- Implemented the Orphaned and Abandoned Mines Program Rehabilitation 2020/21 Work Plan that successfully advanced remediation work and water treatment at high priority sites including the Sherridon and Ruttan mine sites.
- Launched the new Conservation and Climate Fund. Investments in green initiatives through the fund nearly doubled to \$600 thousand from \$355 thousand previously granted to various groups. The new fund modernized the grant application processes for non-profit organizations, made businesses eligible to apply, and facilitated more results-oriented projects.
- Manitoba's newest Crown Corporation, Efficiency Manitoba, officially commenced operations and implementation activities associated with its 2020-2023 Efficiency Plan. The corporation's three-year plan includes a wide range of demand-side management programs and services for residential, Indigenous, income-qualified, commercial, institutional, industrial and agricultural customers.

CROWN SERVICES

- Initiated a review of governance and performance accountability structures at the Crown corporations to support defined mandates and legislation, and to consider broader impacts to the whole of government by enhancing accountability and alignment of key business activities.
- Received the Economic Review of Bipole III and the Keeyask generating station report, including over

50 recommendations focusing on improving the financial health of the utility and ensuring that future electricity planning, decision-making and regulatory oversight is done in the best interest of Manitobans and Manitoba Hydro ratepayers.

- Implemented a new Manitoba Liquor and Lotteries mark-up structure for liquor producers to support economic growth of craft producers.
- Over 40 private sector cannabis retailers were established and running businesses throughout Manitoba. Manitoba Liquor and Lotteries added 22 new suppliers, resulting in over 600 new products for Manitobans.

ECONOMIC DEVELOPMENT AND JOBS

- *COVID-19 pandemic response highlight:* Provided \$8 million through the Manitoba Hotel Association and Manitoba Lodges and Outfitters Association to support Manitoba's hospitality sector.
- Allocated \$50 million to the Manitoba Chambers of Commerce to support long-term recovery, including promoting local retail business through www.goodlocal.ca and the Dine-In Restaurant Relief Program.
- Provided the COVID-19 wage subsidy relief programs (Manitoba Summer Student Recovery Jobs, Back to Work This Summer, and Back to Work Manitoba) to over 4,000 employers, benefiting nearly 17,000 employees.
- Provided \$5 million to Research Manitoba, matching \$6 million in federal, philanthropic, and industry funds to establish a COVID-19 Research Fund to further inform Manitoba's response.
- Provided \$750 thousand over three years to Futurpreneur to support and mentor young entrepreneurs starting their own businesses in Manitoba.

EDUCATION

- *COVID-19 pandemic response highlight:* Provided funding of \$101 million in 2020/21 to support the education system and to ensure a safe learning environment for students and staff through the Safe Schools Fund.

- Developed the Manitoba Remote Learning Framework to support all students to access and engage in high-quality learning regardless of the circumstances posed by the COVID-19 pandemic.
- Invested over \$201 million in new school infrastructure, including ventilation upgrades in several schools across the province.
- Completed and opened three new schools under the 20 new schools over 10 year commitment. In addition, acquired sites for nine future schools, with construction commencing in summer 2021.
- Released the Safe and Caring Schools Policy Directive on enhancing proactive supports to minimize the use of seclusion in May 2021. The policy provides guidance on the use of exclusionary practices (i.e., seclusion, suspension and expulsion).
- Trained 37 educators as trainers for ongoing sustainability and 521 educators as staff wellness coaches to support mentally healthy workplaces for all adults and students in school settings. The Counsellor in the Classroom program promotes the discussion of mental health and well-being among young people in Grades 6 through 8 and was expanded to 20 more schools.
- A total of 11,283 students in urban, rural and northern school divisions took part in 1,069 French Virtual Interactive Workshops sessions developed in response to the COVID-19 pandemic between January and June 2021.
- Supports provided via the Manitoba Remote Learning Support Centre (MRLSC) brought equity to rural and northern school divisions and to communities that may not have had the capacity to offer, or had access to, remote learning supports.
- Provided funding of \$250,000 to the Treaty Relations Commission for Treaty Education to train teachers and provided treaty kits to schools virtually over the 2020/21 school year.

FAMILIES

- *COVID-19 pandemic response highlight:* Provided a one-time benefit of \$200 to all eligible Employment and Income Assistance clients living with disabilities for a total of \$4.5 million in support for low-income Manitobans living with disabilities during the COVID-19 pandemic.

Provided extensions for all youth in the care of Child and Family Services agencies reaching the age of majority (18) during the COVID-19 pandemic response, regardless of their legal status.

- Provided 225,000 seniors aged 65 and over with a tax-free \$200 Seniors Economic Recovery Credit to assist with the additional costs associated with the public health restrictions.
- Expanded the Child Care Development Tax Credit to add 474 new child care spaces.
- Launched the Home Nutrition and Learning Program with over \$5 million in funding to provide nutritious breakfast boxes and educational material to more than 6,500 children whose families have experienced food disruption as a result of the pandemic.
- Established two \$20 million endowment funds to be administered by The Winnipeg Foundation, with the funds available to municipalities, businesses and organizations to increase accessibility across Manitoba and to promote compliance with The Accessibility for Manitobans Act.
- Funded 883 new child-care spaces in centres through the development of new community and school-based capital projects.
- Provided \$12 million in grants to 10 municipalities throughout the province to support affordable housing initiatives and address the housing needs of vulnerable Manitobans.

FINANCE

- *COVID-19 pandemic response highlight:* Allowed video conferencing in lieu of in person meetings for statutorily required entities; provided for e-signatures in lieu of hard signatures; temporarily suspended residential tenancy board hearings.
- Eliminated the sales tax on commercial and residential property insurance in July 2020, providing \$75 million in savings.
- Enacted new legislation to provide job protection if an employee or family member is impacted by the COVID-19 pandemic and introduced the Manitoba Pandemic Sick Leave Program.
- Eliminated probate fees.

- Eliminated the application of Manitoba sales tax on the preparation of wills and personal income taxes.
- Reduced non-commercial vehicle registration fees.
- Provided deferrals respecting personal and corporation income tax filings and installment payments, Manitoba sales tax and Manitoba payroll tax remittances by small businesses, and commercial transportation credentials and permitting; suspended the annual solvency test for private pension plans.

HEALTH AND SENIORS CARE

- *COVID-19 pandemic response highlight:* Led the analytical support for Manitoba's COVID-19 pandemic planning and response. This included operational and public reporting of the provincial response, such as epidemiological modeling.
- Administered 210,088 vaccines (including 148,560 first doses and 61,528 second doses) in 2020/21.
- Made COVID-19 personal immunization records available online to ensure residents have access to their personal health information. Created a robust surveillance system to monitor for adverse events following immunization.
- Invested \$76 million to support a provincial digital health platform and other capital projects such as the Acute Stroke Unit at the Health Sciences Centre and additional personal care home beds in Steinbach and Carmen.
- Hired an additional 200 full-time nurses for a cumulative net total of 1,851 nurses hired over the period from June 2019 to June 2021.
- Changed legislation on the classification of Naloxone to remove barriers to access and reduction of opioid overdose deaths.
- Committed to fund eight additional beds to support timely patient transfers from Rapid Access to Addictions Medicine (RAAM) clinics, which provide immediate counselling, prescribe appropriate medication, and connect patients with community programs and primary care positions for ongoing care.
- Spent \$1.1 million to expand eating disorder programs at Health Sciences Centre, as well as create a safe nutrition clinic for people living with eating disorders.

LEGISLATIVE AND PUBLIC AFFAIRS

- *COVID-19 pandemic response highlight:* Supported departments and government agencies in responding to the COVID-19 pandemic while still moving important legislative and regulatory priorities forward for Manitobans. Responses to the pandemic included the development of more efficient regulatory processes such as accepting e-signatures and electronic documents, permitting virtual meetings in cases where legislation requires in-person meetings, and allowing remote witnessing of documents.
- Reduced the number of provincial regulatory requirements to 863,107 from 961,997 on April 1, 2016 – a more than 10% reduction over five years.
- Provided support services to public bodies under the Freedom of Information and Protection of Privacy Act (FIPPA), and responded to 4,858 requests in 2020.
- Completed a \$730,000 project to restore the Legislative Building Rotunda, through the Legislative Building Centennial Restoration and Preservation Advisory Committee.

MENTAL HEALTH, WELLNESS AND RECOVERY

- A total of 1,500 Manitobans accessed mental health services through Peer Connections, a peer support program that provides peer and family support services in Winnipeg and Prairie Mountain Health.
- Committed to invest \$1.6 million in the expansion of a hub model for integrated youth services including mental health and addiction services of youth and young adults.
- As part of the government's Mental Health and Addictions strategy, the Community Schools program expanded to include five new schools, bringing the total to 41 participating schools across the province.
- Increased funding to 13 K-6 Community Schools, for mental health and addictions resources and related prevention programming for students and families.

INDIGENOUS AND NORTHERN RELATIONS

- *COVID-19 pandemic response highlight:* Maintained consistent engagement and communications with Indigenous partners and stakeholders regarding COVID-19 pandemic impacts, vaccine rollouts and prioritization of vulnerable populations through the provision of virtual forums, town hall meetings, mailings and teleconference calls.
- In collaboration with the regional health authorities, supported the vaccination prioritization of those living in the north and isolated communities through super-sites, immunization hubs and local pop-up clinics through Focused Immunization Teams.
- Provided up to \$1 million in financial support in 2020/21 to advance post-COVID-19 pandemic economic recovery in Indigenous and northern communities through various initiatives connected to Manitoba's Look North Strategy.
- Worked on fulfilling funding commitments through the Operation Return Home project to address the impacts of the 2011 Interlake flood event. Completed all the housing infrastructure projects this year, with all new housing fully assigned in three communities and community members returning home.
- Signed a comprehensive Settlement Agreement with Pinaymootang First Nation.
- Initiated a total of 27 new capital projects to improve water and wastewater treatment, roads and drainage, solid waste management, and municipal buildings. Completed construction and commissioning of a new regional waste disposal site that serves six Northern Affairs communities, neighboring First Nation communities, and two cottage areas in the Dauphin Parkland.
- In partnership with the Northern Association of Community Councils, provided new digital infrastructure to a number of Northern Affairs communities to ensure community connectivity is achieved and greater efficiencies found.
- In response to the findings and recommendations of The Provincial Oversight of Drinking Water Safety Report released by Manitoba's Auditor General, implemented a comprehensive five-year plan to identify and address deficiencies in water treatment plants including ongoing training and certification for plant operators.

INFRASTRUCTURE

- Delivered on a multi-year allocation of \$215 million to improve the safety of Manitoba's highways including Highway 1 and 16 intersection and Highway 100 at St. Mary's Road interchange as part of the Manitoba Restart program.
- Submitted an Environmental Impact Statement for the Lake Manitoba and Lake St. Martin Outlet Channels Project, setting out an understanding of the social, environmental, and economic impacts of the project.
- Unveiled the design for a new four-lane bridge to replace the 50-year old Daly Overpass in Brandon.

JUSTICE

- *COVID-19 pandemic response highlight:* Dedicated additional resources with over 3,000 personnel across various agencies being authorized to enforce COVID-19 pandemic public health orders to protect Manitobans.
- Distributed approximately \$1.5 million from the Criminal Property Forfeiture Fund and the Federal Proceeds of Crime Fund. Funds support victims of crime, community organizations and policing agencies engaged in crime prevention and reduction initiatives, including programs focused on reconciliation, at risk and vulnerable youth and older adults, neighbourhood patrol programs and the enhancement of law enforcement's responses to assisting individuals facing mental health challenges.
- Invested \$6 million in the calls for proposals for community-based agencies to provide enhanced supports and provided \$5 million to the Victims Assistance Community Grants, Inc.
- Enhanced supports and resources to support victims of crime and to improve responses to non-charge domestic violence. Developed Family Guides as part of the domestic violence response in support of the Family Resolution Service, and increased funding for a gender-based violence framework.
- Established the Manitoba Criminal Intelligence Centre (MCIC) in 2020 as a branch within the Public Safety Division to further the department's Policing and Public Safety Strategy.

- Opened the Walking Bear Therapeutic Community on October 5, 2020 at the Women's Correctional Centre (WCC) in Headingley as a trauma-informed therapeutic community for female inmates. This new program allows participants and correctional staff to work together to create a social learning environment for positive outcomes.

MUNICIPAL RELATIONS

- Engaged stakeholders in modernizing key department legislation, regulations and policies to deliver on the recommendations of the 2019 Review of Planning, Permitting and Zoning in Manitoba, which will bolster provincial GDP, job creation and municipal tax revenue, and reduce unnecessary delays by providing necessary certainty and consistency in planning and permitting decisions.
- Distributed \$106 million of federal funding under the Canada-Manitoba Safe Restart Agreement to support municipalities, including transit services.
- Provided \$43 million in additional funding for the Manitoba Water Services Board to address the backlog of municipal water and sewer projects under the Manitoba Restart Program.
- Invested more than \$9 million through a one-time grant program in support of emergency response and fire protection programming across Manitoba. The program approved 209 projects.
- Invested \$126 million in upgrading the North End Sewage Treatment Plant's Headworks facilities in Winnipeg as part of the Manitoba Restart commitment and Investing in Canada Infrastructure Program.
- Partnered with The Winnipeg Foundation to establish a \$25 million trust to preserve the Hudson's Bay Building, one of Winnipeg's landmarks.
- Released the Addressing Gender-Based Violence framework in December 2020, which outlines how the government plans to address gender-based violence in all its forms, recognizing the unique experiences of Indigenous women, girls and 2SLGBTQIIA+ people. Committed \$6.4 million in support through the Victims Assistance Fund to organizations assisting survivors and victims of gender-based violence.
- Provided \$50,000 through the Women in Underrepresented Areas Grants to train women in information and communication technologies, heavy construction and in-demand trades programs in northern Manitoba.
- Commemorated Manitoba's 150th anniversary and the Hudson's Bay Company's 350th anniversary through the "Your Archives: The Histories We Share" initiative, by inviting people to select an archival record and sharing their personal reflections through the Archives Twitter channel and a blog.

BALANCED SCORECARDS

The implementation of the Balanced Scorecards across government to evaluate performance systematically has resulted in more measured outcomes achieved for our expenditures. The *Manitoba Measuring Progress Dashboard*, the first of its kind in Canada, continues to enhance public transparency by highlighting key areas that require performance improvements, providing strategic information to get better value for taxpayer money and improving the quality of services government provides Manitobans.

Since its launch in December 2019, the Manitoba Measuring Progress website has recorded nearly 42,000 unique page views. Work continues on implementing balanced scorecards in every department, division and branch. A total of 253 unique performance measures have been configured so far, in the balanced scorecard software including measures displayed on the Manitoba Measuring Progress Dashboard.

SPORT, CULTURE AND HERITAGE

- *COVID-19 pandemic response highlight:* Implemented the Safe at Home Manitoba Grant Program to keep Manitobans active and entertained at home during a critical period of the COVID-19 pandemic. Provided \$5 million to over 300 projects presented by artists, organizations, and municipalities in all regions of Manitoba.
- Invested \$6 million through the Manitoba Arts Council and Manitoba Film and Music to distribute to eligible organizations impacted by facility closures, programming and events cancellations. Funds support the safe restoration of services and activities.

FINANCIAL OUTLOOK

Manitobans and their economy continue to face challenges caused by the COVID-19 pandemic. Budget 2021 provided significant resources to address the ongoing pandemic response and the gradual recovery by setting aside \$1.2 billion in the current fiscal year. The swift and substantial government response in 2020/21, and ongoing investments this year have prevented worse fiscal outcomes that were anticipated at the onset of the pandemic.

The economic outlook for 2021 continues to evolve, improving or deteriorating with the dynamic nature of this virus, as can be seen around the world. The projection for Manitoba real GDP in 2021 is currently 4.9%.

Considerable uncertainty remains in this outlook with both downside and upside risks. The biggest risk to the provincial economy is the impact of COVID-19 variants and additional waves of public health restrictions.

A resurgence of the virus in other parts of the world, in combination with supply-chain bottlenecks, could constrain exports in 2021. Across borders, the U.S. Administration's "Buy American" policy could also affect exports to Manitoba's largest trading partner.

After a strong start to the year, agriculture producers in Manitoba are facing headwinds with record-breaking drought that threatens crop yields, as well as livestock grazing on pastures. Current high crop prices may help to offset harvest losses due to drought.

The emergence from a deep recession requires the rebuilding of consumer confidence and supporting an idled private sector. There are positive signs of a recovery underway in 2021. Across the board, macroeconomic indicators are trending upwards, with Manitoba's unemployment rate is the lowest in the country at 5.7%. Compared to last year, manufacturing shipments are up 14.6%, international exports are up 10.6%, and housing starts and building permits are up 29.0% and 20.4%, respectively.

The labour market has rebounded with 3.8% growth on a year-to-date basis in 2021 following a 3.7% decline in 2020. The youth unemployment rate that increased to 24.7% in April 2020 is now down to 7.8% in August 2021. The female employment level in Manitoba has also sharply rebounded increasing by 4.7% on a year-to-date basis this year, after declining by 4.5% in 2020.

However, the outlook for the province's finances remains challenging. Current projections show the deficit easing to \$1.6 billion in 2021/22 and to \$374 million in 2022/23, driven by the ongoing COVID-19 response and investments in the recovery. Additional information on the economic recovery and outlook is provided in the Manitoba First Quarter Report, 2021/22.

Conclusion

Government has made significant progress over the past five years to restore Manitoba's finances while continuing to invest in front-line services, including in the priority areas of health, education and families. These efforts resulted in a stronger and more resilient province and provided the flexibility to respond to the COVID-19 pandemic with confidence. The strengthened fiscal and economic foundations are also helping to lead the province towards a full recovery in the years ahead.

We remain focused on protecting Manitobans. Further progress on vaccinations is critical, as is the ongoing vigilance to ensure viral resurgence is mitigated. As noted in Budget 2021, there are still many Manitobans looking for work, enterprises in vulnerable sectors continue to struggle, and provincial debt levels have grown materially in response to the pandemic.

Despite these challenges, there is room for optimism. Economic indicators are trending upwards, providing early evidence that the Manitoba economy is on the road to recovery in 2021 and that the government's plans are working.

Our public health orders are also working to protect Manitobans. Many children have returned to in-person learning, and families and friends can once again enjoy public entertainment and socialize in restaurants and other venues. Most businesses have also re-opened to in-person shopping and travel restrictions have abated. Manitobans can once again show their pride and support by attending the Blue Bombers, Winnipeg Jets, and Valour F.C. competitions and participate in amateur sports and recreation. And we look forward to returning to our many festivals and other celebrations enjoyed before the pandemic arrived.

Looking ahead, the government remains focused on ensuring a stronger economic future with even greater social progress.

STRATEGIC INFRASTRUCTURE INVESTMENTS

As the province navigates through the significant economic fallout caused by the COVID-19 pandemic, the Manitoba government remains committed to investing in strategic infrastructure projects as an integral strategy for boosting the economy in the short term, while providing wide societal benefits in the long term for Manitobans.

Manitoba's strategic infrastructure includes roads and bridges, flood protection, hospitals, schools, universities and colleges, as well as municipal projects and other infrastructure. These infrastructure investments are important for job creation, while supporting Manitoba's efforts toward achieving safe and healthy communities. The expansion of the Strategic Infrastructure budget and reporting to include other entities outside of core government has improved the transparency in reporting on these investments on a summary basis. The annual budgeted investments have increased by \$392 million to over \$2.2 billion.

There has been meaningful improvement to the management and delivery of the annual capital budget. This is attributable to significant work done on central capital delivery processes in recent years, including through the creation of the Department of Central Services in October 2019. Capital centralization has led to a whole-of-government approach to dealing with the life-cycle needs of all assets – from project planning, delivery, asset management, through to the retirement of assets.

The departments of Infrastructure and Education have successfully delivered at least 80% of their capital budget commitment through continuous upgrades to key highways and building new schools for our K-12 education system.

Largely due to the COVID-19 pandemic causing delays to a number of projects, there was an under-expenditure of \$525 million compared to the restated budget. Additional variance explanations are noted below.

To support Manitoba's economic recovery, the Manitoba Restart Capital infrastructure program was announced in May 2020 with a multi-year investment of \$500 million. These projects include new water and sewage projects, road and highway safety and paving repairs, cost-sharing projects with other levels of government and municipal law enforcement projects.

Notable variances for the 2020/21 fiscal year include:

- Lake Manitoba Outlet Channel – Project delays are a result of delays in federal environmental approvals and COVID-19 pandemic restrictions limiting travel related to consultations.
- Water Related Infrastructure – Heavy rain events and diversion of internal resources to manage floods, resulted in a reduction to other capital work during the construction season.
- Health – Due to the COVID-19 pandemic, there has been limited access to some facilities and limited resources with some staff re-deployed to work on the COVID-19 pandemic response.
- Efficiency Manitoba – Reduced delivery of in-home and in-business programs as a result of the COVID-19 pandemic and public health restrictions. As well, there was postponement of capital acquisitions to the 2021/22 fiscal year.

Strategic Infrastructure Investments, 2020/21

| | Budget 2020 Restated* | Actual |
|--|--------------------------|--------|
| | (Millions of Dollars) | |
| ROADS, HIGHWAYS, BRIDGES AND FLOOD PROTECTION | | |
| Highways Infrastructure and Airport Runway Capital | 374 | 308 |
| <i>Manitoba Restart</i> | - | 18 |
| <i>Manitoba Climate & Resiliency</i> | - | 9 |
| Maintenance and Preservation – Highways | 129 | 130 |
| Lake Manitoba Outlet Channel | 101 | 17 |
| Water Related Infrastructure | 31 | 21 |
| Transportation Equipment and Aircraft | 11 | 6 |
| Maintenance and Preservation – Water | 12 | 11 |
| | 658 | 520 |
| BUILDINGS, EQUIPMENT & TECHNOLOGY | 163 | 108 |
| HEALTH, EDUCATION AND HOUSING | | |
| Health | 320 | 214 |
| Education | 382 | 318 |
| Housing | 78 | 39 |
| | 780 | 571 |
| OTHER INFRASTRUCTURE | | |
| Municipal Grants | 379 | 147 |
| <i>Manitoba Restart</i> | - | 232 |
| Northern Affairs Communities | 4 | 4 |
| Efficiency Manitoba | 55 | 21 |
| Other Reporting Entities | 23 | 2 |
| | 461 | 406 |
| CROWN CORPORATIONS | | |
| Manitoba Liquor and Lotteries Corporation | 57 | 25 |
| Manitoba Public Insurance Corporation | 59 | 23 |
| | 116 | 48 |
| Total Strategic Infrastructure Investments | 2,178 | 1,653 |

* Budget restated to include Internal Service Adjustment transfers and supplementary funding.

FISCAL SUMMARY OF THE COVID-19 RESPONSE IN MANITOBA

Manitoba's response to the pandemic includes supports to individuals and households, businesses and non-profit and charitable sectors, and a range of other investments, including health care, personal protective equipment (PPE), and the vaccine program.

| Summary of Manitoba's COVID-19 Response | \$000s |
|--|------------------|
| Supports to individuals and households | 409,529 |
| Supports to business and non-profit sectors | 470,207 |
| Public health response, PPE and related goods and services | 666,485 |
| Supports for other sectors (including the Restart Capital program) | 549,942 |
| Total | 2,096,163 |

Federal direct transfers to support the COVID-19 response in Manitoba

Manitoba and other provinces also partnered with the federal government on a range of programs to support individuals, businesses and the non-profit and charitable sectors. In total, the federal contribution to Manitoba was \$730 million in 2020/21. Some of these federal transfers helped to offset the provincial response, while others are cost-shared with provincial funds. The federal contributions were recorded as revenue and the disbursements were recorded as expenditures and included in the Summary of Manitoba's COVID-19 Response. Total federal transfers to support the COVID-19 pandemic response in Manitoba were as follows:

Summary of Federal Transfers to Support Manitoba's COVID-19 Response

| | \$000s |
|--|----------------|
| Canada-Manitoba Safe Restart Agreement | 417,780 |
| Essential Workers Support Fund | 117,484 |
| Safe Return to Class Fund | 85,412 |
| Air Services to Remote Communities | 12,031 |
| Safe Restart Agreement – Data Management | 3,650 |
| Workforce Development Agreement Top-Up | 31,095 |
| Personal Protective Equipment Contribution | 62,400 |
| Total | 729,852 |

The Canada-Manitoba Safe Restart Agreement, of \$417.8 million was designed to help protect public health and safety, prepare for potential future waves of the virus, and further support the safe reopening of the economy. The categories of funding under provincial responsibility included testing, contact tracing, and data management; health care system capacity; vulnerable populations; municipalities and transit; personal protective equipment; and child care for returning workers. An additional category, pan-Canadian sick leave, is under federal responsibility for delivery.

The Manitoba government partnered with the federal government on the Essential Workers Support Fund. In Manitoba, this funding was used for the Risk Recognition Program and the Caregiver Wage Support Program.

The federal government provided \$85.4 million through the Safe Return to Class Fund to distribute to Manitoba schools. This was combined with the \$100 million provincial commitment announced in fiscal year 2020/21, with \$99 million of the pooled funding being used, the rest will be spent in the next year.

The \$12 million support program for Manitoba's Northern Airlines is a partnership between the governments of Canada and Manitoba to ensure air

services to remote northern communities continue through the COVID-19 pandemic.

The Workforce Development Agreement funding was expanded to include a one-time increase of \$47 million in 2020/21. Of this funding, \$31 million was used in 2020/21 to support workers and businesses affected by the COVID-19 pandemic through employment and training supports including micro-credential programs for vaccine administration.

Supports to individuals and households

Throughout the COVID-19 pandemic, Manitoba provided supports to individuals and households through a variety of programs. These programs were aimed at supporting those most in need and those taking on significant risks in their work to protect Manitobans and our health care system. The table below summarizes the main program commitments and the actual expenditures for the 2020/21 fiscal year.

Manitoba COVID-19 Programs for Individuals (2020/21)

| Program (\$000s) | 2020/21 Commitment | Expenditure | Unexpended |
|--|-----------------------|----------------|--------------|
| Risk Recognition Program | 121,768 | 121,792 | (24) |
| Seniors Economic Recovery Credit | 45,000 | 44,561 | 439 |
| Caregiver Wage Support Program | 35,600 | 35,240 | 360 |
| Manitoba Job Restart Program | 8,864 | 8,233 | 631 |
| Disability Economic Support Program | 4,600 | 4,452 | 148 |
| Subtotal Expenditures | 215,832 | 214,278 | 1,554 |
| MPI Financial Relief Rebate (non-commercial) | 157,751 | 157,751 | - |
| Elimination of PST on Property Insurance (residential) | 37,500 | 37,500 | - |
| Total | 411,083 | 409,529 | 1,554 |

Programs for Individuals:

Risk Recognition Program: Canada-Manitoba program provided one-time payments to essential front-line workers

Seniors Economic Recovery Credit: One-time \$200 tax credit advance to Manitoba seniors

Caregiver Wage Support Program: Canada-Manitoba program provided a top-up of wages for personal care home workers and other front-line caregivers

Manitoba Job Restart Program: Provided financial support to employees transitioning from the

Canadian Emergency Response Benefit (CERB) to work

Disability Economic Support Program: One-time \$200 benefit to lower income Manitobans with disabilities receiving Employment and Income Assistance benefits

MPI Financial Relief Rebate: Manitoba Public Insurance sent two separate rebates to every policyholder

Elimination of PST on Property Insurance: Elimination of the PST on residential property insurance contracts

Supports to Business and Non-profit Sectors

Manitoba provided one of the most broad-based, accessible, and generous business support programs available in response to the COVID-19 pandemic. The following table summarizes the main commitments and the actual uptake for the 2020/21 fiscal year.

Manitoba COVID-19 Programs for Businesses and Non-profit Organizations (2020/21)

| Program (\$000s) | 2020/21 Commitment | Expenditure | Unexpended |
|---|-----------------------|----------------|---------------|
| Manitoba Bridge Grant | 215,000 | 214,428 | 572 |
| Gap Protection Plan | 59,136 | 59,388 | (252) |
| Long-Term Recovery Fund | 50,000 | 50,000 | - |
| Back to Work Manitoba, Back to Work This Summer Initiative & Summer Student Recovery Jobs Program | 46,000 | 39,963 | 6,037 |
| Essential Northern Airline Support Benefit | 12,000 | 12,031 | (31) |
| Pandemic Staffing Support Benefit | 10,000 | 793 | 9,207 |
| Hospitality Sector Relief | 8,000 | 8,000 | - |
| Manitoba Economic Support Centre | 7,404 | 4,419 | 2,985 |
| Emergency Stabilization for Arts and Culture Sector | 6,000 | 6,000 | - |
| Safe-at-Home Manitoba Program | 6,000 | 5,992 | 8 |
| Canada Emergency Commercial Rent Assistance Program (Manitoba) | 5,800 | 5,957 | (157) |
| Hometown Green Team Program | 4,194 | 2,484 | 1,710 |
| Building Sustainable Communities Program | 2,562 | 1,439 | 1,123 |
| B2B Manitoba – Virtual Marketplace Tool | 422 | 359 | 63 |
| Subtotal Expenditures | 432,518 | 411,253 | 21,265 |
| MPI COVID-19 Rebates (commercial) | 21,454 | 21,454 | - |
| Elimination of PST on Property Insurance (commercial) | 37,500 | 37,500 | - |
| Total | 491,472 | 470,207 | 21,265 |

Programs for Businesses and Non-profit Organizations:

Manitoba Bridge Grant: Financial support to eligible small and medium-sized businesses, not-for-profits and charities affected by the COVID-19 pandemic response

Gap Protection Plan: Provided \$6,000 for businesses that didn't qualify for other support programs

Long-Term Recovery Fund: \$50 million to support the long-term sustainability and adaptation of Manitoba businesses coming out of the COVID-19 pandemic

Back to Work Manitoba, Back to Work This Summer Initiative & Summer Student Recovery Jobs Program: Helped young people and other workers impacted by the COVID-19 pandemic find work, and businesses hire employees

Essential Northern Airline Support Benefit: Distribution of federal funding to support air services to remote Northern communities

Pandemic Staffing Support Benefit: Supported staffing in disability services, child care and child welfare systems

Hospitality Sector Relief: Provided financial relief to Manitoba's accommodation and tourism sector

Manitoba Economic Support Centre: Dedicated business support call centre to help Manitoba businesses and other employers navigate COVID-19 pandemic support programs

Emergency Stabilization for Arts and Culture Sector: One-time funding to support areas of the arts and culture sector severely impacted by facility closures and event cancellations

Safe-at-Home Manitoba Program: Supported organizations that deliver at-home programs and services

Canada Emergency Commercial Rent Assistance Program: Partnership with the federal government to provide relief for small businesses

Hometown Green Team Program: Additional grants to non-profit organizations and municipal government to hire youth on community projects and support economic recovery

Building Sustainable Communities Program: Additional funding to non-profit organizations, charitable organizations, municipalities and Northern Affairs Community Councils to help rebuild Manitoba's economy

B2B Manitoba – Virtual Marketplace Tool: Allowed businesses and non-for-profits easier access to PPE and health and safety services

MPI COVID-19 Rebates: Two separate rebates sent to every Manitoba Public Insurance policyholder

Elimination of PST on Property Insurance: Elimination of the PST on commercial property insurance contracts

Public health response, PPE and related goods and services

In addition to support for individuals, households and the business, non-profit and charity sectors, Manitoba also invested in various COVID-19 goods and services, including the incremental public health costs, materials such as personal protective equipment (PPE), investments to support contact tracing and the vaccine program. The following table outlines the actual expenditures incurred in the Health sector related to COVID-19 in 2020/21.

Manitoba COVID-19 Response for Health Sector (2020/21)

| Program (\$000s) | Expenditure |
|--|----------------|
| Personal Protective Equipment | 367,477 |
| Funding to Regional Health Authorities | 249,094 |
| COVID-19 Specialized Equipment | 11,977 |
| Testing and Vaccine Delivery | 35,437 |
| AbilitiCBT | 2,500 |
| Total | 666,485 |

Health Sector Response:

Funding to Regional Health Authorities:

Additional support to regional health authorities including personal care homes in response to the COVID-19 pandemic

COVID-19 Specialized Equipment: Purchased ventilators and other equipment needed to respond to the COVID-19 pandemic

Personal Protective Equipment: Masks, gowns, gloves, etc.

Testing and Vaccine Delivery: Includes service contracts and site leases

AbilitiCBT: Virtual mental health support through a digital therapy program which provides access to professional therapists

Supports for other sectors

Manitoba also provided additional support to the K-12 system, municipalities, post-secondary institutions, child care facilities and others. In addition to these expenditures, Manitoba launched the Restart Capital Program, committing \$500 million toward infrastructure projects to help boost the provincial economy's recovery amid the COVID-19 pandemic and beyond. The following table outlines other actual expenditures incurred as part of the COVID-19 pandemic response in 2020/21.

Manitoba COVID-19 Other Responses (2020/21)

| Program (\$000s) | Expenditure |
|--|----------------|
| Funding to Municipalities | 105,600 |
| Home Nutrition and Learning Program | 6,260 |
| Homeless Shelter Response Plan | 3,886 |
| Manitoba Rent Relief Fund | 5,600 |
| Funding to Child Care Providers | 6,870 |
| Safe Schools Fund | 94,813 |
| Remote Learning Resource Centre | 4,558 |
| Workforce Development Agreement Incremental Spending | 4,200 |
| Canada-Manitoba Job Grant | 1,992 |
| Transitional Support for Post-Secondary | 25,627 |
| COVID-19 Research Fund | 5,000 |
| Manitoba Scholarship and Bursary | 5,000 |
| Enhancement of Trails | 2,500 |
| Restart Capital Program – 2020/21 Portion | 239,820 |
| Miscellaneous | 38,216 |
| Total | 549,942 |

Other Responses:

Funding to Municipalities: Distribution of federal funding under the Canada-Manitoba Safe Restart Agreement to support municipalities, including transit services

Home Nutrition and Learning Program: For families with school-age children experiencing food disruption as a result of the COVID-19 pandemic

Homeless Shelter Response Plan: Expanded needs of homeless shelters serving vulnerable people throughout the COVID-19 pandemic

Manitoba Rent Relief Fund: Interest-free loans and services to avoid eviction due to arrears, pay for damage deposits or utilities, and maintain housing stability

Funding to Child Care Providers: Additional support for early learning and child care through a one-year extension of the bilateral funding agreement

Safe Schools Fund: To ensure safe learning environments while leveraging federal support

Remote Learning Resource Centre: Expanded online and distance education for K-12 students through the expansion of InformNet

Workforce Development Agreement Incremental Spending: Various labour market expenditures related to the one-time federal top-up of the Labour Market Agreement

Canada-Manitoba Job Grant: Employer-driven approach to help Manitobans gain skills to fill available jobs and help employers develop the skills of their existing workers to meet the requirements of their present job, or to move into a different job

Transitional Support for Post-Secondary: One-time funding support to help post-secondary institutions adapt to pressures from the pandemic

COVID-19 Research Fund: Partnered with Research Manitoba to create a research fund for COVID-19 projects

Manitoba Scholarship and Bursary: Enhanced the bursary and increased the provincial government matching of the private donations that schools get from a 2 to 1 ratio to a 1 to 1 ratio (1 government dollar for every private dollar donated), increasing support to students with financial need

Enhancement of Trails: Maintenance and enhancement of trails to ensure Manitobans are able to stay active and healthy outdoors during the COVID-19 pandemic

Restart Capital Program: \$500 million multi-year commitment to help restart the economy

Miscellaneous: Other COVID-19 pandemic expenditure across various departments

Public Accounts of Manitoba

FOR THE YEAR ENDED MARCH 31, 2021



INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA

Nature of the Public Accounts

The Public Accounts of Manitoba are prepared annually by statutory requirement in accordance with section 65(1) of The Financial Administration Act, which is Chapter F55 of the Continuing Consolidation of the Statutes of Manitoba. The Public Accounts reflect the summary financial position of the government and the operating results for the fiscal year of the government, which ends on March 31.

The information contained in the report originates from two sources:

- the summarized financial information presented in the accounts of Manitoba, maintained by the Provincial Comptroller; and
- the detailed records maintained by departments, government organizations, government business enterprises, and government business partnerships.

Each department and public sector organization is responsible for reconciling its accounts to the control accounts of the Provincial Comptroller, and for maintaining detailed records of the transactions in their accounts.

Format of the Public Accounts of Manitoba

The Public Accounts of Manitoba consist of the Financial Statement Discussion and Analysis, the audited Summary Financial Statements of the Government, financial reports on the Rainy Day Fund, and other statutory financial reports.

Financial Statement Discussion and Analysis – This section provides a written commentary on the summary financial statements, plus additional information on the financial and economic performance of the provincial government. The financial information contained in the Financial Statement Discussion and Analysis section is taken from the March 31, 2021 summary financial statements.

Summary Financial Statements – These audited statements, prepared using CPA Canada's Public Sector Accounting Standards, disclose the financial impact of the government's activities. Only the government's summary financial statements provide the key information on the financial activities of the entire government. The summary financial statements include the financial results of the approximately 154 different agencies the government uses to deliver its goods and services. The Government Reporting Entity (GRE) includes government departments, business enterprises, business partnerships, and organizations, such as regional health authorities, school divisions, universities and colleges. The departments and entities comprising the GRE are disclosed in Schedule 8 of the summary financial statements.

The summary financial statements also provide the following key financial information:

- the government's financial position as at March 31 each year
- the results of its operations for the year
- what revenue it brought in and what it spent (e.g., annual surplus or deficit)
- how much it borrowed, repaid or refinanced
- how it obtained and used its funds

Information Provided Under Statutory Requirements – This section includes audited reports on information other than financial statements, including the Rainy Day Fund and other reports specified in the Financial Administration Act, The Fiscal Responsibility and Taxpayer Protection Act and the Northern Affairs Act.

The Public Accounts of Manitoba are available online at: www.manitoba.ca/governmentfinances.

GLOSSARY OF KEY TERMS

Borrowings: Securities issued in the name of the province to capital markets investors. Securities include debentures, treasury bills, promissory notes, medium-term notes and Manitoba Savings Bonds.

Debt servicing cost: Interest and other expenses associated with provincial borrowings.

Financial assets: Assets of the province such as cash, investments, loans and accounts receivable that could be readily converted to cash in order to pay the province's liabilities or finance its future operations.

Generally Accepted Accounting Principles (GAAP): Standard accounting practices and reporting guidelines as prescribed by the Chartered Professional Accountants of Canada.

Government Business Enterprises (GBEs): A government organization with the financial and operating authority to carry on a business, which sells goods or services to individuals and organizations outside the GRE and can maintain its business on those revenues.

Government Business Partnership (GBP): A government partnership with the financial and operating authority to carry on a business, which sells goods or services to individuals and organizations outside the GRE and can maintain its business on those revenues; governments include its proportionate share of the partnership only in the consolidated summary financial statements.

Government component: An integral part of government, such as a department or fund, that is not a separate entity with the power to contract in its own name and that can sue and be sued.

Government organization: Any organization controlled by a government that is a separate entity with the power to contract in its own name and that

can sue and be sued (e.g., public sector organizations such as regional health authorities, school divisions, universities and colleges). See also ORE.

Government partnership: A contractual arrangement between the government and other partners to cooperate toward clearly-defined common goals, make a financial investment in the partnership, have shared control of the decision on an ongoing basis, and share, on an equitable basis, the risks and benefits of the partnership.

Government Reporting Entity (GRE): Includes government departments, organizations, business entities and partnerships; and other reporting entities.

Gross Domestic Product (GDP): Represents the total market value of all goods and services produced in the Manitoba economy.

Guarantees: Province's guarantee to honour the repayment of debt or loans of an organization, primarily GBEs (e.g., Manitoba Hydro Savings Bonds).

Ministry: A grouping of government components, organizations and partnerships within a specific area of public administration that is presided over by a minister, not including GBEs and GBPs.

Net debt to GDP ratio: Ratio of government net debt relative to the total market value of all goods and services produced in the Manitoba economy. Net debt represents the total liabilities of the government minus its financial assets – a factor widely used by credit rating agencies and other analysts to evaluate the financial situation and trends of jurisdictions regarding their relative creditworthiness.

Non-financial assets: Includes physical items such as tangible capital assets (e.g., buildings and roads) and consumable goods (e.g., inventories not normally converted to cash).

Other Comprehensive Income (OCI): An accounting recognition of unrealized gains and losses in fair market value of financial instruments (e.g., investments held as available for sale or trading or debt held in a foreign currency). Currently, OCI accounting standards apply only to GBEs. It is measured as the change in “mark-to-market” valuations, interest rates, or foreign exchange rates at year end (e.g., a one-day snapshot of the change in value when compared to the same day in the previous year).

Other Reporting Entities (OREs): Entities in the GRE (e.g., government organizations, government business entities, and government partnerships), including public sector organizations such as regional health authorities, school divisions, universities and colleges that are directly or indirectly controlled by the government, as prescribed by the Public Sector Accounting Board – excludes government departments; see also Government Organization.

Pension liability: Outstanding actuarially-calculated pension liability of the government and participating government organizations; includes amounts funded through the voted appropriations of government departments, as well as the actuarially-determined increases in the pension liability.

Public Sector Accounting Standards (PSAS): Authoritative standards for financial accounting and reporting developed through an organized standard-setting process, and issued by a recognized standard-setting body, that specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity’s financial statements. These standards are established to meet the needs of users of financial statements by providing the information needed for accountability and decision making. The standards are derived from the CPA Canada Public Sector Accounting (PSA) Handbook, which are accounting standards that apply to all public sector entities (e.g., governments, government organizations and certain government partnerships) that issue general purpose financial statements, unless specifically directed or permitted to use alternative standards by the Public Sector Accounting Board.

Summary net debt: Represents the total liabilities of the GRE minus its financial assets; reflects the residual amount that will have to be paid or financed by future revenue.

Tangible Capital Assets (TCAs): Assets with a useful life extending beyond one year which are acquired, constructed or developed and held for use, not for resale.

Financial Statement Discussion and Analysis Report

FOR THE YEAR ENDED MARCH 31, 2021



FINANCIAL STATEMENT DISCUSSION AND ANALYSIS REPORT

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FINANCIAL CONDITION OF THE GOVERNMENT

The Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada), through a statement of recommended practices, suggests a number of financial indicators to assist in the assessment of a government's financial condition. There are no established public sector benchmarks for these indicators. The indicators, expressed as ratios or trends, provide a picture of what has occurred over a period of years to facilitate comparisons and assist in the assessment of the government's financial health in the context of the current economic and financial environment. The recommended indicators are grouped into three categories:

- (1) **Sustainability** – measures a government's ability to maintain its programs without the need to increase its borrowings.
- (2) **Flexibility** – how well a government can respond to rising financial commitments by either expanding its revenue or increasing its borrowings.
- (3) **Vulnerability** – how much a government relies on revenue sources beyond its direct control or influence, both domestic and internationally.

The Financial Statement Discussion and Analysis reflects the results of the Province of Manitoba, which have been impacted by the COVID-19 pandemic. In order to get a broader perspective of the current fiscal situation of the Province of Manitoba, readers are urged to find additional information in the First Quarter Report of the Province for 2021/22.

Source of Data and its Limitations

The financial indicators in this report use key financial information from the audited summary financial statements. Economic information is obtained from Statistics Canada and the Manitoba Bureau of Statistics. Comparative data presented is not adjusted for inflation. Comparative results are restated to

conform to any changes in accounting policy or presentation adopted in the current fiscal year. The financial indicators in this section present the results in the same format as presented in the Public Accounts of Manitoba.

The Government's 2020/21 Financial Condition

This section describes the government's financial health using CPA Canada's three indicator categories of sustainability, flexibility, and vulnerability. The section also describes each category and the related indicators. For each indicator, it provides financial data for Manitoba and highlights key trends.

Sustainability

As noted, sustainability measures the ability of a government to meet its existing program commitments and creditor requirements without increasing its borrowings or tax burden.

Looking at trends for the following five indicators provides useful insight into the sustainability of a government's revenue-raising and spending practices:

- *Net Debt as a Percentage of Provincial GDP*: the relationship between a government's net debt and the income in the economy
- *Net Debt-to-Total Annual Revenue*: the extent to which future revenues are required to pay for past transactions or events
- *Net Debt per Capita*: the relationship between a government's net debt and its population is widely considered to be the best measure for cross-jurisdictional review of government and financial health; represents the net debt amount that is attributed to each Manitoba resident
- *Annual Net Income (Loss)*: the extent to which a government is spending within its means

- *Annual Net Income (Loss)-to-Provincial GDP*: the relationship between a government's net income (loss) and the provincial economy

The COVID-19 pandemic was declared by the World Health Organization on March 11, 2020, just prior to the start of the 2020/21 fiscal year. The subsequent economic effects worldwide, and in Manitoba, have continued to impact government spending and borrowing patterns, as reflected in the results for the year ended March 31, 2021. The economic indicators that are routinely monitored by the province show that the pandemic has slowed provincial Gross Domestic Product growth and own-source government revenues which, combined with increases in the government's expenditures to respond to the COVID-19 pandemic, have resulted in higher than budgeted net loss and higher debt levels. The ratios presented in the Financial Statement Discussion and Analysis illustrate a deterioration in the fiscal position over the medium term compared to prior projections as a result of the COVID-19 pandemic.

Net Debt as a Percentage of Provincial GDP

The government manages its revenue-raising and spending practices with due regard to the provincial economy. Looking at net debt and provincial GDP provides insights into these practices.

Net debt – the difference between a government's total liabilities and total financial assets – provides a measure of the future revenue required to pay for past transactions and events. Net debt as a percentage of provincial GDP measures the level of future financial obligations placed on the economy by a government's cumulative spending and revenue-raising practices. It provides a measure of how much debt a government is carrying relative to the province's annual economic output.

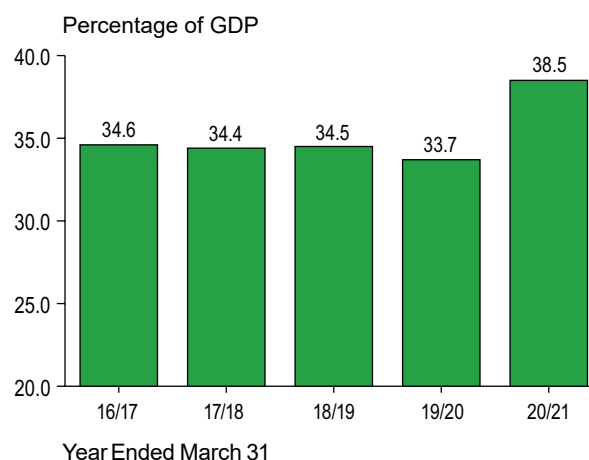
In addition to the annual deficit, investment in capital improvements and replacement of deteriorating tangible capital assets, such as transportation infrastructure, result in increased net debt. As the tangible capital investments are acquired, debt is incurred and the costs are amortized over their future useful life, essentially allocating costs to the period over which the assets will be used and over a period in which revenue will be generated.

Growth in GDP must be taken into account to determine capacity to support debt. The GDP is a measure of the value of the goods and services produced in the province during a given year. The GDP indicates the size of the provincial economy. The provincial economy grew steadily from \$67,298 million in 2016/17 to \$71,195 million in 2020/21 or by 5.8% during the five year period. During this period, the annual consumer price index fluctuated between 0.5% and 2.5% annually.

Graph 1 shows that the net debt to GDP ratio at March 31, 2021 has increased over the prior year from 33.7% to 38.5%. This increase reflects the substantial increase in borrowing the government had to undertake during the 2020/21 fiscal year in response to the COVID-19 pandemic. It combines the decreases in own-source revenues and increased COVID-19 pandemic spending.

Graph 1

Net Debt as a Percentage of Provincial GDP



Net debt for 2020/21 included a gain in other comprehensive income (OCI) of \$243 million, recorded by government business enterprises (GBEs). OCI represents unrealized gains or losses calculated at a point in time and can have a significant impact on the measurement of net debt. OCI is measured as the change in "mark-to-market" valuations, interest rates, and foreign exchange rates at year end, and therefore is a one-day snapshot of the change in value when compared to the same day in the previous year.

Managing net debt while maintaining or increasing necessary investment in capital, including infrastructure, is a challenge faced by all provinces and territories in Canada. The COVID-19 pandemic has made that challenge even greater by disrupting business operations, global and local supply chains, shortages and inflation of some construction materials, and availability of labour and capital to execute investment projects.

The Province invested in infrastructure projects as part of the Manitoba Restart Capital Program to help restart the economy. At the same time, the Province initiated new programs and boosted existing support programs in many sectors of the economy to protect Manitobans' livelihoods. Health care, seniors, mental health, provincial parks, and individual and business supports were among the many programs the government delivered amidst the recurring waves of the COVID-19 pandemic to ensure Manitobans were safe and supported through uncertain times.

NET DEBT-TO-TOTAL ANNUAL REVENUE

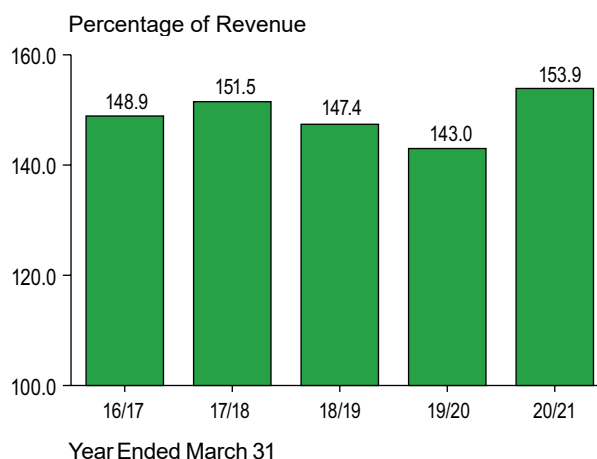
Net debt is the amount that current and past generations have accumulated through annual losses and tangible capital investment. These amounts remain an obligation for future generations to fund through annual net income, or to continue to carry as debt. It results when a government's total liabilities exceed total financial assets. A trend of increasing net debt-to-total annual revenue would indicate that an increasing amount of time will be needed to eliminate net debt.

Since 2016/17, net debt-to-total annual revenue has increased from 148.9% to 153.9%. Directly attributable to the economic challenges presented by the COVID-19 pandemic; the 2020/21 ratio of 153.9% paused a two-year trend of improvements in this measure.

Graph 2 shows the historical trend of net debt to annual revenues. In recent years, through strong financial stewardship, this measure stabilized and was declining. In 2019/20, before the pandemic, the net debt to total annual revenue was at its lowest level since 2016/17. This measure is expected to stabilize as economic conditions improve in the post-COVID-19 pandemic recovery period.

Graph 2

Net Debt-to-Total Annual Revenue



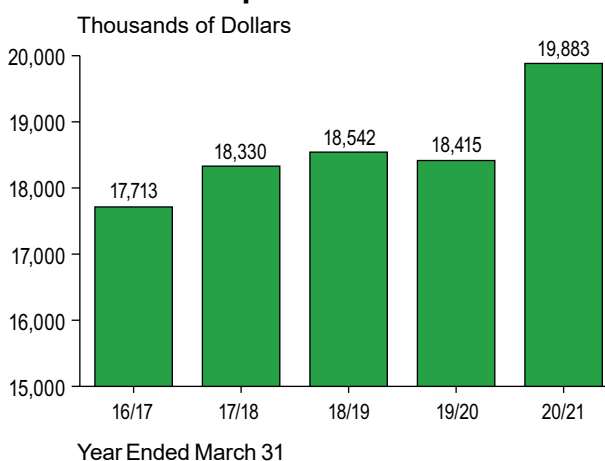
NET DEBT PER CAPITA

Net debt per capita is a measurement of the value of a government's net debt expressed in terms of the amount attributable to each citizen under the government's jurisdiction. It is commonly calculated using the net debt divided by the population of the province.

Net debt per capita provides an indication of how leveraged the government is. Net debt per capita is often used to comment on the effectiveness of a government's current fiscal policy. The debt to GDP ratio often provides a more complete picture of a government's actual fiscal health. Graph 3 shows the historical trend of net debt per capita.

Graph 3

Net Debt Per Capita



Net debt per capita has ranged from \$17.7 thousand in 2016/17 to a high of \$19.9 thousand in 2020/21. The net debt per capita has increased in 2020/21 primarily as a result of increased spending in response to the COVID-19 pandemic in Manitoba.

ANNUAL NET INCOME (LOSS)

Annual net income helps the government maintain its services and provides an opportunity to lower its borrowing needs. Annual net losses can impact a government's ability to deliver services and can lead to increased borrowing requirements.

Manitoba incurred a loss for the year ended March 31, 2021 of \$2,117 million. The annual net income (loss) shows the extent to which a government generates revenues more (or less) than its operating expenses in one fiscal year.

For the fiscal year ending in 2020, Manitoba reported its first surplus since March 31, 2009. The health and economic challenges presented by the COVID-19 pandemic necessitated significant spending and public health measures that impacted the own-source

revenue streams in Manitoba. Government incurred COVID-19 pandemic related expenditures of nearly \$2,100 million in 2020/21, which were partially offset by increased one-time federal transfers of \$730 million. The Fiscal Summary of the COVID-19 Response earlier in this document provides further details of the expenditure breakdown.

In order to comply with the new CAS 540 auditing standard in its first year of adoption, the Province has proactively engaged external experts to assess and assign values to some of the significant estimated liabilities of the government. These include the remediation liabilities associated with orphaned and abandoned mines, contaminated sites across the province, contingent liabilities for legal claims, and retroactive contingent liabilities for both settled and unsettled labour contracts in the public sector. The total impact of this work to assess government's balance sheet estimates in 2020/21 increased the liabilities to \$1,094 million, with a corresponding one-time increase in expenses.

ANNUAL NET INCOME (LOSS)-TO-PROVINCIAL GDP

The ratio of net income (loss)-to-provincial GDP measures the difference between revenues and expenses expressed as a percentage of GDP. It is a measure of a government's ability to meet its financing needs and to ensure proper management of public finances.

Table 1 shows the five-year trend in annual revenue, expenses, net income (loss) and net income (loss) to provincial GDP.

Table 1

Annual Net Income (Loss)

| Revenue and Expense Items | 2016/2017 Actual | 2017/2018 Actual | 2018/2019 Actual | 2019/2020 Actual | 2020/2021 Actual |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| (\$ millions) | | | | | |
| Total Revenue | 15,627 | 16,152 | 17,028 | 17,641 | 17,819 |
| Total Expenses | 16,416 | 16,846 | 17,177 | 17,636 | 19,936 |
| Summary Net Income (Loss) | (789) | (694) | (149) | 5 | (2,117) |
| Annual Net Income (Loss) to Provincial GDP | (1.2%) | (1.0%) | (0.2%) | 0.0% | (3.0%) |

FLEXIBILITY

Flexibility is the degree to which a government can increase financial resources to respond to rising commitments either by expanding its revenue or by increasing its net debt.

PSAB has recommended a number of financial indicators that assess a government's flexibility. The following indicators are considered applicable to provide insight into the Manitoba government's flexibility:

- *Public Debt Charges to Total Revenue*: the extent to which borrowing decisions constrain a government's ability to meet financial and service commitments
- *Own-Source Revenue to Provincial GDP*: the extent to which a government is taking income out of the economy through taxation and user fees

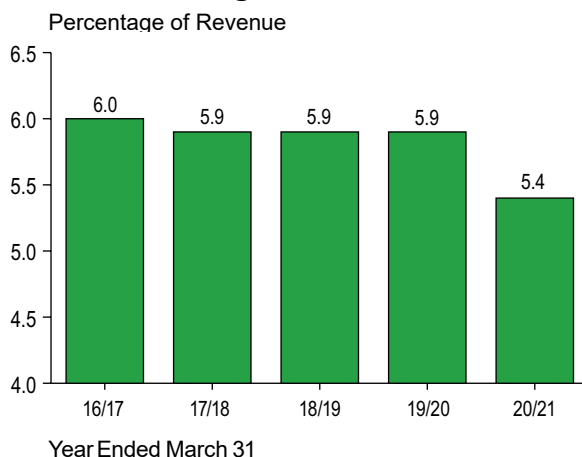
PUBLIC DEBT CHARGES TO TOTAL REVENUE

The amount of public debt charges as a percentage of total revenue shows the extent to which a government must use revenue to pay for interest costs rather than to pay for services. The ratio shows how much of every dollar of a government's revenue is needed to pay interest. A lower ratio of interest costs, as a percentage of revenue, means a government uses a smaller proportion of its revenue to pay for interest costs.

Graph 4 shows that in 2016/17, the Government used 6.0 cents of every dollar of revenue to pay interest. In 2020/21, 5.4 cents of every dollar of revenue was used to pay interest.

Graph 4

Public Debt Charges to Total Revenues



OWN-SOURCE REVENUE TO PROVINCIAL GDP

A government's own-source revenue as a percentage of provincial GDP shows how much revenue a government raises through its provincial economy via taxation and user fees. Own-source revenue does not include the net income from GBEs, given the semi-autonomous nature of their operations. Their revenues are not derived from taxation or user fees, but from the supply of products or services.

High own-source revenue as a percentage of GDP ratios or increases in the ratios mean a government is placing higher demands on its provincial economy indicating that its demands are outpacing growth in the economy.

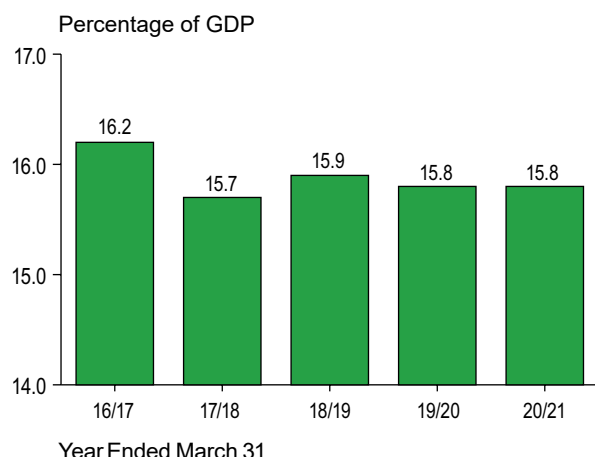
Since 2016/17, the government's own-source revenue has been steadily increasing, except during 2020/21 when it decreased by \$566 million to \$11,283 million from \$11,849 million. As a percentage of the provincial GDP, own-source revenue has decreased by 4.8%. This indicates that government has not significantly changed its normal demands on the provincial economy over this time period. For 2020/21, the main contributors to the decrease in own-source revenue from the prior year are:

- Income taxes decreased \$316 million, or 7.0%
- Fees and other revenues decreased by \$133 million, or 5.4%
- Sinking funds and other earnings decreased by \$54 million, or 14.3%
- Retail sales tax decreased \$54 million, or 2.4%
- Fuel taxes decreased \$39 million, or 11.5%
- Education property taxes increased by \$21 million, or 2.4%

Graph 5 shows the relationship between own-source revenue and provincial GDP. GDP increased 5.8% from \$67,298 million in 2016/17 to \$71,195 million in 2020/21. Own-source revenue decreased by \$566 million in 2020/21. As a result, the ratio of own-source revenues in relation to the economy has remained relatively stable at 15.8% of GDP. Own-source revenue to provincial GDP in 2020/21 was unchanged from the previous fiscal year.

Graph 5

Own-Source Revenue to Provincial GDP



VULNERABILITY

Vulnerability is the degree to which a government is dependent upon, and therefore vulnerable to, fluctuations in sources of revenue outside of its direct control or influence. A high degree of dependency may indicate a government is reliant on outside sources to

deliver programs and services at the current level and quality. Changes in outside sources of revenue due to capital projects and other one-time or non-operational programs do not indicate a material increase in a government's revenue vulnerability.

A recommended indicator for providing insight into the government's vulnerability is Federal Transfers to Total Revenue.

FEDERAL TRANSFERS TO TOTAL REVENUE

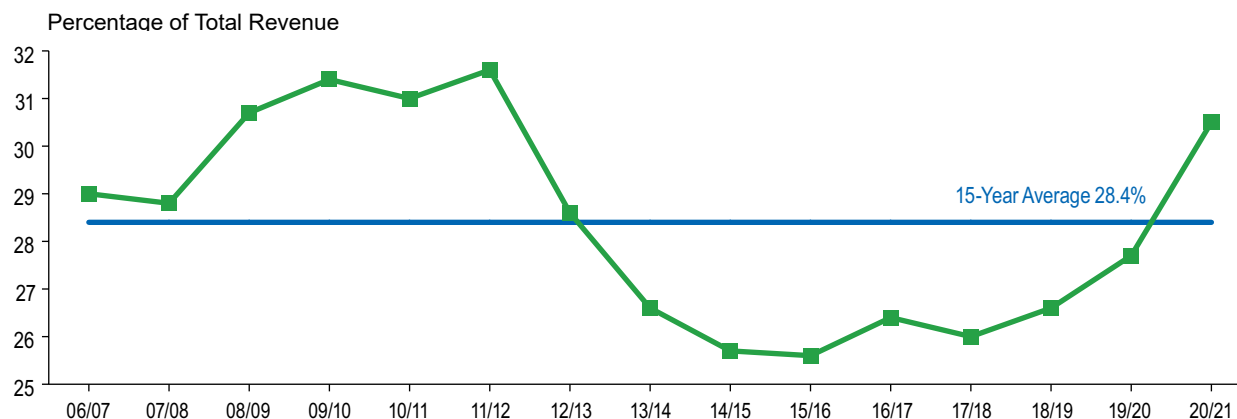
The ratio of federal transfers to total revenue indicates the vulnerability of provinces to changes in transfer support from the Government of Canada.

Graph 6 shows the ratio of major federal transfers and related transfers, to total provincial revenue, excluding federal COVID-19, has increased from 29.0% in 2006/07 to 30.5% in 2020/21. Overall, Manitoba has seen a decline in federal transfers as a share of total revenues from a high of over 31.6% in 2011/12 to 30.5% in 2020/21, as illustrated by the dotted green trend line in the graph below.

The lower ratio indicates that the Province was relying more on its own-source revenue to fund programs and services, demonstrating Manitoba's gradually decreasing vulnerability, based on changes in federal transfer support.

Graph 6

Federal Transfers to Total Revenue



RISKS AND UNCERTAINTIES

The impact of the COVID-19 pandemic has been significant, disrupting local and national economies, affecting financial markets, lowering business and household incomes, and generating unprecedented health, economic and social hardships globally.

The government's focus has been and will continue to be safely stewarding Manitobans to recovery and restart. The government continues to assess and monitor the impact of the COVID-19 pandemic on its financial condition, including decreased revenues and increased expenses as a direct result of this crisis. Recovery is expected to take many years. Although early estimates at the date of the preparation of the financial statements show the net loss is in line with the budgeted net loss of \$1.6 billion for the next fiscal year, the magnitude and duration of COVID-19 is still uncertain. Accordingly, it is difficult to reliably measure the potential future impact on the government's financial position and operations. Despite this, the government has committed to working towards a balanced budget over the next eight years or sooner.

The government's main exposure to risks and uncertainties arises from variables which it does not directly control. These include:

- economic factors such as supply chains, commodity prices, personal and corporate income, retail sales, and population growth
- exposure to interest rate fluctuations, foreign exchange rates and adverse changes to our credit rating
- adverse economic or financial events that can influence overall annual results
- abrupt trade barriers or unfair tariffs disrupt established trade patterns within Canada, into the U.S. and across global regions
- tax rate changes in the U.S., Canada and other provinces that can shift the competitive tax advantage for Manitoba businesses and individuals; similarly, adverse federal taxation decisions can have a negative impact on Manitoba's economic growth and tax receipts.
- the inability to proceed or delays with planned capital investment decisions due to environmental or other obligations or supply chain interruptions
- the financial performance of the Crown corporations, especially Manitoba Hydro, which has recently incurred significant debt on its balance sheet in order to develop large capital projects
- economic disruption to businesses impacted by certain public health measures during the COVID-19 pandemic
- outcomes from litigation, arbitration and negotiations with third parties
- changes in federal transfers
- utilization rates for government services such as health care, child and family services, or employment assistance
- multi-year market corrections affecting multiple asset classes and regions impacting liquidity of investments in other reporting entities and pension plans
- changes in accounting standards
- identification and quantification of the liabilities related to contaminated sites
- volatility of results, including amounts consolidated from other reporting entities

The outlook remains highly uncertain given the unpredictability of how the fourth wave of the COVID-19 pandemic will manifest itself in Manitoba. The government's key priorities remain to further increase vaccination of Manitobans, ongoing monitoring of the virus, and quick response and treatment of infections.

An overview of the approximate effect of changes in some of the key fiscal variables of nominal GDP, interest rates and debt levels is presented in the following table. Sensitivity analysis is part of the government's approach for fiscal planning. This table illustrates the sensitivity to change that those variables have on the net income (loss) for Manitoba:

Key Fiscal Sensitivities

| Variable Increase | Increase of | Annual Fiscal Impact (\$ millions) |
|-------------------|---------------|---------------------------------------|
| Nominal GDP | 1% | \$130 |
| Interest Rates | 1% | (\$21) |
| Debt | \$500 million | (\$18) |

VARIANCE ANALYSIS AND ASSESSMENT OF SIGNIFICANT TRENDS

Variance Analysis and Assessment of Significant Trends Summary Net Income (Loss)

| Revenue and Expense Items | 2020/2021 Budget | 2020/2021 Actual | 2019/2020 Actual | Variance | |
|--|---------------------|---------------------|---------------------|--------------------------------------|----------------------------------|
| | | | | 2020/2021 vs. 2019/2020 Actual | 2020/2021 Actual to Budget |
| | | | | (\$ millions) | |
| REVENUE | | | | | |
| Income Taxes | 4,621 | 4,199 | 4,515 | (316) | (422) |
| Other Taxes | 4,523 | 4,429 | 4,492 | (63) | (94) |
| Fees and Other Revenue | 2,358 | 2,332 | 2,465 | (133) | (26) |
| Sinking Funds and Other Earnings | 352 | 323 | 377 | (54) | (29) |
| Total Own-Source Revenue | 11,854 | 11,283 | 11,849 | (566) | (571) |
| Government Business Enterprises | 747 | 600 | 913 | (313) | (147) |
| Federal Transfers | 5,136 | 5,936 | 4,879 | 1,057 | 800 |
| Total Revenue | 17,737 | 17,819 | 17,641 | 178 | 82 |
| EXPENSES | | | | | |
| Legislative Assembly | 50 | 47 | 53 | (6) | (3) |
| Executive Council | 6 | 6 | 5 | 1 | - |
| Advanced Education, Skills and Immigration | 1,500 | 1,453 | 1,443 | 10 | (47) |
| Agriculture and Resource Development | 489 | 468 | 534 | (66) | (21) |
| Central Services | 214 | 580 | 191 | 389 | 366 |
| Civil Service Commission | 26 | 27 | 25 | 2 | 1 |
| Conservation and Climate | 219 | 386 | 138 | 248 | 167 |
| Crown Services | 2 | 4 | 2 | 2 | 2 |
| Economic Development and Jobs | 233 | 315 | 191 | 124 | 82 |
| Education | 3,004 | 3,001 | 2,939 | 62 | (3) |
| Families | 2,180 | 2,194 | 2,164 | 30 | 14 |
| Finance | 110 | 512 | 104 | 408 | 402 |
| Health and Seniors Care | 6,484 | 7,060 | 6,544 | 516 | 576 |
| Indigenous and Northern Relations | 33 | 31 | 28 | 3 | (2) |
| Infrastructure | 495 | 483 | 528 | (45) | (12) |
| Justice | 728 | 783 | 697 | 86 | 55 |
| Legislative and Public Affairs | 3 | 3 | 1 | 2 | - |
| Mental Health, Wellness and Recovery | 352 | 351 | 332 | 19 | (1) |
| Municipal Relations | 435 | 782 | 412 | 370 | 347 |
| Sport, Culture and Heritage | 109 | 123 | 150 | (27) | 14 |
| Tax Credits | 36 | 52 | 57 | (5) | 16 |
| Enabling Appropriations | 147 | 25 | 21 | 4 | (122) |
| Emergency and Other Appropriations | 101 | 281 | 40 | 241 | 180 |
| Debt Servicing | 1,001 | 969 | 1,037 | (68) | (32) |
| Total Expenses | 17,957 | 19,936 | 17,636 | 2,300 | 1,979 |
| Summary Net Income (Loss) | (220) | (2,117) | 5 | (2,122) | (1,897) |

The government ended the year with a loss of \$2,117 million, which is \$1,897 million higher than the budgeted net loss of \$220 million. In 2020/21, total revenues were \$17,819 million and total expenses were \$19,936 million.

REVENUE ANALYSIS

The most significant factors causing the revenue variances from budget are:

- Income taxes were \$422 million under budget mainly due to a lower forecast for personal taxable income in 2020 compared to budget and a material increase in trusts capital gain refunds during 2019; along with a lower forecast for corporate taxable income in 2020.
- Other taxes were \$94 million under budget including a \$187 million increase for the Retail Sales Tax due to deferral of the rate decrease; offset by \$218 million decrease in Green Levy due to deferral, \$55 million decrease in Fuel Taxes due to reduced fuel demand related to the COVID-19 pandemic, and \$29 million decrease in Levy for Health and Education mainly due to constrained wage and employment growth due to the COVID-19 pandemic.
- Fees and other revenues were \$26 million under budget. Ancillary revenues at post-secondary institutions were \$67 million under budget mainly due to lower revenues related to parking, campus store sales, and printing due to shifting to online learning. Fees and other revenue increases of \$55 million are partially offset by a reduction to the contaminated site liability of \$36 million and the employee and income assistance (EIA) allowance reduction of \$11 million.
- Sinking funds and other earnings were \$29 million under budget primarily due to lower earnings than anticipated in money market investments due to low interest rates.
- Income from GBEs was \$147 million under budget primarily due to a \$225 million reduction in revenues at Manitoba Liquor and Lotteries due to COVID-19 pandemic closures and reduced capacity of the VLT network, lottery network and casinos. Net income from Manitoba Hydro was \$72 million over budget due to the postponement of certain expenditures related to Keeyask, which partially offset the revenue reductions for Manitoba Liquor and Lotteries.
- Federal transfers were \$800 million over budget primarily resulting from \$730 million in COVID-19 transfers. An increase of \$68 million in increased research funding to the University of Manitoba related to COVID-19 research and northern medical services support was also received.

Revenue trend analysis provides users with information about significant changes in revenue over time and between sources, enabling users to evaluate past performance and assess potential implications for the future. The following section outlines the revenue trends in Manitoba.

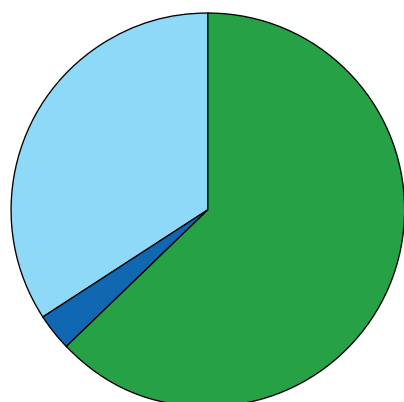
Revenue Trend Analysis by Source

| Revenue Source | 2016/2017 Actual | 2017/2018 Actual | 2018/2019 Actual | 2019/2020 Actual | 2020/2021 Actual |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|
| (\$ millions) | | | | | |
| Income Taxes | 3,958 | 3,985 | 4,234 | 4,515 | 4,199 |
| Retail Sales Tax | 2,301 | 2,444 | 2,472 | 2,262 | 2,208 |
| Fuel Taxes | 336 | 344 | 347 | 338 | 299 |
| Levy for Health and Education | 343 | 356 | 376 | 385 | 370 |
| Education Property Taxes | 793 | 827 | 847 | 874 | 895 |
| Other Taxes | 623 | 617 | 643 | 633 | 657 |
| Fees and Other Revenue | 2,329 | 2,364 | 2,341 | 2,465 | 2,332 |
| Federal Transfers | 4,128 | 4,200 | 4,531 | 4,879 | 5,936 |
| Net Income from Government Business Enterprises | 589 | 758 | 919 | 913 | 600 |
| Sinking Funds and Other Earnings | 227 | 257 | 318 | 377 | 323 |
| Total Revenue | 15,627 | 16,152 | 17,028 | 17,641 | 17,819 |

The following chart illustrates the government's main revenue sources for 2020/21. The majority of revenue, at 63.0%, was generated by Manitoba's own-sources.

Sources of Revenue for the Year Ended March 31, 2021

Percentage



- Own-Source Revenue: 63%
- Federal Transfers: 34%
- Government Business Enterprises: 3%

Total revenue in 2020/21 was \$17,819 million, an increase of \$178 million or 1.0% from 2019/20. The most significant factors causing the revenue variances from the previous year are:

- a decrease of \$316 million in taxes primarily due to a \$246 million decrease in personal income taxes, driven by a 3.5% decrease in Manitoba employment

income due to the COVID-19 pandemic and a \$70 million decrease in corporation income tax due to a 2.8% decrease in Manitoba corporate taxable income due to the COVID-19 pandemic

- a decrease of \$133 million or 5.4% in fees and other revenue primarily due to reductions in ancillary revenue in the health system and post-secondary institutions' campus closures due to the impact of COVID-19 pandemic shutdowns
- an increase of \$1,057 million or 21.7% in federal transfers reflects annual budgeted increases for Equalization and Canada Health and Social Transfers along with \$730 million in COVID-19 transfers
- a decrease of \$313 million in net income from GBEs is primarily due to a \$181 million decrease at Manitoba Liquor and Lotteries and \$153 million decrease at Manitoba Public Insurance Corporation (MPIC), partially offset by a \$20 million increase at Manitoba Hydro and a \$1 million increase at the Deposit Guarantee Corporation of Manitoba
- The \$181 million decrease at Manitoba Liquor and Lotteries Corporation is primarily due to COVID-19 pandemic closures and capacity restrictions at casinos, partially offset by expenditure management activities in response to gaming closures

- The \$153 million decrease at MPIC is primarily due to surplus distribution to policyholders to provide financial relief to Manitobans impacted by the COVID-19 pandemic, partially offset by increases in investment income.
- The \$20 million increase at Manitoba Hydro is primarily due to increases in extra provincial and domestic revenues, partially offset by an increase in capital-related costs.
- a \$54 million or 14.3% decrease in sinking funds and other earnings due to lower investment earnings in money market investments due to low interest rates.
- Finance expenses were \$402 million over budget due to COVID-19-related funding, including the Manitoba Job Restart program, the Manitoba Wage Subsidy Program, the Manitoba Risk Recognition Program, and Caregiver Wage Support.
- Health and Seniors Care expenses were \$576 million over budget, primarily due to the costs associated with increased funding to health service delivery organizations for the COVID-19 pandemic response, provision of personal protective equipment and vaccine supplies, and contingent liabilities.

EXPENSE ANALYSIS

The most significant factors causing the expense variances from budget are the following:

- Central Services expenses were \$366 million over budget, primarily due to the purchase of supplies to support the COVID-19 pandemic response.
- Conservation and Climate expenses were \$167 million over budget, primarily due to an increase in orphaned and abandoned mines liabilities, partially offset by lower Efficiency Manitoba expenses due to program delays resulting from the COVID-19 pandemic, lower fire suppression costs due to a slower spring season than usual, and savings realized due to departmental vacancies.
- Economic Development and Jobs expenses were \$82 million over budget, due to COVID-19 funding to support the Manitoba Chambers of Commerce to deliver programming under the Long-Term Recovery/Adaptation Fund; Hospitality Industry Relief; Summer Student Recovery Jobs Program; Back to Work This Summer Program, and Back to Work Manitoba providing wage subsidy programs aimed at supporting Manitoba's economic recovery from the COVID-19 pandemic.
- Municipal Relations expenses were \$347 million over budget, primarily due to municipal Restart Capital Programs and increased funding to municipalities for the COVID-19 pandemic.
- Enabling Appropriations expenses were \$122 million under budget due to the deferral of some of the planned Internal Service Adjustments, as a result of the COVID-19 pandemic.
- Emergency and Other Appropriations expenses were \$180 million over budget, due to COVID-19 pandemic response requirements and emergent contingent liabilities.
- Debt Servicing costs were \$32 million under budget, primarily due to lower than anticipated interest rates.

Analysis of expenses helps users understand the impact of the government's spending on the economy, the government's overall allocation and use of resources, and the cost of government programs.

Expense by Function

Expense by function provides a summary of the major ministerial areas of government spending, and changes in spending over time.

Expense Trend Analysis by Function

| Expense by Function | 2019/2020 | 2020/2021 |
|--|---------------|---------------|
| | Actual | Actual |
| | (\$ millions) | |
| Legislative Assembly | 53 | 47 |
| Executive Council | 5 | 6 |
| Advanced Education, Skills and Immigration | 1,443 | 1,453 |
| Agriculture and Resource Development | 534 | 468 |
| Central Services | 191 | 580 |
| Civil Service Commission | 25 | 27 |
| Conservation and Climate | 138 | 386 |
| Crown Services | 2 | 4 |
| Economic Development and Jobs | 191 | 315 |
| Education | 2,939 | 3,001 |
| Families | 2,164 | 2,194 |
| Finance | 104 | 512 |
| Health and Seniors Care | 6,544 | 7,060 |
| Indigenous and Northern Relations | 28 | 31 |
| Infrastructure | 528 | 483 |
| Justice | 697 | 783 |
| Legislative and Public Affairs | 1 | 3 |
| Mental Health, Wellness and Recovery | 332 | 351 |
| Municipal Relations | 412 | 782 |
| Sport, Culture and Heritage | 150 | 123 |
| Tax Credits | 57 | 52 |
| Enabling Appropriations | 21 | 25 |
| Emergency and Other Appropriations | 40 | 281 |
| Debt Servicing | 1,037 | 969 |
| Total Expenses by Function | 17,636 | 19,936 |

Total expenses were \$19,936 million in 2020/21, an increase of \$2,300 million or 13.0% from 2020/21. The most significant factors causing the expense variances from the previous year are the following:

- Central Services expenses increased by \$389 million, or 204%, primarily due to the purchase of supplies to support the COVID-19 pandemic response.

- Conservation and Climate expenses increased by \$248 million or 180%, primarily due to higher estimates for contaminated sites liabilities for orphaned and abandoned mines, and a new contribution to The Winnipeg Foundation for the Provincial Park Endowment. Efficiency Manitoba expenditures increased due to the ramp-up of operating activities, which were partially offset by lower wildfire suppression costs in the department in 2020/21.

- Economic Development and Jobs expenses increased by \$124 million, or 64.9%, primarily due to increased COVID-19 funding provided to the Manitoba Chambers of Commerce to deliver programming under the Long-Term Recovery/Adaptation Fund; the Hospitality Industry Relief; the Summer Student Recovery Jobs Program; the Back to Work This Summer Program, and Back to Work Manitoba providing wage subsidy programs aimed to support Manitoba's economic recovery from the COVID-19 pandemic.
- Finance expenses increased by \$408 million, or 392%, primarily due to COVID-19-related funding including the Manitoba Job Restart program, the Manitoba Wage Subsidy Program, the Manitoba Risk Recognition Program, and Caregiver Wage Support.
- Health and Seniors Care expenses increased by \$516 million, or 7.9%, primarily due to the costs associated with increased funding to health service delivery organizations for COVID-19 response,

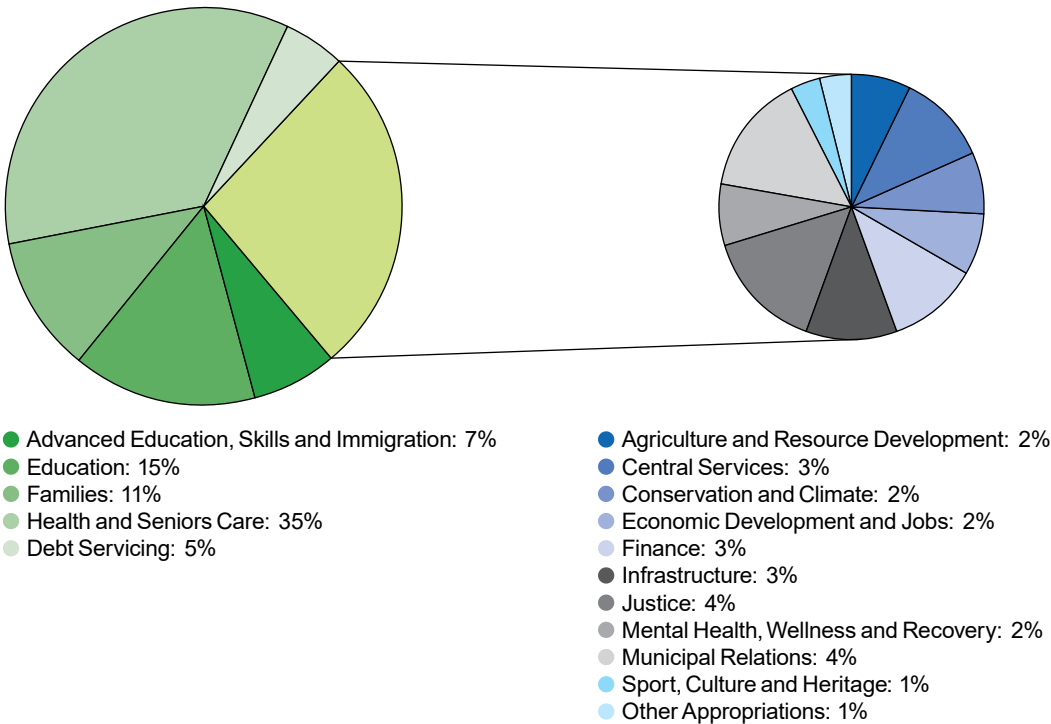
provision of personal protective equipment and vaccine supplies, and contingent liabilities.

- Justice expenses increased by \$86 million, or 12.3%, primarily due to the one-time additional funding provided to support victims of crime and contingent liabilities.
- Municipal Relations expenses increased by \$370 million, or 89.8%, primarily due to municipal Restart Capital Programs and increased funding to municipalities for the COVID-19 pandemic.
- Emergency and Other Appropriations expenses increased by \$241 million, or 603%, due to additional COVID-19 pandemic emergency supports and relief to individuals and businesses, emergent contingent liabilities and an increase in expenditures for heavy flood and rain events.
- Debt Servicing expenses decreased by \$68 million, or 6.6%, due to lower interest rates.

The following chart illustrates the government's spending by function:

Expense by Function

Percentage



Health and Seniors Care, Education, Families, and Advanced Education, Skills and Immigration components comprise 68.8% of the total operating expenses.

Program expenses, which represent total expenses excluding the cost of servicing debt, increased 14.3% from 2019/20, primarily as a result of increases in the ministries of Health and Seniors Care, Finance, Central Services, Municipal Relations, Conservation and Climate, and Emergency and Other Appropriations.

In 2020/21, total expenses to GDP amounted to 28.0% (2019/20 - 23.6%) while program expenses to GDP amounted to 26.6% (2019/20 - 22.2%) of GDP.

Total expenses as a percentage of total revenues were 112% in 2020/21. An expense ratio of more than 100.0% means that expenses have exceeded revenues, resulting in a loss. A ratio of 100.0% indicates that expenses and revenues are matched.

Expense by Type

Expense trend analysis by type provides a summary of government spending by type and highlights changes in spending over time.

Expense Trend Analysis by Type

| Expense by Type | 2016/2017 Actual | 2017/2018 Actual | 2018/2019 Actual | 2019/2020 Actual | 2020/2021 Actual | 2020/2021 % |
|-------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------|
| (\$ millions) | | | | | | |
| Personnel Services | 8,015 | 8,057 | 8,070 | 8,241 | 8,740 | 43.8% |
| Grants/Transfer Payments | 2,333 | 2,418 | 2,490 | 2,809 | 3,663 | 18.4% |
| Transportation | 150 | 155 | 167 | 182 | 158 | 0.8% |
| Communications | 77 | 75 | 72 | 75 | 77 | 0.4% |
| Supplies and Services | 1,941 | 1,871 | 1,954 | 2,035 | 2,509 | 12.6% |
| Social Assistance Related | 1,490 | 1,785 | 1,855 | 1,728 | 1,742 | 8.7% |
| Other Operating | 706 | 704 | 745 | 678 | 1,088 | 5.5% |
| Debt Servicing | 930 | 952 | 1,000 | 1,037 | 969 | 4.9% |
| Minor Capital | 94 | 116 | 101 | 106 | 207 | 1.0% |
| Amortization | 680 | 713 | 723 | 745 | 783 | 3.9% |
| Total Expenses by Type | 16,416 | 16,846 | 17,177 | 17,636 | 19,936 | 100% |

Overall allocation of spending by type remained fairly consistent with levels from 2019/20. Personnel services, the Province's largest expense, as a percentage of total expenses decreased to 43.8% (2019/20 - 46.7%), supplies and services increased to 12.6% (2019/20 - 11.5%) and grants/transfer payments increased to 18.4% (2019/20 - 15.9%).

Debt servicing costs were \$969 million (2019/20 - \$1,037 million) as at March 31, 2021, a decrease of 6.6%.

FINANCIAL ASSETS

An analysis of financial assets provides users with information regarding the amount of resources a government can convert to cash, if required, to discharge existing liabilities or to finance future operations.

Financial Assets Trend Analysis

| | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|--|---------------|---------------|---------------|---------------|---------------|
| Financial Assets | Actual | Actual | Actual | Actual | Actual |
| (\$ millions) | | | | | |
| Cash and Cash Equivalents | 2,778 | 1,725 | 2,720 | 2,267 | 2,542 |
| Temporary Investments | 376 | 564 | 585 | 561 | 888 |
| Accounts Receivable and Advances | 1,771 | 1,849 | 1,867 | 1,857 | 1,901 |
| Inventories | 67 | 50 | 42 | 30 | 25 |
| Portfolio Investments | 1,461 | 1,649 | 1,563 | 1,798 | 2,162 |
| Loans and Advances | 1,458 | 1,411 | 1,529 | 1,604 | 1,591 |
| Equity in Government Business Enterprises | 2,839 | 2,957 | 3,035 | 3,411 | 3,829 |
| Equity in Government Business Partnerships | 19 | 19 | 20 | 20 | 20 |
| Total Financial Assets | 10,769 | 10,224 | 11,361 | 11,548 | 12,958 |

Financial assets increased by \$1,410 million, or 12.2%, from 2019/20. This is primarily due to an increase in cash and cash equivalents of \$275 million, an increase in temporary investments of \$327 million, an increase in portfolio investments of \$364 million and an increase in equity in government business enterprises of \$418 million.

LIABILITIES

An analysis of liabilities provides users with information to understand and assess the demands on financial assets. Liabilities consist of debt or obligations owing, to be repaid with cash or other assets.

The 2020/21 total liabilities increased by \$3,614 million, or 9.8%, from 2019/20. Borrowings increased by \$2,067 million or 7.1% from 2019/20. The pension liability increased by \$195 million or 6.3% from 2019/20. Accounts payable and accrued liabilities increased by \$1,299 million or 34.8% and restricted inflows, referred to as unearned revenue, experienced an increase of \$54 million or 8.3%.

Liabilities Trend Analysis

| Liabilities | 2016/2017 Actual | 2017/2018 Actual | 2018/2019 Actual | 2019/2020 Actual | 2020/2021 Actual |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| (\$ millions) | | | | | |
| Borrowings | 27,397 | 27,350 | 29,166 | 29,272 | 31,339 |
| Accounts Payable and Accrued Liabilities | 3,675 | 4,202 | 3,648 | 3,738 | 5,037 |
| Unearned Revenues | 396 | 396 | 711 | 650 | 704 |
| Pension Liability | 2,557 | 2,726 | 2,914 | 3,097 | 3,292 |
| Other Liabilities | 20 | 20 | 17 | 11 | 10 |
| Total Liabilities | 34,045 | 34,694 | 36,456 | 36,768 | 40,382 |

Pension Liability

The government uses a diversified, conservative investment approach to mitigate the risks in the market volatility on pension assets. The value of plan assets is determined using a moving average fair value method. Under this method, fair value is the underlying basis, with any excess (or shortfall) of investment returns over (or below) the expected long-term rate being amortized over a five-year period. When actual experience varies from actuarial estimates, for both the accrued benefit obligation and plan assets, the difference is amortized over the expected average remaining service life of the related employee group. This method of accounting for the accrued benefit obligation and pension assets is consistent with Canadian public sector accounting standards and allows the government to smooth gains and losses over several years.

NET DEBT AND ACCUMULATED DEFICIT

Net debt is the difference between the province's liabilities and financial assets. It represents the amount of liabilities to be funded from future revenues and taxation. Operating losses, investments in tangible capital assets, and increases in other non-financial assets all increase net debt. Net debt is decreased by operating net income or decreases in the value of net tangible capital assets and other non-financial assets.

Net debt for 2019/20 of \$25,220 increased to \$27,424 as at March 31, 2021.

The main reasons for the 2020/21 increase in net debt were:

- the 2020/21 operating loss of \$2,117 million
- net tangible capital assets acquisitions of \$214 million
- increase in other non-financial assets of \$116 million

These items were partially offset by an Other Comprehensive Income gain of \$243 million.

Net debt as at March 31, 2021 is higher than the budget by \$988 million.

The accumulated deficit has increased by \$1,874 million, or 17.0%, from 2019/20, as a result of an operating loss of \$2,117 million and was partially offset by other comprehensive income of \$243 million.

Net Debt and Accumulated Deficit Trend Analysis

| | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Net Debt and Accumulated Deficit | Actual | Actual | Actual | Actual | Actual |
| (\$ millions) | | | | | |
| Financial Assets | 10,769 | 10,224 | 11,361 | 11,548 | 12,958 |
| Less: Liabilities | (34,045) | (34,694) | (36,456) | (36,768) | (40,382) |
| Total Net Debt | (23,276) | (24,470) | (25,095) | (25,220) | (27,424) |
| Non-Financial Assets | 13,389 | 13,750 | 13,999 | 14,196 | 14,526 |
| Total Accumulated Deficit | (9,887) | (10,720) | (11,096) | (11,024) | (12,898) |

NON-FINANCIAL ASSETS INCLUDING TANGIBLE CAPITAL ASSETS

An analysis of non-financial assets provides users with information to assess changes in the government's infrastructure and long-term non-financial assets.

Non-Financial Assets Trend Analysis

| | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|----------------------------|-----------|-----------|-----------|-----------|-----------|
| Non-Financial Assets | Actual | Actual | Actual | Actual | Actual |
| (\$ millions) | | | | | |
| Tangible capital assets | 13,254 | 13,612 | 13,856 | 14,041 | 14,255 |
| Prepaid expenses | 58 | 64 | 72 | 76 | 81 |
| Inventories | 77 | 74 | 71 | 79 | 190 |
| Total Non-Financial Assets | 13,389 | 13,750 | 13,999 | 14,196 | 14,526 |

Non-financial assets typically represent resources a government can use in the future to provide services such as tangible capital assets. The management of non-financial assets has a direct impact on the level and quality of services a government is able to provide to its citizens.

At March 31, 2021, non-financial assets were \$330 million, or 2.3%, higher than 2019/20. The majority of

the government's non-financial assets are tangible capital assets. The net book value of tangible capital assets increased by \$214 million from 2019/20. Total tangible capital assets additions were \$1,061 million for 2020/21 (2019/20 - \$1,025 million). Additions include investments in health and education facilities and other land-based infrastructure such as roads, bridges, water control structures, and parks.

An analysis of tangible capital assets helps users understand whether the government has the ability to provide services in future periods.

Tangible Capital Assets Trend Analysis

| | 2016/2017 | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Tangible Capital Assets | Actual | Actual | Actual | Actual | Actual |
| (\$ millions) | | | | | |
| Land | 305 | 298 | 307 | 330 | 305 |
| Building and Leasehold Improvements | 5,478 | 5,502 | 5,982 | 6,317 | 6,424 |
| Vehicles and Equipment | 775 | 773 | 754 | 748 | 739 |
| Computer Hardware and Software | 332 | 278 | 368 | 359 | 318 |
| Assets Under Construction | 1,295 | 1,431 | 961 | 709 | 766 |
| Infrastructure | 5,069 | 5,330 | 5,484 | 5,578 | 5,703 |
| Total Tangible Capital Assets | 13,254 | 13,612 | 13,856 | 14,041 | 14,255 |

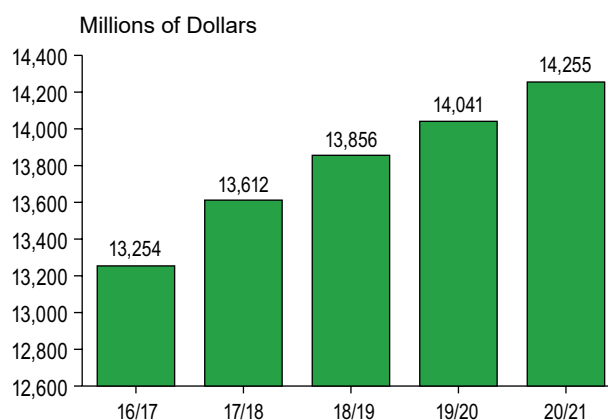
Government capitalizes the gross cost of its tangible capital assets. Recoveries from other governments related to capital projects are recognized as revenue in the year the capital asset is purchased or constructed. Crown land transferred to the province is not reported in the financial statements as a tangible capital asset.

The net book value of tangible capital assets totalled \$14,255 million at the end of 2020/21 (2019/20 - \$14,041 million). Buildings and leasehold improvements include provincially-owned schools, health facilities, and public service buildings.

The total cost of tangible capital assets has increased steadily, from \$22,349 million in 2016/17 to \$25,625 million in 2020/21, demonstrating that the province has more assets available to provide services in future periods.

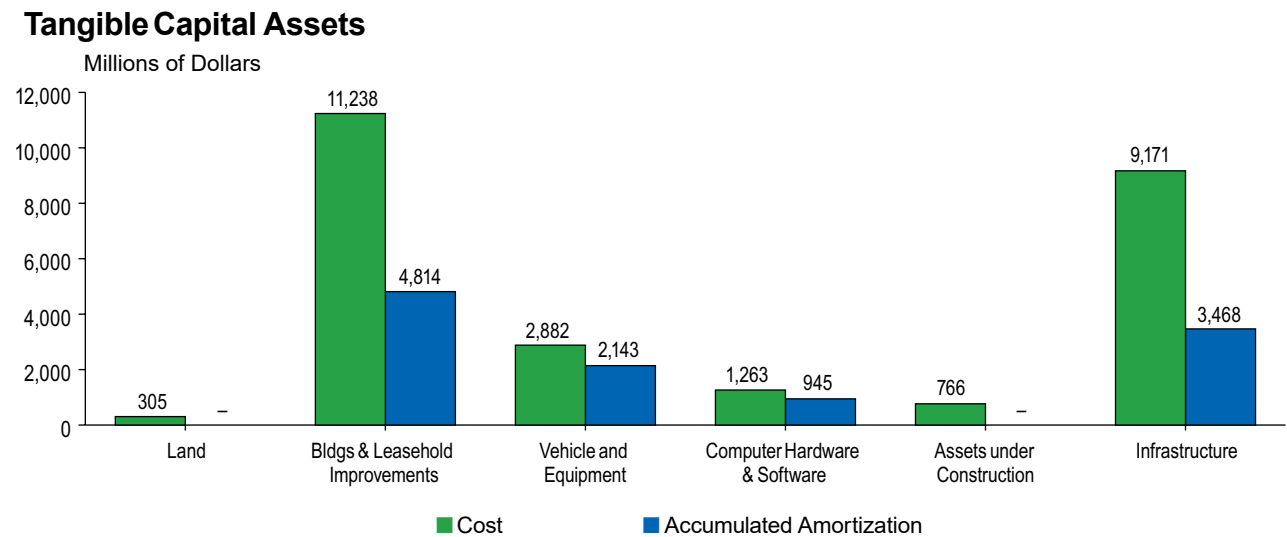
Similarly, the net book value of tangible capital assets, which is the remaining value of the assets on the Statement of Financial Position, has risen from \$13,254 million in 2016/17 to \$14,255 million in 2020/21. The following chart illustrates the total net book value of all tangible capital assets from 2016/17 to 2020/21.

Tangible Capital Assets Total Net Book Value



Infrastructure assets include roads, bridges, water control structures, and parks.

The following chart illustrates tangible capital assets by class and includes the related accumulated amortization as of March 31, 2021.



Summary Financial Statements

FOR THE YEAR ENDED MARCH 31, 2021



SUMMARY FINANCIAL STATEMENTS

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Statement of Responsibility



STATEMENT OF RESPONSIBILITY

The summary financial statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government reporting entity and include summary statements of financial position, revenue and expense, accumulated deficit, change in net debt, cash flow, notes and schedules integral to the statements. Together, they present fairly, in all material respects, the financial position of the Government as at March 31, 2021, and the results of its operations, the changes in its net debt, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

The Government is responsible for the integrity and objectivity of the summary financial statements. In the preparation of these statements, estimates are sometimes necessary because a precise determination of certain assets, liabilities, revenues and expenses is dependent on future events. The Government believes such estimates have been based on careful judgements and have been properly reflected in the summary financial statements.

The Government fulfills its accounting and reporting responsibilities, through the Office of the Provincial Comptroller, by maintaining systems of financial management and internal control. The systems are continually enhanced and modified to provide timely and accurate information, to safeguard and control the Government's assets, and to ensure all transactions are in accordance with The Financial Administration Act.

The Auditor General expresses an independent opinion on these financial statements. His report, stating the scope of his audit and opinion, appears on the following page.

These financial statements are tabled in the Legislature. They are referred to the Standing Committee on Public Accounts, which reports to the Legislature on the results of its examination together with any recommendations it may have with respect to the financial statements and accompanying audit opinion.

On behalf of the Government of the Province of Manitoba.

Original signed by Andrea Saj

Andrea Saj, CPA, CGA
A/Provincial Comptroller

September 20, 2021

INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of the Province of Manitoba

Qualified Opinion

We have audited the summary financial statements of the Province of Manitoba (the Province), which comprise the consolidated statement of financial position as at March 31, 2021, and the consolidated statement of revenue and expense, consolidated statement of accumulated deficit, consolidated statement of changes in net debt and consolidated statement of cash flow for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Province as at March 31, 2021, and the consolidated results of its operations, consolidated changes in its net debt, and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards (PSAS).

Basis for Qualified Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Summary Financial Statements* section of our report. We are independent of the Province in accordance with the ethical requirements that are relevant to our audit of the summary financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Change in Control of the Workers Compensation Board not recognized

Effective November 6, 2020, the Province amended *The Workers Compensation Act*. Based on the definition of control in PSAS, the amendments resulted in the Province no longer controlling the Workers Compensation Board (WCB). In our opinion, prior to the amendments, the Province controlled the WCB based on the definition of control in PSAS. PSAS requires the Province to include the WCB's financial position and results of operations in the summary financial statements while they were controlled, up to November 6, 2020. As of November 6, 2020, PSAS requires the Province to remove the WCB's net financial assets by expensing them in the statement of operations.



However, the Province has not included WCB's financial position and results of operations since the year ended March 31, 2018. In this respect, the summary financial statements are not in accordance with PSAS.

Had the Province addressed this PSAS departure;

- the March 31, 2020 equity in government business enterprises would have increased by \$647 million, accumulated deficit and net debt would each have decreased by \$647 million, the net income from government business enterprises would have increased by \$48 million, other comprehensive income would have decreased by \$33 million, and the annual surplus would have increased by \$48 million for the year ended March 31, 2020.
- the March 31, 2021 net income from government business enterprises would have increased by \$4 million, and other comprehensive income would have decreased by \$39 million to reflect the WCB's results of operations up to November 6, 2020. On November 6, 2020, the Province would have decreased the net financial assets by \$612 million and increased the disposal of equity in government business enterprises expense by \$612 million to remove the WCB's assets that were no longer under their control. The net result of the above adjustments on the annual deficit for the year ended March 31, 2021 would have been an increase of \$608 million.

Failure to recognize controlled assets

The Province has not included the financial position and results of operations of the Manitoba Agricultural Services Corporation's (MASC) Production Insurance Trust and the Hail Insurance Trust (the Trusts) in the summary financial statements for the years ended March 31, 2021 and March 31, 2020.

In our opinion, the Trusts are assets under the control of the Province, and the financial position and results of operations should be consolidated into the summary financial statements for the years ended March 31, 2021 and March 31, 2020. In this respect, the summary financial statements are not in accordance with PSAS, which require that the Province account for all assets under its control.

Had the Province included the Trusts' financial position and results of operations in the summary financial statements, the current year cash and cash equivalents would have increased by \$594 million, the accounts payable, accrued charges, provisions and unearned revenue would have increased by \$0.5 million, and accumulated deficit and net debt would each have decreased by \$594 million, the Agriculture expenses would have decreased by \$111 million, the investment income would have increased by \$2 million, and the annual deficit would have decreased by \$113 million.

Had the Province included the Trusts' financial position and results of operations in the summary financial statements for the year ended March 31, 2020, the prior year cash and cash equivalents would have increased by \$513 million, the accounts payable, accrued charges, provisions and unearned revenue would have increased by \$33 million, accumulated deficit and net debt would each have



decreased by \$513 million, the Agriculture and Resource Development expenses would have increased by \$19 million, the investment income would have increased by \$9 million, and the annual surplus would have decreased by \$10 million.

Combined impact of departures from PSAS

Had the WCB and MASC Trust departures from PSAS been corrected, the Province would have an annual deficit of \$2,612 million in the current year, and for the prior year would have an annual surplus of \$43 million. The accumulated deficit would be \$12,304 million at March 31, 2021, and \$9,864 million at March 31, 2020.

| Combined impact on the annual deficit or surplus | | |
|---|----------------------|----------------------|
| | 2021 (\$ million) | 2020 (\$ million) |
| Annual (deficit) surplus as presented | (2,117) | 5 |
| Operating (loss) surplus of Workers Compensation Board | (608) | 48 |
| Net income (loss) of MASC trusts | 113 | (10) |
| Annual (deficit) surplus in accordance with Canadian public sector accounting standards | (2,612) | 43 |
| Combined impact on the ending accumulated deficit | | |
| | 2021 (\$ million) | 2020 (\$ million) |
| Accumulated deficit as presented | (12,898) | (11,024) |
| Equity of Workers Compensation Board | Nil | 647 |
| MASC Trust Assets | 594 | 513 |
| Accumulated deficit in accordance with Canadian public sector accounting standards | (12,304) | (9,864) |

Other Information

The Province is responsible for the other information. The other information comprises the Province of Manitoba Annual Report and Public Accounts (the Annual Report), but does not include the summary financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report.

Our qualified opinion on the summary financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the summary financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the summary financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the Basis for Qualified Opinion section above, the Province has not accounted for WCB and the MASC Trusts in accordance with PSAS. We have concluded that the Annual Report is materially misstated for the same reasons with respect to these amounts and other items in the Annual Report affected by these departures from PSAS.

Responsibilities of Management and Those Charged with Governance for the Summary Financial Statements

Management is responsible for the preparation and fair presentation of the summary financial statements in accordance with PSAS, and for such internal control as management determines is necessary to enable the preparation of summary financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Province's ability to continue as a going concern, meaning that the Province will continue in operation, and will be able to realize assets and discharge liabilities and meet its statutory obligations in the normal course of operations for the foreseeable future.

Those charged with governance are responsible for overseeing the Province's financial reporting process. With respect to the Province, those charged with governance refers to the Minister of Finance.

Auditor's Responsibilities for the Audit of the Summary Financial Statements

Our objectives are to obtain reasonable assurance about whether the summary financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these summary financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the summary financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Province's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the summary financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Province to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the summary financial statements, including the disclosures, and whether the summary financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Province to express an opinion on the summary financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

"Original document signed by"

Winnipeg, Manitoba
September 20, 2021

Tyson Shtykalo, CPA, CA
Auditor General

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2021

| | | (\$ millions) | |
|----------|---|-----------------|------------------|
| SCHEDULE | | 2021 Actual | 2020 Restated |
| | FINANCIAL ASSETS | | |
| | Cash and cash equivalents..... | 2,542 | 2,267 |
| | Temporary investments (Note 2)..... | 888 | 561 |
| 1 | Amounts receivable..... | 1,901 | 1,857 |
| | Inventories for resale..... | 25 | 30 |
| | Portfolio investments (Note 3)..... | 2,162 | 1,798 |
| 2 | Loans and advances..... | 1,591 | 1,604 |
| 3 | Equity in government business enterprises (Note 4)..... | 3,829 | 3,411 |
| | Equity in government business partnerships (Note 5)..... | 20 | 20 |
| | Total Financial Assets | 12,958 | 11,548 |
| | LIABILITIES | | |
| 4 | Borrowings..... | 31,339 | 29,272 |
| 5 | Accounts payable, accrued charges, provisions and unearned revenue..... | 5,751 | 4,399 |
| 6 | Pension liability (Note 6)..... | 3,292 | 3,097 |
| | Total Liabilities | 40,382 | 36,768 |
| | NET DEBT | (27,424) | (25,220) |
| | NON-FINANCIAL ASSETS | | |
| | Inventories held for use..... | 190 | 79 |
| | Prepaid expenses..... | 81 | 76 |
| 7 | Tangible capital assets..... | 14,255 | 14,041 |
| | Total Non-Financial Assets | 14,526 | 14,196 |
| | ACCUMULATED DEFICIT | (12,898) | (11,024) |
| | Contingencies (Note 7) | | |
| | Contractual Obligations (Note 8) | | |
| | Contractual Rights (Note 18) | | |

The accompanying notes and schedules are an integral part of these financial statements.

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

For the Year Ended March 31, 2021

| | (\$ millions) | | |
|---|---|----------------|------------------|
| | 2021 Budget Restated ¹ | 2021 Actual | 2020 Restated |
| REVENUE | | | |
| Income taxes: | | | |
| Corporation income tax..... | 639 | 542 | 612 |
| Individual income tax..... | 3,982 | 3,657 | 3,903 |
| Other taxes: | | | |
| Green levy..... | 218 | - | - |
| Corporations taxes..... | 335 | 341 | 307 |
| Fuel taxes..... | 354 | 299 | 338 |
| Land transfer tax..... | 98 | 109 | 93 |
| Levy for health and education..... | 399 | 370 | 385 |
| Retail sales tax..... | 2,021 | 2,208 | 2,262 |
| Tobacco tax..... | 199 | 198 | 220 |
| Other taxes | 12 | 9 | 13 |
| Education property taxes..... | 887 | 895 | 874 |
| Fees and other revenue: | | | |
| Fines and costs and other legal..... | 48 | 44 | 58 |
| Minerals and petroleum..... | 14 | 12 | 17 |
| Automobile and motor carrier licences and fees..... | 186 | 192 | 194 |
| Parks: Forestry and other conservation..... | 24 | 29 | 25 |
| Water power rentals..... | 122 | 119 | 113 |
| Service fees and other miscellaneous charges..... | 1,575 | 1,554 | 1,672 |
| Tuition fees..... | 389 | 382 | 386 |
| Federal transfers: | | | |
| Equalization..... | 2,510 | 2,510 | 2,255 |
| Canada Health Transfers..... | 1,521 | 1,520 | 1,490 |
| Canada Social Transfers..... | 546 | 545 | 532 |
| Canada COVID-19 Transfers..... | - | 730 | - |
| Shared cost and other transfers..... | 559 | 631 | 602 |
| Net income from government business enterprises (Schedule 3)..... | 747 | 600 | 913 |
| Sinking funds and other earnings..... | 352 | 323 | 377 |
| Total Revenue (Schedule 9)..... | 17,737 | 17,819 | 17,641 |

The accompanying notes and schedules are an integral part of these financial statements.

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF REVENUE AND EXPENSE

For the Year Ended March 31, 2021

(\$ millions)

| | 2021 Budget Restated ¹ | 2021 Actual | 2020 Restated |
|---|---|----------------|------------------|
| Total Revenue carried forward..... | 17,737 | 17,819 | 17,641 |
| EXPENSES | | | |
| Legislative Assembly..... | 50 | 47 | 53 |
| Executive Council..... | 6 | 6 | 5 |
| Advanced Education, Skills and Immigration..... | 1,500 | 1,453 | 1,443 |
| Agriculture and Resource Development..... | 489 | 468 | 534 |
| Central Services..... | 214 | 580 | 191 |
| Civil Service Commission..... | 26 | 27 | 25 |
| Conservation and Climate..... | 219 | 386 | 138 |
| Crown Services..... | 2 | 4 | 2 |
| Economic Development and Jobs..... | 233 | 315 | 191 |
| Education..... | 3,004 | 3,001 | 2,939 |
| Families..... | 2,180 | 2,194 | 2,164 |
| Finance..... | 110 | 512 | 104 |
| Health and Seniors Care..... | 6,484 | 7,060 | 6,544 |
| Indigenous and Northern Relations..... | 33 | 31 | 28 |
| Infrastructure..... | 495 | 483 | 528 |
| Justice..... | 728 | 783 | 697 |
| Legislative and Public Affairs..... | 3 | 3 | 1 |
| Mental Health, Wellness and Recovery..... | 352 | 351 | 332 |
| Municipal Relations..... | 435 | 782 | 412 |
| Sport, Culture and Heritage..... | 109 | 123 | 150 |
| Tax Credits..... | 36 | 52 | 57 |
| Enabling Appropriations..... | 147 | 25 | 21 |
| Emergency and Other Appropriations..... | 101 | 281 | |
| Debt Servicing..... | 1,001 | 969 | 1,037 |
| Total Expenses (Schedule 9)..... | 17,957 | 19,936 | 17,636 |
| NET INCOME (LOSS) FOR THE YEAR | (220) | (2,117) | 5 |

Note 1: The restated amounts are taken from Budget 2020 as presented to the Legislative Assembly on March 19, 2020 and restated for comparability to the current year results. Refer to Schedule 10 for further details. The restated amounts do not include other authorizations granted for COVID-19 in subsequent Main Estimates Supplements of \$1,977 million.

The accompanying notes and schedules are an integral part of these financial statements.

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF ACCUMULATED DEFICIT

For the Year Ended March 31, 2021

| | (\$ millions) | |
|--|------------------------|------------------------|
| | 2021 Actual | 2020 Restated |
| Opening accumulated deficit, as previously reported..... | (11,082) | (11,156) |
| Prior Year Restatement (Note 19)..... | <u>58</u> | <u>58</u> |
| Opening accumulated deficit, as restated..... | (11,024) | (11,098) |
| Other comprehensive income (loss) (Schedule 3)..... | 243 | 69 |
| Net income (loss) for the year..... | <u>(2,117)</u> | <u>5</u> |
| Closing accumulated deficit..... | <u><u>(12,898)</u></u> | <u><u>(11,024)</u></u> |

The accompanying notes and schedules are an integral part of these financial statements.

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31, 2021

| | (\$ millions) | | |
|--|----------------------------|----------------|----------------|
| | 2021 Budget Restated | 2021 Actual | 2020 Actual |
| Net income (loss) for the year..... | (220) | (2,117) | 5 |
| Tangible capital assets (Schedule 7) | | | |
| Acquisition of tangible capital assets..... | (1,338) | (1,061) | (1,025) |
| Amortization of tangible capital assets..... | 789 | 783 | 745 |
| Disposal of tangible capital assets..... | - | 64 | 93 |
| Net acquisition of tangible capital assets..... | (549) | (214) | (187) |
| Other Non-Financial Assets | | | |
| Decrease (Increase) in inventories..... | - | (111) | (8) |
| Decrease (Increase) in prepaid expenses..... | - | (5) | (4) |
| Net acquisition of other non-financial assets..... | - | (116) | (12) |
| Other comprehensive income (loss) (Schedule 3)..... | - | 243 | 69 |
| (Increase) in Net Debt..... | (769) | (2,204) | (125) |
| Net Debt, beginning of year, as previously reported..... | (25,667) | (25,220) | (25,095) |
| Net Debt, end of year..... | (26,436) | (27,424) | (25,220) |

The accompanying notes and schedules are an integral part of these financial statements.

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF CASH FLOW

For the Year Ended March 31, 2021

| | (\$ millions) | |
|--|----------------|----------------|
| | 2021 Actual | 2020 Actual |
| Cash and cash equivalents provided by (used in) | | |
| Operating Activities | | |
| Net income (loss) for the year..... | (2,117) | 5 |
| Changes in non-cash items: | | |
| Temporary investments..... | (327) | 24 |
| Amounts receivable..... | (111) | - |
| Valuation allowance..... | 62 | 34 |
| Inventories..... | (106) | 4 |
| Prepays..... | (5) | (4) |
| Accounts payable, accrued charges, provisions and unearned revenue..... | 1,352 | 23 |
| Pension liability..... | 195 | 183 |
| Amortization of foreign currency fluctuation..... | - | 4 |
| Amortization of debt discount..... | (10) | 5 |
| Unamortized losses on derivative contracts..... | 167 | 12 |
| Loss on disposal of tangible capital assets..... | 64 | 93 |
| Amortization of tangible capital assets..... | 783 | 745 |
| | (53) | 1,128 |
| Other comprehensive income (loss) (Schedule 3)..... | 243 | 69 |
| Changes in equity in government business enterprises and government business partnerships..... | (418) | (376) |
| Cash provided by operating activities | (228) | 821 |
| Capital Activities | | |
| Acquisition of tangible capital assets..... | (1,061) | (1,025) |
| Cash used in capital activities | (1,061) | (1,025) |
| Investing Activities | | |
| Investments purchased..... | (3,723) | (3,691) |
| Investments sold or matured..... | 2,340 | 2,054 |
| Cash used in investing activities | (1,383) | (1,637) |
| Financing Activities | | |
| Debt issued..... | 6,981 | 4,713 |
| Debt redeemed..... | (4,034) | (3,325) |
| Cash provided by financing activities | 2,947 | 1,388 |
| Increase in cash and cash equivalents | 275 | (453) |
| Cash and cash equivalents, beginning of year..... | 2,267 | 2,720 |
| Cash and cash equivalents, end of year..... | 2,542 | 2,267 |
| Supplementary information: | | |
| Interest received..... | 332 | 374 |
| Interest paid..... | 828 | 1,023 |

The accompanying notes and schedules are an integral part of these financial statements.

Notes to the Summary Financial Statements

For the Year Ended March 31, 2021

1. SIGNIFICANT ACCOUNTING POLICIES

A. GENERAL BASIS OF ACCOUNTING

The summary financial statements have been prepared in accordance with Canadian public sector accounting standards.

B. THE GOVERNMENT REPORTING ENTITY

Various government components, government organizations (GOs), government business enterprises (GBEs), partnerships, and business partnerships (BPs) comprising the Government Reporting Entity (GRE) are listed in Schedule 8 to the summary financial statements.

To be considered a part of the GRE, an organization must be controlled by the Government or under the shared control of the Government. Control, as defined by the Public Sector Accounting Board (PSAB), is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the Government from the other organization's activities.

The not-for-profit personal care homes are individual corporations operated by their own boards of directors. The personal care homes are included in the GRE. The nature of the relationship between the Province and not-for-profit personal care homes is such that control over their assets has been determined to exist for accounting purposes only and not for legal purposes.

C. BASIS OF CONSOLIDATION

GOs, with the exception of GBEs and BPs, are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the GRE as outlined in note 1D of the significant accounting policies. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax. Where the fiscal year end dates of the GOs are not the same as that of the GRE, and their transactions significantly affect the financial statements, their financial results are updated to March 31.

GBEs, whose principal activity is carrying on a business, maintain their accounts in accordance with accounting principles which are generally accepted for business enterprises and which are considered appropriate to their individual objectives and circumstances. They derive the majority of their revenue from sources outside the GRE. They are reported in these summary financial statements using the modified equity method of accounting. Under the modified equity method, the original investment of the Government, in GBEs, is initially recorded at cost and adjusted annually to include the net income or losses and other net equity changes of these enterprises, without adjusting their accounting policies to a basis consistent with that of the GRE.

The financial results of GBEs are not updated to March 31, where their fiscal year end is not the same as that of the GRE, except when transactions, which would significantly affect the summary financial statements, occur during the intervening period. Inter-entity accounts and transactions with GBEs are not eliminated. Supplementary financial information describing the financial position and results of operations of these enterprises is presented in Schedule 3 to the summary financial statements.

The characteristics of a BP are similar to a GBE except the organization is a partnership under shared control, rather than a government organization under the control of the Province. BPs are accounted for in the summary financial statements using the modified equity method. The Province accrues its share

1. Significant Accounting Policies (continued)

of the BP's net income or losses, and other net equity changes, without adjusting the BP's accounting policies to a basis consistent with that of the GRE. The Province's share of the assets, liabilities and results of operations for its BPs are presented in Note 5 to the summary financial statements.

D. BASIS OF SPECIFIC ACCOUNTING POLICIES

(i) **Gross Accounting Concept**

Revenues and expenses are recorded as gross amounts with the following exceptions:

- (1) Refunds of revenue are treated as reductions of current year revenue.
- (2) Decreases in valuation allowances are treated as reductions to expense.
- (3) Where there is sufficient evidence that the borrowings undertaken by the Government are specifically on behalf of a GBE, the recoveries of the debt servicing costs on self-sustaining debt of GBEs are recorded as a reduction of debt servicing expense.

(ii) **Revenue**

(1) *Government transfers*

Transfer payments from the Government of Canada include all accruals determined for current year entitlements that have been authorized by March 31, for which any eligibility criteria have been met and that can be reasonably estimated. A liability is recorded to the extent that a transfer gives rise to an obligation that meets the definition of a liability in accordance with the criteria in PS 3200 Liabilities.

(2) *Taxes*

Revenues from individual and corporation income tax are accrued in the year earned based upon estimates made by the Government of Canada using statistical models. These revenues are recorded at estimated amounts after considering adjustments for tax concessions and other adjustments from the Government of Canada. Transfers made through the tax system are recognized as an expense.

Revenues from other taxes are accrued in the year earned and are recorded net of tax concessions and other adjustments. Transfers made through the tax system are recognized as an expense.

(3) *Other revenue*

All other revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.

(iii) **Expenses**

(1) *Accrual accounting*

All expenses incurred for goods or services received are recorded on an accrual basis.

Expenses include provisional amounts recorded in anticipation of costs, which are quantifiable and have been identified as obligations.

(2) *Government transfers*

Government transfers are recognized as expenses in the period in which the transfer is authorized, any eligibility criteria are met, and the amounts can be reasonably estimated.

(3) *Externally restricted assets and revenues*

Externally restricted inflows are recognized as revenue in the period in which expenses are incurred for the purposes specified. Externally restricted inflows received before the expenses are incurred are reported as a liability.

(iv) Financial Assets

(1) Accounts receivable

Accounts receivables are recorded at their full expected amount. A valuation allowance is recorded when collection of the receivable is considered doubtful.

(2) Loans and advances

Loans and advances are recorded at cost less valuation allowances. A valuation allowance is provided to reduce the value of the assets to their estimated realizable value or to reflect the impact of significant concessionary terms on outstanding loans. Valuation allowances are made when collection is considered doubtful. Premiums that may arise from the early repayment of loans or advances are reflected as unearned revenue and are amortized monthly to debt servicing expense over the term of the loan or advance.

(3) Investments

Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward foreign exchange contract fixing the value has been negotiated, in which case that rate or amount is used. The investment translation adjustments reflecting the foreign currency fluctuation between year ends are amortized monthly over the remaining life of the investment and are included with debt servicing expense. Expenses and other transaction charges incurred on the purchase of investments during the year are charged to debt servicing expense. Those expenses incurred in a foreign currency are translated at the exchange rate in effect on the transaction date. Gains and losses on terminated derivative contracts are deferred and amortized on a straight-line basis over the remaining term of the contract.

(4) Inventories for resale

Inventories held for resale are recorded at the lower of cost and net realizable value.

Inventory for resale includes land under development. Land under development includes the value of land and all costs directly related to the land improvement. Inventories for resale also includes development, site preparation, architectural, engineering, surveying, fencing, landscaping and infrastructure for electrical, roads and underground works.

Land held for future development or sale is valued at the lower of cost or appraised value adjusted for estimated disposal purchase price and related acquisition costs.

(v) Liabilities

Liabilities are present obligations to outside parties, including GBEs, as a result of transactions and events occurring prior to the year end. The settlement of the liabilities will result in the future transfer or use of assets or other form of settlement. Liabilities are recorded at the estimated amount ultimately payable.

(1) Borrowings

All borrowings are expressed in Canadian dollars and are shown net of unamortized debt issue costs and debt of the Government held as provincial investments. Foreign borrowings are translated at the exchange rate in effect at March 31, adjusted for any forward foreign exchange contract entered into for settlement after the fiscal year end. Discounts or premiums, and commissions incurred at the time of the issue of debt are amortized monthly to debt servicing expense over the term of the debt.

1. Significant Accounting Policies (continued)

The year-end translation adjustments reflect the foreign currency fluctuation at the issue date and are recorded through the unamortized foreign currency fluctuation account. They are amortized monthly to debt servicing expense over the remaining term of the debt. The unamortized portion of foreign currency fluctuation also reflects the gains or losses on the translation of foreign currency debt called prior to maturity using the rates in effect at the time of the call. The gains or losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.

Premiums on interest rate options are amortized monthly over the period of the applicable agreement. If the option is exercised, the premium will continue to be amortized to the maturity date of the agreement. If the option is not exercised, any unamortized premium will be immediately taken into revenue or expense. Gains and losses on terminated derivative contracts are deferred and amortized on a straight-line basis over the remaining term of the contract.

(2) *Pension liability*

The Government accounts for employee pension plans by recognizing a liability and an expense in the reporting period in which the employee has provided service using the accrued benefit actuarial cost method, except as disclosed in Note 6. The value of plan assets is determined using a moving average fair value method. Under this method, fair value is the underlying basis, with any excess (or shortfall) of investment returns over (or below) the expected long-term rate being amortized over a five year period. When actual experience varies from actuarial estimates, for both the accrued benefit obligation and plan assets, the difference is amortized over the expected average remaining service life of the related employee group. Past service costs from plan amendments are recognized in full as expenses in the year of the amendment.

(3) *Employee future benefits*

The Government recognizes the cost of accumulating benefits in the periods the employee provides service. For benefits that do not vest or accumulate, a liability is recognized when the event that obligates the Government to pay benefits occurs. Liabilities for severance, long term disability income plan and workers compensation claims are based upon actuarial calculations.

The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations because actual experience is different from that expected and/or because of changes in the actuarial assumptions used. The resulting actuarial gains or losses for the severance liability are amortized over the expected average remaining service life of the related employee group. Actuarial gains and losses for the Long Term Disability Income Plan and the workers compensation claims are recognized as they arise. The liability is included under employee future benefits.

The Government accrues a liability for vacation pay and accumulating, non-vesting sick pay benefits. The liability for accumulating, non-vesting sick pay benefits is based upon a review of past experience. A liability is extrapolated upon the expected future utilization of current accumulated benefits. The liability is recognized under salaries and benefits.

(4) *Guarantees*

Guarantees by the Government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. The provisions

for losses on guaranteed loans are determined by a review of individual guarantees. A provision for losses on these guarantees is recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees.

(5) *Liability for contaminated sites*

The Government recognizes a liability for remediation of contaminated sites when the following criteria have been met: there is evidence that contamination exceeds an environmental standard, the Government is directly responsible or accepts responsibility for the contamination, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. In cases where the Government's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the Government's best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date. The liability is determined on a site-by-site basis. Third party recoveries related to a contaminated site are recorded as an asset provided it can be appropriately measured and estimated; and it is expected that future economic benefits can be obtained. Recoveries are not netted against the liability. Contingent recoveries are only disclosed. Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred. The Government measures the liability using present value techniques when cash flows are expected to occur over extended future periods.

The Province has undertaken assessments of its contaminated sites in 2020/21 and these have resulted in additional environmental remediation liabilities related to newly identified sites, or changes in the assessments, including orphaned and abandoned mine sites. Any changes to the Province's liabilities for contaminated sites have been accrued in the year in which they are assessed.

(vi) **Non-Financial Assets**

(1) *Recognition and measurement*

In the public sector, recognition and measurement of tangible capital and other non-financial assets are based on their future service potential. Generally, such assets do not generate future net cash inflows. Therefore, these assets will not provide resources to discharge the liabilities of the Government. For non-financial assets, the future economic benefit consists of their capacity to render service to fulfill the Government's objectives.

(2) *Inventories*

Inventories held for resale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year of the reporting date. Inventories held for use are classified as non-financial assets. Inventories for distribution at no charge are recorded at the lower of cost or current replacement cost. Significant inventories held for use relating to personal protective supplies are included in this Statement of Financial Position line item.

(3) *Prepaid expenses*

Prepaid expenses are payments for goods or services that will provide economic benefits in future periods. The prepaid amount is recognized as an expense in the year the goods or services are used or consumed.

(4) *Tangible capital assets*

The cost of tangible capital assets purchased includes the purchase price as well as costs such as installation costs, design and engineering fees, survey and site preparation costs and other costs incurred to put the asset into service. The cost of tangible capital assets constructed by the Government includes all direct construction costs such as materials, labour, design, installation, engineering, architectural fees, and survey and site preparation costs. It also includes overhead costs directly attributable to the construction activity such as licenses, inspection fees, indirect labour costs, and amortization expense of any equipment, which was used in the construction project. Any carrying costs associated with the development and construction of tangible capital assets is included in the cost of the asset, provided the cost exceeds \$20 million and development time exceeds one year.

Certain assets, which have historical or cultural value, including works of art, historical documents as well as historical and cultural artefacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Economic resources such as Crown land, mineral rights, timber rights, fish and wildlife meet the definition of an asset, however they are not recognized in the summary financial statements because an appropriate basis of measurement and a reasonable estimate of the amount involved cannot be made; or Canadian public sector accounting standards prohibit its recognition.

Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Assets:

| | |
|---|----------------|
| Land | Indefinite |
| Buildings and leasehold improvements | |
| Buildings | 10 to 60 years |
| Leasehold improvements | Life of lease |
| Vehicles and equipment | |
| Vehicles | 3 to 10 years |
| Aircraft and vessels | 5 to 24 years |
| Machinery, equipment and furniture | 3 to 20 years |
| Maintenance and road construction equipment | 11 to 15 years |
| Computer hardware, software licences | 3 to 15 years |

Infrastructure Assets:

| | |
|--|-----------------|
| Land | Indefinite |
| Land improvements | 10 to 30 years |
| Transportation | |
| Bridges and structures | 40 to 75 years |
| Provincial highways, roads and airstrips | 10 to 40 years |
| Dams and water management structures | 40 to 100 years |

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is put into service.

(vii) Future Changes in Accounting Standards

A number of new and amended Canadian public sector accounting standards have been issued and not applied in preparing these financial statements. These standards will come into effect as follows:

- *PS 3450 Financial Instruments (effective April 1, 2022)* defines and provides guidance for accounting and reporting all types of financial instruments including derivatives.
- *PS 2601 Foreign Currency Translation (effective April 1, 2022)* replaces PS 2600 with revised accounting and reporting principles for transactions that are denominated in a foreign currency.
- *PS 1201 Financial Statement Presentation* replaces PS 1200 with general reporting principles for disclosure of information and is effective in the period PS 2601 and PS 3450 are adopted.
- *PS 3041 Portfolio Investments* replaces PS 3040 with revised accounting and reporting principles for portfolio investments and is effective in the period PS 2601 and PS 3450 are adopted.
- *PS 3280 Asset Retirement Obligations (effective April 1, 2022)* defines and provides guidance for accounting and reporting retirement obligations associated with tangible capital assets and includes the withdrawal of *PS 3270 Solid Waste Landfill Closure and Post-Closure Liability*.
- *PS 3400 Revenue (effective April 1, 2023)*, a new standard establishing guidance on the recognition, measurement, presentation and disclosure of revenue.
- *PS 3160 Public Private Partnerships (effective April 1, 2023)*, a new standard establishing guidance on the recognition, measurement and disclosure of public private partnerships arrangements.

These new accounting standards have not been applied in preparing these consolidated financial statements. The Province is currently assessing the impact of these new standards, and the extent of the impact of their adoption on the consolidated financial statements has not yet been determined. Earlier adoption is permitted.

(viii) Classification by Sector

The Province reports operational results under the following sectors: health, education and economic development, families, community and resource development, justice and other expenditures, and general government. The entities and departments included in each sector are identified in Schedule 8 to the summary financial statements.

The health sector includes provincial health care programs and includes all health related entities and services.

The education and economic development sector includes all education services including elementary, secondary and post-secondary services, including the pension related expenses associated with public schools and post-secondary institutions. It includes employment and training programs. It also includes other education services such as skills, trades and workplace-based training programs and the advancement of economic development opportunities aligned with labour market needs.

The families sector includes all social services related to employment and income support for individuals in need as well as a comprehensive range of social services and financial assistance programs provided to Manitobans throughout the Province. The sector also contains the management and administration of housing policies and benefits for low to moderate income renters and homeowners.

1. Significant Accounting Policies (continued)

The community and resource development sector includes the promotion, development and conservation of the Province's natural resources. It also includes the operation and maintenance of transportation systems such as highway infrastructure and other Government infrastructure.

The justice and other expenditures sector includes general administration, finance, executive and legislature, cultural and sport related activities. The sector contains criminal and civil legal services and programs that protect the rights of Manitobans.

The general government sector is comprised of those activities that cannot be allocated to the specific sectors noted above. Inter-segment transfers between sectors are measured at the exchange amount.

E. MEASUREMENT UNCERTAINTY

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when there is a variance between the recognized amount and another reasonable amount, as there is whenever estimates are used. Certain estimates used in these financial statements may be subject to measurement uncertainty due to the COVID-19 pandemic.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate income taxes, Canada Health Transfer and Canada Social Transfer entitlements, and accrual for federal shared cost programs.

It also includes accruals for pension obligations, accruals for the remediation of contaminated sites, allowances for doubtful loans, accrual for retroactive wages, accruals for liabilities valued through actuarial valuations, such as long term disability, severance, sick pay obligations, workers compensation claims and advances and provision for losses on guarantees.

The nature of the uncertainty related to the accrual of health and social transfer payments from the Government of Canada and individual and corporate income taxes arises because of the possible differences between the estimates for the economic factors used in calculating the accruals and actual economic results.

While best estimates are used for reporting items, it is reasonably possible that changes in future conditions, occurring within one fiscal year could require a material change in the amounts recognized and disclosed. The amount of income tax attributable to the year can change as a result of reassessments in subsequent years. The estimates are based on the best information available at the time of preparation of the financial statements. The uncertainty due to the COVID-19 pandemic and variability of the final amounts attributed to the year cannot be reasonably determined.

Uncertainty related to accruals for pension obligations arises because actual results may differ significantly from the Government's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of claimants.

Uncertainty related to the accrual for retroactive wages arises because actual wage settlements may differ significantly from the final collective agreements. The estimate for the accrual of retroactive wages is based on the Government's best estimate of the public services salary increases that may be negotiated or determined through arbitration.

1. Significant Accounting Policies (continued)

Uncertainty related to the accrual for the remediation of contaminated sites exists because the remediation activities, methods and the extent of contamination may differ significantly from the Government's original assessment of the site and proposed remediation plans.

Uncertainty concerning the allowance for doubtful loans and advances is based upon actual collectability and changes in economic conditions.

2. TEMPORARY INVESTMENTS

| | (\$ millions) | |
|-----------------------|---------------|--------|
| | 2021 | 2020 |
| | Actual | Actual |
| Temporary investments | 888 | 561 |

Temporary investments are recorded at cost, which approximates market value. Temporary investments consist of investments with financial institutions, government bonds and other short term investment vehicles. All of the securities have terms to maturity of less than one year.

3. PORTFOLIO INVESTMENTS

| | (\$ millions) | |
|-------------------|---------------|--------|
| | 2021 | 2020 |
| | Actual | Actual |
| Sinking funds | 991 | 974 |
| Other investments | 1,171 | 824 |
| | 2,162 | 1,798 |

Portfolio investments are recorded using the cost method. Under this method, any discount or premium arising on the purchase of a fixed term security is amortized over the period to maturity. Portfolio investments are written down to market value only in those circumstances where the loss in value is other than temporary in nature. As at March 31, 2021, the market value of portfolio investments was \$3,045 million (2020 - \$2,517 million).

SINKING FUNDS

Section 60 of The Financial Administration Act authorizes the Minister of Finance to provide for the creation and management of sinking funds for the orderly retirement of debt. The Government's sinking fund currently provides for the repurchase of foreign debt and the pre-funding of maturing debt issues. The sinking fund is invested principally in securities issued or guaranteed by federal and provincial governments. Sinking funds are invested in fixed income securities as follows:

3. Portfolio Investments (continued)

| | (\$ millions) | | | |
|---|---------------|------------|------------|------------|
| | 2021 | | 2020 | |
| | Actual | | Actual | |
| | Book Value | Fair Value | Book Value | Fair Value |
| Government of Canada, direct and guaranteed | 66 | 61 | 31 | 32 |
| Provincial, direct and guaranteed | 810 | 778 | 828 | 803 |
| Municipal | 109 | 108 | 111 | 111 |
| Corporate | 6 | 6 | 4 | 4 |
| | 991 | 953 | 974 | 950 |

Investment revenue earned on sinking funds during the year was \$34 million (2020 - \$44 million).

The sinking funds are allocated as follows:

| | (\$ millions) | |
|---|---------------|-------------|
| | 2021 Actual | 2020 Actual |
| Sinking funds | 1,014 | 977 |
| Less: Uninvested portion of sinking funds held in cash and cash equivalents | (23) | (3) |
| Total sinking funds held in portfolio investments | 991 | 974 |

| OTHER INVESTMENTS | (\$ millions) | |
|--|---------------|-------------|
| | 2021 Actual | 2020 Actual |
| Guaranteed investment certificates | 7 | 11 |
| Bonds – Government of Canada, provincial and municipal | 753 | 551 |
| Bonds – Corporate | 153 | 170 |
| Equity investments | 225 | 37 |
| Investments in real estate | 33 | 55 |
| | 1,171 | 824 |

As at March 31, 2021 the market value of other investments was \$2,091 million (2020 - \$1,567 million). Other investments earned \$46 million during the year (2020 - \$55 million).

4. EQUITY IN GOVERNMENT BUSINESS ENTERPRISES

The GBEs that are included in the summary financial statements are listed in Schedule 8 and are classified as follows:

| Category | Definition |
|-----------|---|
| Utility | An enterprise which provides public utility services for a fee. This category includes Manitoba Hydro-Electric Board. |
| Insurance | An enterprise which provides insurance coverage services to the public for a fee. This category includes Manitoba Public Insurance Corporation and Deposit Guarantee Corporation of Manitoba. |

4. Equity in Government Business Enterprises (continued)

Finance Enterprises which provide regulatory control, and are revenue generating or enterprises which use economy of scale to deliver goods and services to the public. This category includes Manitoba Liquor and Lotteries Corporation.

The operating results and financial position of each GBE category are reported in Schedule 3 to the summary financial statements. The year end of each GBE is as follows:

| | |
|--|-------------------|
| Manitoba Hydro-Electric Board | March 31, 2021 |
| Manitoba Liquor and Lotteries Corporation | March 31, 2021 |
| Deposit Guarantee Corporation of Manitoba | December 31, 2020 |
| Manitoba Public Insurance Corporation (MPIC) | March 31, 2021 |

Included in the equity in GBEs are equities, which are restricted for use by provincial legislation and thereby not available to discharge Government liabilities or to finance other Government programs. The equity in GBEs is comprised of:

| | (\$ millions) | |
|---|----------------|----------------|
| | 2021 Actual | 2020 Actual |
| Restricted Equity in Government Business Enterprises: | | |
| Deposit Guarantee Corporation of Manitoba | 402 | 365 |
| Manitoba Hydro-Electric Board | 2,700 | 2,394 |
| Manitoba Public Insurance Corporation | 709 | 634 |
| | 3,811 | 3,393 |
| Unrestricted Equity in Government Business Enterprises: | | |
| Manitoba Liquor and Lotteries Corporation | 5 | 5 |
| Manitoba Public Insurance Corporation | 13 | 13 |
| | 18 | 18 |
| Equity in Government Business Enterprises | 3,829 | 3,411 |

5. EQUITY IN BUSINESS PARTNERSHIP

North Portage Development Corporation (NPDC) is a business partnership that is owned equally by the Government of Canada, the Province of Manitoba and the City of Winnipeg. The mission of NPDC is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. NPDC is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks. NPDC is involved in certain business and core activities regarding the ownership, development and management of its two sites that include land investment properties and public amenities.

The Province's share of the equity at March 31, 2021 is \$20 million (2020 - \$20 million). The Province's share of the operating results for the year ended March 31, 2021 was \$ nil (2020 - \$ nil) and is included in fees and other revenues.

5. Equity in Business Partnership (continued)

The condensed supplementary financial information of NPDC is as follows:

| | (\$ millions) | |
|---|----------------|----------------|
| | 2021 Actual | 2020 Actual |
| Property, plant and equipment and investment in properties and infrastructure enhancements | 74 | 77 |
| Short-term investments and other assets | 7 | 6 |
| | 81 | 83 |
| Deferred contributions from shareholders | 9 | 10 |
| Long-term mortgage | 8 | 9 |
| Current and other liabilities | 5 | 4 |
| | 22 | 23 |
| Net equity | 59 | 60 |
| | 81 | 83 |
| Comprehensive income | | |
| Revenues | 11 | 17 |
| Expenses | 8 | 13 |
| Operating income before amortization | 3 | 4 |
| Amortization | (3) | (3) |
| Net income for the year | - | 1 |

6. PENSION PLANS

The Government participates in various pension plans. The two primary plans, in which the Government directly participates, are the Civil Service Superannuation Plan and the Teachers' Pension Plan. As per the Acts that administer these plans, the Government is responsible for 50.0% of pension benefits earned by employees. These Plans are joint trustee plans. The Government's pension liability reflects its share of the actuarial present values of pension benefits attributed to services rendered by employees and former employees, net of any plan assets which are set aside by the Government in an irrevocable trust. As of March 31, 2021, the pension liability for the Civil Service Superannuation Plan was \$1,060 million (2020 - \$1,010 million) and the pension liability for the Teachers' Pension Plan was \$2,024 million (2020 - \$1,901 million).

Other pension plans in which the Government participates include the Members of the Legislative Assembly Plan, the Legislative Assembly Pension Plan, the Judges' Supplemental Pension Plan and the Winnipeg Child and Family Services Employee Benefits Retirement Plan. The Government is responsible for any excess of accrued pension benefits over pension fund assets for these plans.

The Government also includes several other pension plans in its pension liability. These other plans include post-secondary education pension plans and public school divisions' pension plans. Post-secondary education pension plans include the University of Manitoba Pension Plans, the University of Winnipeg Pension Plan and the Brandon University Retirement Plan. Public school divisions' pension plans include the Winnipeg School Division Pension Fund for Employees Other Than Teachers, Retirement Plan for Non-Teaching Employees of the St. James-Assiniboia School Division, Retirement Plan for Employees of Frontier School Division and School District of Mystery Lake Pension Plan. The Government is responsible for any excess of accrued pension benefits over pension fund assets for these plans.

6. Pension Plans (continued)

Employees in the health sector are members of the Healthcare Employees Pension Plan, a multi-employer defined benefit pension plan established between employees and participating boards. Because the Government does not sponsor this plan, the accrued benefit liability of this plan is not recognized in these financial statements. The annual net benefit plan expense is the amount of required contributions provided for employees' services rendered during the year. During the year, the Government expensed contributions to this plan of \$198 million (2020 - \$198 million). At December 31, 2020 the Plan had an excess of net assets available for benefits over pension obligations of \$1,345 million (December 31, 2019 - \$991 million).

As at March 31, 2021, the total pension liability being reflected in the summary financial statements was \$3,292 million (2020 - \$3,097 million). Details related to the pension liability are provided in Schedule 6 to the summary financial statements. The following provides general information on the contributions and benefit formula of the various pension plans, which are included in this schedule.

A. CIVIL SERVICE SUPERANNUATION PLAN

The Civil Service Superannuation Act (CSSA) established a defined benefit plan to provide benefits to employees of the Manitoba Civil Service and to participating agencies of the Government through the Civil Service Superannuation Fund (CSSF).

The lifetime pension calculation equals 2.0% of a member's best five-year average yearly pensionable earnings multiplied by pensionable service, minus 0.4% of the average Canada Pension Plan (CPP) earnings multiplied by pensionable service since January 1, 1966.

The CSSA requires employees to contribute 8.0% of pensionable earnings up to the CPP maximum pensionable earnings, and 9.0% on pensionable earnings above the maximum.

89.8% of employee contributions are used to fund basic benefits and 10.2% of employee contributions are allocated to funding indexing benefits. The Government funds 50.0% of the monthly pension retirement benefits paid to retirees.

Indexing benefits are not guaranteed and are paid only to the extent that the indexing adjustment account in CSSF can finance one-half of the cost-of-living increases granted. The maximum annual adjustment is limited by legislation to two-thirds of the increase in the Consumer Price Index for Canada.

As a joint trustee plan, Schedule 6 only reports the Province's conditional share of the net obligation. The estimated financial position of both the employee and employer components of the Civil Service Superannuation Plan are reported in the December 31, 2020 audited financial statements of CSSF. At December 31, 2020, after accounting for provincial pension assets held in trust and trust assets held in trust for GBEs, CSSF had an estimated accrued net obligation of \$1,437 million (December 31, 2019 - \$1,434 million).

This valuation is not on the same basis of reporting as the summary financial statements and does not include adjustments for unamortized actuarial gains or losses nor the impact of valuing assets on a market related value basis as opposed to market value. This valuation also includes estimated net obligations related to GBEs, which are included in the summary financial statements on a modified equity basis, and other entities that are not part of the GRE.

B. TEACHERS' PENSION PLAN

The Teachers' Pensions Act (TPA) established a defined benefit plan to provide pension benefits to teachers who have taught in public schools in Manitoba.

The lifetime pension calculation is generally based upon 2.0% of a member's average salary of the best five of the final 12 years of service (best seven prior to July 1, 1980) multiplied by pensionable

6. Pension Plans (continued)

service, minus the years of service multiplied by 0.6% of the annual salary up to the yearly maximum pensionable earnings. The pension amount is subject to a maximum of 70.0% of the average annual salary used above.

The TPA requires that teachers contribute 7.3% of pensionable earnings up to the CPP maximum earnings, and 8.9% of pensionable earnings above the maximum. Commencing September 1, 2012 teacher contributions increased 0.5% per year and continued increasing until September 1, 2015. As of September 1, 2015 the TPA requires teachers to contribute 8.8% of pensionable earnings up to the CPP maximum pensionable earnings and 10.4% of pensionable earnings above the maximum. 83.1% of teachers' contributions are used to fund basic benefits and 16.9% of teachers' contributions are allocated for funding indexing benefits.

On May 16, 2018, the Lieutenant Governor in Council approved a regulation to disburse the restricted surplus held in the Pension Adjustment Account (PAA) over a five-year period commencing with the Cost of Living Adjustment (COLA) granted effective July 1, 2018. The balance of the restricted surplus will be disbursed in equal amounts over the following two years, ending with the COLA effective July 1, 2022. The COLA is limited to the lesser of the maximum percentage the PAA can support, and the full increase in CPI. The COLA can never be negative.

The independent plan actuary determined that there was an actuarial surplus in the PAA of \$32.9 million available to support COLA of 1.0% effective July 1, 2021. The surplus of \$32.9 million includes restricted surplus of \$5.6 million, or 20.0% of the total restricted surplus. However, since the relevant increase in CPI for 2020 was 0.73%, the maximum COLA allowed was restricted by the 100.0% of CPI cap, which resulted in a COLA grant of 0.73% as at July 1, 2021. As a result of the cap limiting the amount of COLA granted, a surplus of \$9.0 million was generated, which will be used to support future COLA.

As a joint trustee plan, Schedule 6 only reports the Province's conditional share of the net obligation. The estimated financial position of both the employee and employer components of the Teachers' Pension Plan are reported in the December 31, 2020 audited financial statements of Teachers' Retirement Allowances Fund (Fund). At December 31, 2020, after accounting for provincial pension assets held in trust, the Fund had an estimated accrued net obligation of \$1,419 million (December 31, 2019 - \$1,474 million). This valuation is not on the same basis of reporting as the summary financial statements and does not include adjustments for unamortized actuarial gains or losses nor the impact of valuing assets on a market related value basis as opposed to market value.

C. OTHER GOVERNMENT PLANS

(i) *Members of the Legislative Assembly Plan*

The pension plan for Members of the Legislative Assembly (MLAs) is established and governed by The Legislative Assembly Act (LAA).

For MLAs elected prior to the dissolution of the Assembly of the 35th Legislature, the LAA provides for defined pension benefits based on years of service to April 1995. The calculation for defined pension benefits is equal to 3.0% of the average annual indemnities for the last five years served as a member or all the years served; if less than five, multiplied by the number of years of pensionable service up to April 1995. These entitlements are fully indexed to cost of living increases.

For those MLA's elected after the 35th Legislature in April 1995, the LAA provides for matching contributions. Under the matching contributions provisions, MLAs may contribute up to 7.0% of their remuneration toward a Registered Retirement Savings Plan (RRSP) of their choice. The

Government matches the member's contributions on a current basis; consequently, there is no liability for past service benefits under this component of the plan. In the event that a member withdraws money from the RRSP, while an active member of the Legislative Assembly, the Government's contribution would be refundable back to the Government.

(ii) *Legislative Assembly Pension Plan*

The Members' Retirement Benefits Regulation of The Legislative Assembly Act established a defined benefit plan, effective December 7, 2005 that provides pension benefits to eligible MLAs who elect to participate in the plan.

The pension benefits accumulate up to a maximum period of 35 years at 2.0% per year of pensionable service based upon the average of the best five-year annual salaries, reduced by an amount equal to 0.25% times the number of months before the member's 60th birthday that the first pension payment is made. These entitlements are indexed to 2/3 of cost of living increases.

Active members must contribute 8.5% of their earned salary to the plan. The Government makes contributions as necessary to ensure the pension fund has sufficient assets to cover the monthly pension payments to retirees as well as ensuring there are sufficient funds to cover any of the plans liabilities. Any surplus of plan assets over the pension obligation can be used by the Government to reduce future contributions.

(iii) *Judges' Supplemental Pension Plan*

Manitoba Provincial Court Judges and Masters are members of the Civil Service Superannuation Plan; however, they also receive enhanced pension benefits under the Manitoba Provincial Court Judges and Masters' Supplemental Pension Plan. These supplemental pension benefits for judges are the difference between the total pension benefits for judges, including the amendments introduced by Judicial Compensation Committees, and the formula pension available under The Civil Service Superannuation Act (CSSA) as described above in Note 6A.

The supplemental pension is generally based upon an accrual rate of 3.0% for each year of service, as a judge, up to a maximum of 23.5 years, reduced by the pension provided under the CSSA. The combined total of the Judges' Supplemental Pension and Civil Service Superannuation Pension is subject to a maximum of 70.0% of earnings. These enhanced benefits are entirely funded by the Government.

(iv) *Winnipeg Child and Family Services Employee Benefits Retirement Plan*

Established effective December 29, 2003, the Winnipeg Child and Family Services Employee Benefits Retirement Plan applies to employees of the former Winnipeg Child and Family Services Agency, who transferred to the Department of Families.

The lifetime pension calculation equals 1.4% of the member's highest average pensionable earnings up to the CPP maximum and 2.0% of any excess earnings multiplied by pensionable service. The lifetime pension is subject to an overall maximum of the member's number of years of contributory service, multiplied by the lesser of \$1,722 or such greater amount permitted under the Income Tax Act; and 2.0% of the member's highest average indexed compensation in any three overlapping periods of 12 consecutive months. Indexing payments are subject to approval by the Trustees and increases in the Consumer Price Index.

Members are required to contribute 4.5% of pensionable earnings up to the CPP maximum and 6.0% on pensionable earnings over the maximum. Any surplus of plan assets over the pension obligation can be used by the Government to reduce future contributions.

D. OTHER PENSION PLANS

(a) Post-Secondary

(i) University of Manitoba Pension Plan

The University of Manitoba administers The University of Manitoba Pension Plan (1993) and The University of Manitoba GFT Pension Plan (1986). These are trustee pension plans. The Trustees are responsible for the custody of the plans' assets and issuance of annual financial statements. University of Manitoba Pension Plan (1993) is a money purchase plan with a defined benefit minimum. The funding for the plan requires a matching contribution from the University and the employees. The plan is not indexed. Plan members contribute at a rate of 9.0% of salary less an adjustment for the Canada Pension Plan during the year.

The December 2019 funding valuation indicated that the University of Manitoba Pension Plan (1993) was in a funding deficiency position. The University is funding the deficiency over fifteen years until the going concern deficit is eliminated. An annual additional payment for fiscal 2021 of \$0.2 million was made (2020 - \$12 million).

Retirement benefits are calculated by using the greater of the two methods: Formula and Plan Annuity. For each year of pensionable service, Formula benefit equals 2.0% of the average best five year salary, less 0.7% of the average best five year salary under the yearly maximum pensionable earnings in the year of retirement, to a maximum of 1/9 of the Pension Plans money purchase limit. The benefit is reduced by 0.25% for each month between the actual pension commencement date and the age of 65. Plan Annuity benefit is based on contribution account balance, age at retirement, and the annuity factor determined by the plan actuary.

In 2009, the Manitoba Pension Commission advised that the University was required to begin to make additional payments with respect to current service costs in excess of matching contributions of active members and the University. The additional annual current service cost payments for fiscal 2021 was \$5 million (2020 - \$3 million).

The unamortized net actuarial gains (losses) were determined on the basis of the 2019 actuarial valuation and the 2020 extrapolation for accounting purposes are being amortized over a period of nine years (expected average remaining service life) starting in the year following the year of respective annual actuarial gains or losses arise.

The University of Manitoba GFT Pension Plan (1986) is a defined contribution pension plan; therefore there is no requirement for an actuarial valuation of this plan.

(ii) University of Winnipeg Pension Plan

The University of Winnipeg administers the University of Winnipeg Pension Plan (UWPP), which is comprised of a defined benefit segment and a defined contribution segment. The assets of the Plan are held in trust by independent custodians. The defined benefit segment of the UWPP was closed to new members effective January 1, 2001. Members who join after this date join the defined contribution plan.

The UWPP was established as a contributory defined benefit pension plan on September 1, 1972 and covers all eligible employees of the University, except those who are members of the United Church of Canada Pension Plan. The funding for the plan requires a matching contribution from the University and the employees. Annual pension benefits equals 2.0% of the final five year average earnings multiplied by the years of pensionable service, less 0.6% of CPP average earnings for each year of pensionable service. The pension benefit is subject

to a plan benefit maximum limit of \$1,700 per year of pensionable service. At December 2019, the Plan had a going-concern deficiency of \$22 million, which the University is addressing by making annual deficiency payments of \$3 million until the deficiency is eliminated.

Since December 31, 2000, when the defined contribution segment of the Plan was introduced, approximately one-quarter of the eligible members converted to that plan. The obligation for pension benefits under the defined contribution segment of the Plan will always be equal to net assets in each member's account. Therefore, no surplus or deficiency arises from fluctuations in the investment market.

(iii) *Brandon University Retirement Plan*

Brandon University administers the Brandon University Retirement Plan, which is a trustee pension plan. The Trustees are responsible for the custody of the Plan's assets and issuance of annual financial statements.

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established on April 1, 1974 for the benefit of the employees of Brandon University. The funding for the plan requires a matching contribution from the University and the employees.

Employees are required to contribute 8.0% of pensionable earnings less 1.8% of pensionable earnings for which Canada Pension Plan contributions are required. Pensionable earnings are subject to an annual limit related to the maximum benefit accrual in a year.

Annual pension equals 2.0% of the final five year average earnings multiplied by the years of pensionable service, less 0.6% of CPP average earnings for each year of pensionable service. The pension benefit is subject to a plan benefit maximum limit of \$1,722 per year of pensionable service for members retired on or before April 1, 2009, and \$1,975 for those retiring after that date.

The plan will continue to be subject to the going concern funding provisions of the Manitoba Pension Benefits Act and Regulations. The University will be required to fund the matching contributions, as well as the actuarial cost of the defined benefits in excess of the matching costs. The next going-concern valuation will be performed as at December 31, 2020 and will be completed in 2021.

(b) *Public School Divisions*

(i) *The Winnipeg School Division Pension Fund for Employees Other Than Teachers*

The Winnipeg School Division Pension Fund for Employees Other Than Teachers is a defined benefit pension plan for employees that meet specified employment conditions. The fund was created by By-law 196 of the Winnipeg School Division (replaced by By-law 1017 on January 1, 1992) and is subject to the applicable regulations.

The pension benefits calculation is based on an amount equal to 1.6% of a member's average pensionable salary and 2.0% of a member's average salary over the pensionable salary, multiplied by a member's years of pensionable service. The average salary is determined by averaging the best five years of employment salary in the last twelve years of service.

Employee contributions equal 8.1% of pensionable salary and 9.5% of the earnings in excess of pensionable salary up to the yearly maximum pensionable earnings, effective January 1, 2014. The Winnipeg School Division matches employee contributions and pays an additional 12.4% of employee contributions. As a result, employer contributions equal approximately 112.4% of employee contributions.

6. Pension Plans (continued)

(ii) *Retirement Plan for Non-Teaching Employees of the St. James-Assiniboia School Division*

The St. James-Assiniboia School Division Retirement Plan for Non-teaching Employees is a defined benefit pension plan that was established on January 1, 1978 and is subject to the applicable regulations.

The pension benefits calculation is based on an amount equal to 1.4% of a member's average employment earnings below CPP earnings and 2.0% of a member's employment earnings in excess of the CPP earnings, multiplied by a member's years of contributory service. The average employment earnings are determined by averaging the best six years of employment earnings in the last 12 years of service. Effective July 1, 2014, employee contributions were equal to 8.2% of CPP earnings and 9.8% of the employment earnings in excess of CPP earnings. The St. James-Assiniboia School Division matches employee contributions.

(iii) *Retirement Plan for Employees of Frontier School Division*

The Frontier School Division Retirement Plan is a defined benefit pension plan for non-teaching employees.

The pension benefit is based on an amount equal to 2.0% of a member's best average earnings, multiplied by a member's years of credited service. The average employment earnings are determined by averaging the best five years of employment earnings.

Employee contributions equal 9.0% of CPP earnings, with the Frontier School Division matching employee contributions. The Frontier School Division is responsible for the balance of the pension cost, of which a portion can be financed by an allocation from pension surplus.

(iv) *School District of Mystery Lake Pension Plan*

School District of Mystery Lake Pension Plan is a defined benefit plan. The School District shall contribute in accordance with the terms of the collective agreements such amounts as necessary to provide the future service pension for all members and to amortize any unfunded liability or a solvency deficiency in the Plan. In the event that the School District's contributions are not sufficient, the legislation permits the Board of Trustees to amend the plan to reduce future accrued pension benefits in order to meet the required legislated funding requirements.

Effective July 1, 2013 employees contribute 5.0% of gross earnings. Prior to July 1, 2013 employees did not make contributions to the plan. The plan provides that if the defined benefit pension exceeds the plan annuity, the difference is paid from the plan.

The pension benefits are calculated based on a rate per month per year of service. The current rate for maintenance workers is \$42 per month per year of service. For clerical workers, the pension benefit is \$36.50 per month per year of service.

E. GOVERNMENT BUSINESS ENTERPRISES

Manitoba Hydro, Manitoba Liquor and Lotteries Corporation and Manitoba Public Insurance Corporation (MPIC) are members of the CSSF. Effective April 1, 2014 Manitoba Liquor and Lotteries Corporation became a matching employer. As a result, they no longer recognize a pension liability in their statements. The net pension liabilities for the other GBEs are disclosed in Schedule 3.

7. CONTINGENCIES

A. CONTINGENT LIABILITIES

i) ***Legal Actions***

The Government is named in various legal actions. No provision has been made at March 31, 2021 in the accounts where the final results are uncertain, or where the results are likely but the amount of the liability cannot be reasonably estimated.

ii) ***Canadian Blood Services***

All provincial and territorial governments of Canada, except Quebec, are members of, and provide funding to, Canadian Blood Services (CBS), which operates the Canadian blood system. The March 31, 2020 audited consolidated financial statements indicate that CBS has two wholly-owned captive insurance companies to provide for the contingent liabilities for risks related to operations of the blood system: CBS Insurance Company Limited (CBSI) and Canadian Blood Services Captive Insurance Company Limited (CBSE). Together, these captive insurance companies provide Canadian Blood Services with comprehensive blood risk insurance covering losses up to \$1 billion. The primary policy held by CBSI has provided coverage up to \$300 million, with the secondary policy held by CBSE providing coverage up to \$700 million.

CBSI provides insurance coverage up to \$300 million with respect to risks associated with the operation of the blood system. The related assets of CBSI as at March 31, 2020 total \$467 million (2019 - \$469 million). Based upon the above, the Government's share of the provision for future claims as at March 31, 2020 is offset with designated assets, which at that date exceed the provision.

CBS and CBSE have entered into an agreement whereby the members have agreed to provide insurance coverage for all amounts payable by CBSE under the terms of the excess policy up to \$700 million in excess of the \$300 million provided by CBSI. No payment shall be made under CBSE until the limit of the liability under the primary policy in CBSI has been exhausted. The members have agreed to contribute their pro rata share of the required capital of \$700 million. The members have each issued an indemnity to CBSE on their pro rata share of the \$700 million, calculated on the basis of their respective populations. Given current populations, Manitoba's maximum potential liability under its indemnity to CBSE is approximately \$33 million. The Government is not aware of any proceedings that could lead to a claim against it under the indemnity given to CBSE.

iii) ***Treaty Land Entitlement Obligations***

The Government of Manitoba's obligations under the treaty land entitlement agreements require Manitoba to transfer administration and control of up to 1,144,331 acres of Crown Land (Selections) and up to 282,123 acres of Manitoba interests in Other Land (Acquisitions) to Canada so as to enable Canada to fulfil its obligations under the treaties between Canada and the First Nations of Manitoba. As of March 31, 2021, Manitoba Entitlement First Nations have collectively Selected and Acquired approximately 1,041,838 acres of Crown Land and Other Land. As of March 31, 2021, Manitoba has transferred administration and control of 676,133 acres of Crown Land and 20,317 acres of Manitoba interests in Other Land to Canada for reserve creation. The Crown Land and Manitoba interests in Other Land have been transferred in accordance with paragraph 11 of the Natural Resources Transfer Agreement (Schedule to Constitution Act, 1930). The transfers include mines and minerals and other interests impliedly reserved under The Crown Lands Act, as well as all other interests of Manitoba in the lands.

7. Contingencies (continued)

iv) **Government Business Enterprise Contingencies**

Significant contingencies for Government Business Enterprises include:

Manitoba Hydro has a mitigation program in place to address past, present, and ongoing adverse impacts arising from all past hydroelectric developments (prior to the Wuskwatim generating station), particularly for Indigenous people residing or engaged in resource harvesting in the project areas. In recognition of future mitigation payments, Manitoba Hydro has recorded a liability of \$162 million (2020 - \$169 million). Manitoba Hydro has also recognized a provision of \$29 million (2020 - \$27 million) for certain mitigation related obligations arising from ongoing adverse effects of past hydroelectric development. There are other mitigation issues, the outcomes of which are not determinable at this time.

Manitoba Hydro has contracted with an independent third-party pipeline company to increase transportation capacity, which includes a commitment to pay its share of the pre-license development costs associated with the contract, in the event that the federal license is not granted for the project. No obligating events have occurred and so provisions have not been booked.

B. **LOAN GUARANTEES**

The Government has guaranteed the repayment of debt, promissory notes, bank loans, lines of credit, mortgages and securities held by others. Debt guaranteed by the Government is guaranteed, as to principal and interest, until the debt is matured or redeemed. The authorized limits and the outstanding guarantees are summarized as follows:

| | (\$ millions) | | |
|--|---------------------|----------------|----------------|
| | Authorized Limit | 2021 Actual | 2020 Actual |
| Canadian Museum for Human Rights | 25 | 3 | 4 |
| Manitoba Agricultural Services Corporation (Note 7B.i) | - | 65 | 68 |
| Manitoba Housing and Renewal Corporation (Note 7B.ii) | 20 | 9 | 11 |
| Manitoba Student Aid Program | 20 | - | - |
| University of Winnipeg (Note 7B.iii) | 54 | 46 | 29 |
| Other | 17 | 4 | 4 |
| Total guarantees outstanding | - | 127 | 116 |

A provision for future losses on guarantees for \$10 million (2020 - \$11 million) has been recorded in the accounts.

Note 7B.i) Manitoba Agricultural Services Corporation

The Manitoba Agricultural Services Corporation has guaranteed loans under the following programs:

| Program | General Terms and Conditions |
|---|---|
| Operating Credit Guarantees for Agriculture | Each participating lending institution is guaranteed up to 25% of the maximum amount advanced, up to a maximum loan of \$0.7 million for individuals and \$1.0 million for partnerships, corporations, and co-operatives. |

7. Contingencies (continued)

| Program | General Terms and Conditions |
|---|---|
| Manitoba Livestock Associations Loan Guarantees | Each association's lending institution is guaranteed 25% of their loaned amount, up to a maximum loan of \$8 million per association. |
| Enhanced Diversification Loan Guarantees | Guarantees are based on 25% of the original principal amount of each individual loan, with no maximum loan amount. |
| Rural Entrepreneur Assistance Program | Each participating lender is guaranteed up to 80% of the loan made to small rural non-agricultural business to a maximum guarantee of \$0.2 million. This program was discontinued as of April 1, 2019 with outstanding guarantees in run-off status. |

Note 7B.ii) Manitoba Housing and Renewal Corporation

Manitoba Housing and Renewal Corporation has authority to guarantee the repayment of various mortgages and issue various letters of credit, which guarantee the terms and conditions of land development agreements and construction contracts, up to \$20 million. At March 31, 2021 outstanding guarantees under this authority totalled \$9 million (2020 - \$11 million).

Note 7B.iii) University of Winnipeg

University of Winnipeg's controlled entity University of Winnipeg Community Renewal Corporation (UWCRC) guarantees specific debts of UWCRC 2.0, a related but uncontrolled corporation. UWCRC provided guarantees for the following loans:

| | (\$ millions) |
|--|---------------|
| CMHC Rental Construction Financing Initiative loan for construction of the Muse Flats (209 Colony) | 29 |
| CMHC National Co-Investment Fund loan for construction of the West Broadway Commons (167 Colony) | 17 |

C. GOVERNMENT BUSINESS ENTERPRISE GUARANTEES

As at March 31, 2021, Manitoba Hydro has outstanding Manitoba Hydro-Electric Board Bonds amounting to \$121 million (2020 - \$121 million). These bonds carry fixed coupon rates that range from 3.72% to 9.10%. The Government guarantees \$60 million (2020 - \$60 million) of these outstanding bonds.

Manitoba Hydro provides guarantees to counterparties for natural gas purchases. At March 31, 2021, there is an outstanding guarantee totalling \$30 million (2020 - \$30 million) which matures October 31, 2022. Letters of credit for \$72 million (2020 - \$72 million) have been issued for construction and energy related transactions with maturities until 2049.

The Deposit Guarantee Corporation of Manitoba (Corporation) has guaranteed \$34.1 billion in credit union deposits at the end of December 31, 2020 (December 31, 2019 - \$31.3 billion). Based upon its ongoing monitoring procedures, the Corporation has concluded that a provision for such contingencies does not need to be established at this time.

8. CONTRACTUAL OBLIGATIONS

The Government has entered into a number of multi-year contracts and agreements for the delivery of services and the acquisition or construction of assets. These contractual obligations will become liabilities in the future when the terms of the contracts are met. The following represents the amounts required to satisfy the contractual obligations, by the year that it is anticipated that the terms of the contract will be met, as at March 31:

| (\$ millions) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|---|--------------|------------|------------|------------|------------|---------------------------|--------------|
| Government Organizations and components | | | | | | | |
| Service contracts | 298 | 119 | 70 | 58 | 89 | 116 | 750 |
| Rental of capital assets | 96 | 70 | 55 | 48 | 38 | 250 | 557 |
| Acquisition or construction of capital assets | 596 | 150 | 142 | 143 | 148 | 607 | 1,786 |
| Other contracts | 41 | 13 | 11 | 4 | 1 | - | 70 |
| Government Business Enterprises | 34 | 36 | 27 | 23 | 20 | 30 | 170 |
| Total | 1,065 | 388 | 305 | 276 | 296 | 1,003 | 3,333 |

Other significant obligations not included in the table are:

GOVERNMENT ORGANIZATIONS

Government organizations have entered into contractual arrangements related to construction projects totalling \$341 million (2020 - \$474 million), and details relating to the settlement year cannot be reasonably estimated.

GOVERNMENT BUSINESS ENTERPRISE CONTRACTUAL OBLIGATIONS

Manitoba Hydro has energy purchase commitments of \$1,913 million (2020 - \$2,534 million) that relate to future purchases of wind, natural gas (including transportation and storage contracts) and electricity.

Commitments are primarily for transmission right access which expire in 2041, wind and solar purchases which expire in 2040 and natural gas purchases which expire in 2038. In addition, other outstanding commitments principally for construction are approximately \$1,561 million (2020 - \$1,737 million).

Manitoba Liquor and Lotteries Corporation has purchase commitments of \$nil (2020 - \$15 million) related to the casino and liquor operations construction projects.

9. DEBT SERVICING

Debt servicing costs of \$969 million (2020 - \$1,037 million) are net of interest recoveries from GBEs of \$858 million (2020 - \$838 million), interest on provincial debt held as investments of \$5 million (2020 - \$12 million) and includes \$14 million (2020 - \$5 million) representing interest expense of government organizations. GBEs debt servicing costs of \$859 million (2020 - \$852 million) are reported in Schedule 3.

10. AMOUNTS HELD IN TRUST

Amounts held in trust are assets over which the Manitoba Legislature has no power of appropriation. These amounts are not included in the summary financial statements because the Government has no equity in the amounts and administers them according to trust or other agreed-upon arrangements. As at March 31, 2021 amounts held in trust were as follows:

10. Amounts Held in Trust (continued)

| | Valuation Method | (\$ millions) | |
|---|---------------------|----------------|----------------|
| | | 2021 Actual | 2020 Actual |
| Various Universities and Colleges | cost | 549 | 541 |
| The Public Guardian and Trustee of Manitoba | various | 301 | 277 |
| Production Insurance Trust | cost | 525 | 472 |
| The Public Service Group Insurance Fund | market | 282 | 235 |
| Manitoba Development Corporation | cost | 39 | 54 |
| Hail Insurance Trust | cost | 74 | 61 |
| Other Fiduciary Trust | various | 60 | 58 |
| Custodial trust held by Departments | various | 19 | 19 |
| Suitor's Money Act | cost | 9 | 15 |
| | | 1,858 | 1,732 |

Universities and Colleges hold endowment and trust funds in the form of cash, cash equivalents, bonds, equities, real estate and other securities.

The Public Guardian and Trustee of Manitoba administers the estates and trusts of mentally disabled persons, deceased persons, and infants. The estates and trusts under administration are in the form of bonds, equities, real estate, mortgages and other securities.

Manitoba Agricultural Services Corporation (MASC) is the trustee for the Production Insurance Trust and the Hail Insurance Trust. These trusts were created for the benefit of program participants. The trusts will be used to pay program indemnities to participating producers. Funding for the trusts will be provided based on insurance premiums collected by MASC.

The Public Service Group Insurance Fund is administered by the Civil Service Superannuation Board. It includes three plans to provide life insurance, accidental death and disablement insurance, and dependents insurance for eligible employees and retired employees (and their eligible dependents) of the Government of Manitoba and most of its Agencies and Boards. These funds are in the form of cash, cash equivalents and equities.

Manitoba Development Corporation administers funds from the Business Investor Stream of the Provincial Nominee Program. These funds are invested in the form of cash, cash equivalents, bonds and investments.

Other Fiduciary Trust funds are interest bearing deposits which are pooled with the Government's investments in order to earn a market rate of interest. Government departments also hold custodial trust funds in the form of bonds and other securities.

11. RISK MANAGEMENT AND THE USE OF DERIVATIVE FINANCIAL INSTRUMENTS

Borrowings in both Canadian and foreign financial markets result in exposure to risks, which include foreign exchange risk, interest rate risk, credit risk and liquidity risk.

The Government employs various risk management strategies and operates within fixed risk exposure limits to ensure exposure to risk is managed in a prudent and cost effective manner. Varieties of strategies are used, including the use of derivative financial instruments (derivatives).

11. Risk Management and the Use of Derivative Financial Instruments (continued)

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Government uses derivatives to hedge and mitigate foreign exchange risk and interest rate risk. The Government does not use derivatives for speculative purposes.

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that the cash flows needed to repay the interest and principal on loans in foreign currencies will vary due to fluctuations in foreign exchange rates.

To manage this risk, the Government uses derivative contracts, including foreign exchange forward contracts as well as swaps, to convert foreign currency principal and interest cash flows into Canadian dollar denominated cash flows. The current portfolio of foreign debt is fully hedged through the use of derivatives and U.S. dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of \$ nil (2020 - \$ nil). This account is fixed with no sensitivity to future foreign exchange rates.

Derivative contracts hedge the underlying debt by matching the critical terms to achieve effectiveness. The policy has effectively hedged the foreign currency debt principal and interest payments in relation to general purpose debt.

Manitoba Hydro has exposure to U.S. dollar foreign exchange fluctuations primarily through the sale and purchase of electricity and fuel in the U.S. This exposure is managed through a long-term natural hedge between U.S. dollar cash inflows from export revenues and U.S. dollar cash outflows for long-term debt coupon and principal payments. As a means to bridge temporary timing differences between inflows and outflows to future years' U.S. dollar requirements, Manitoba Hydro also utilizes derivative foreign exchange forward contracts as required.

INTEREST RATE RISK

Interest rate risk is the risk that debt servicing costs will vary unfavourably according to interest rate fluctuations.

To reduce its exposure to interest rate risk, the Government uses derivatives to manage the fixed and floating interest rate mix of its debt portfolio.

After taking into account derivatives used to manage interest rate risk, investments held as sinking funds and eliminating debt incurred on behalf of Manitoba Hydro, the structure of the debt as at March 31, 2021 was 93% at fixed rates and 7% at floating rates (2020 - 91% at fixed rates and 9% at floating rates). A 1.0% (100 basis points) movement in interest rates on the 7% floating rate debt for an entire year would increase/decrease debt servicing costs, net of recoveries, by \$21 million (2020 - \$26 million).

CREDIT RISK

Credit risk is the risk that a counterparty will default on its contractual obligations. The Government manages its credit risk exposure from derivatives by, among other activities, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, the Government enters into contractual agreements ("master agreements") with all of its counterparties. As at March 31, 2021 the Government has a gross credit risk exposure related to derivatives of \$383 million (2020 - \$20 million).

LIQUIDITY RISK

Liquidity risk is the risk that the Government will not be able to meet its financial commitments over the short term. To reduce liquidity risk, the Government maintains liquid reserves (i.e. cash and cash equivalents) at levels that will meet future cash requirements and will give the Government flexibility in the timing of issuing debt. In addition, the Government has short-term note programs, bank lines and sinking funds as alternative sources of liquidity. This risk is also managed by distributing debt maturities over many years.

11. Risk Management and the Use of Derivative Financial Instruments (continued)

DERIVATIVE PORTFOLIO

The following table presents the fair value of derivative financial instruments with contractual or notional principal amounts outstanding at March 31:

| | (\$ millions) | | | |
|--|-------------------|---------------|-------------------|---------------|
| | 2021 Actual | | 2020 Actual | |
| | Notional Value | Fair Value | Notional Value | Fair Value |
| Interest rate and cross currency swaps | 48,629 | (64) | 50,969 | (1,289) |

Notional amounts of derivatives contracts represent the contractual amounts to which a rate or price is applied for computing the cash flows to be exchanged. The notional amounts are used to determine the gains/losses and fair value of the contracts and is generally a measure of the exposure to the asset class to which the contract relates. They are not recorded as assets or liabilities on the statement of financial position. Notional amounts do not represent the potential gain or loss associated with the market risk or credit risk associated with the derivative contract.

Fair values of the swap agreements are the estimated amount that the Government would receive or pay, based on market factors, if the agreements were terminated on March 31. They are established by discounting the expected cash flows of the swap agreements using year-end market interest and exchange rates. A positive (negative) fair value indicates that the government would receive (make) a payment if the agreements were terminated.

12. SIGNIFICANT TRANSACTIONS WITH GOVERNMENT BUSINESS ENTERPRISES

Transactions with GBEs are not eliminated for purposes of summary reporting because they are reported in these summary financial statements using the modified equity method of accounting. These financial statements include the following transactions between the Government and GBEs, which have not been eliminated:

A. ACCOUNTS RECEIVABLE AND LOANS AND ADVANCES

Amounts receivable includes receivables from GBEs as reported in Schedule 1 to the summary financial statements. Loans and advances to GBEs are reflected in Schedule 2 to the summary financial statements.

B. INVESTMENTS

MPIC holds \$567 million (2020 - \$611 million) of Provincial bonds and debentures with maturities dates ranging from 2021 to 2052 and interest rates ranging from 3.0% to 7.0%.

C. WATER POWER RENTALS

Water power rental fees charged to Manitoba Hydro, for \$117 million (2020 - \$115 million), are included in the Consolidated Statement of Revenue and Expense under the fees and other revenue category. Water power rental rates are authorized by Regulation 25/88 and 197/2001 under The Water Power Act. Rentals are paid to the Government for the use of water resources in the operation of Manitoba Hydro's hydroelectric generating stations.

12. Significant Transactions with Government Business Enterprises (continued)

D. FEES ON GOVERNMENT GUARANTEES

Manitoba Hydro remitted \$222 million (2020 - \$207 million) to the Government based on the amount of their debt that is guaranteed by the Government. The fees are included in the Consolidated Statement of Revenue and Expense under the sinking funds and other investment earnings category.

E. DRIVER LICENSING OPERATIONS

The Government, by agreement, paid \$30 million (2020 - \$30 million) to MPIC for the management and administration of driver licensing. MPIC, on behalf of the Government, collected driver licensing fees totalling \$25 million (2020 - \$26 million) and motor vehicle registration fees totalling \$187 million (2020 - \$192 million).

The fees received by the Government are included in the Consolidated Statement of Revenue and Expense under the fees and other revenue category.

F. OTHER REVENUE

Manitoba Liquor and Lotteries Corporation provided \$5 million in funding to the Addictions Foundation of Manitoba for the year ended March 31, 2021 (2020 - \$5 million) for addictions and problem gambling services programs. In addition, the Corporation provided \$5 million (2020 - \$5 million) in funding to the Liquor, Gaming and Cannabis Authority of Manitoba and the Ministry of Crown Services through the payment of annual licence fees and levies.

Manitoba Hydro paid the Government \$117 million (2020 - \$112 million) for corporation capital tax. MPIC paid the Government \$32 million (2020 - \$44 million) for insurance premium tax. GBEs paid the Government a combined total of \$18 million (2020 - \$18 million) for Levy for Health and Education.

MPIC paid the Manitoba Health Services Insurance Fund \$30 million (2020 - \$30 million) to cover non-insured medical expenses.

These amounts are included in the Consolidated Statement of Revenue and Expense under the fees and other revenue and other taxes categories.

13. EMPLOYEE FUTURE BENEFITS

| | (\$ millions) | |
|----------------------------------|---------------|--------|
| | 2021 | 2020 |
| | Actual | Actual |
| Severance | 468 | 463 |
| Long term disability income plan | 41 | 40 |
| Workers compensation claims | 58 | 49 |
| | 567 | 552 |

The severance liability is valued using discount rates that range from 2.60% to 5.75% and salary increase rates that range from 1.82% to 3.75%. Unamortized actuarial gains and losses are amortized over the estimated average remaining service life (EARS). Periods range from 7.8 to 15 years. As of March 31, 2021, net unamortized losses were \$40 million (March 31, 2020 - \$26 million).

The long term disability income plan is valued using a discount rate of 3.30%. Actuarial gains and losses are recognized as income as they occur. Workers compensation claims are recognized based on an actuarial valuation prepared for the Workers Compensation Board. The December 31, 2020 valuation was prepared using a discount rate of 5.75% and a salary increase rate of 3.25%. Actuarial gains and losses are recognized as income as they occur.

14. EXPENSES IN EXCESS OF LEGISLATIVE AUTHORITY

The budget estimates presented on the Consolidated Statement of Revenue and Expense, excludes \$1,977 million in supplementary estimates related to the departments. The original budget estimate amounts plus the \$1,977 million in supplementary estimates becomes the revised estimates, against which expenses in excess of legislative authority are determined. Based upon the revised estimates, the following departments were over-expended at March 31, 2021:

PART A – OPERATING EXPENSE:

| | (\$ millions) |
|------------------------------------|---------------|
| Central Services | 91 |
| Conservation and Climate | 177 |
| Employee Pensions and Other Costs | 5 |
| Emergency and Other Appropriations | 31 |

15. LIABILITY FOR CONTAMINATED SITES

The Province reports environmental liabilities related to the management and remediation of contaminated sites where the Province is obligated to incur such costs. A contaminated sites liability of \$379 million (2020 - \$265 million) has been recorded based on environmental assessments or estimations for those sites where an assessment has not been conducted.

As of March 31, 2021 the Province has identified 556 sites which require remediation from contamination.

The Province is responsible for the risk management and potential remediation of certain orphaned and abandoned mine sites that exist on Crown land. For most of these mine sites, the companies that caused the contamination no longer exist. The mining operations were primarily comprised of gold and other metals. The risk of contamination at these sites primarily comes from mine tailings and other possible contaminants that were left on site. The liability also includes sites associated with highway maintenance, airports, marines, landfills, sewage treatment facilities, commercial and industrial operations, parks and other protected areas.

The nature of contamination includes petroleum hydrocarbons, polyaromatic hydrocarbons, BTEX, toxic heavy metals, polychlorinated biphenyl and other organic contaminants. The sources of contamination include above ground and underground fuel storage tanks, fuel handling, pipelines, chemical storage, by-product waste, metal based paint, and the leaching of materials deposited in landfills. Sites often have multiple sources of contamination.

Where sites require ongoing remediation, monitoring, or maintenance all estimated future costs are discounted using the province's weighted average cost of capital. Remediation at three sites requires the operation of water treatment systems for the next 40 years. Expenditures of \$198 million for the future operation of the water treatment plants have been discounted at 3.2% over the next 40 years. The assumed rate of inflation is 2.0%.

Manitoba Hydro will incur future costs associated with the assessment and remediation of contaminated lands and facilities for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. A reasonable estimate of the associated costs, not already recognized as asset retirement obligations, cannot be made at this time. No provision has been included for these items as of March 31, 2021.

16. RELATED PARTY DISCLOSURES

A related party exists when one party has the ability to exercise control or shared control over the other. Related parties include key management personnel, their close family members and the entities they control or have shared control over. For the summary financial statements, related party transactions do not include transactions and balances eliminated on consolidation and those with entities accounted for under the modified equity method. Related parties do not include restructuring transactions, disclosure of key management personnel compensation arrangements, expense allowances, and other similar payments routinely paid in exchange for services rendered.

Related party transactions are disclosed if they occurred at a value different from that which would have been arrived if the parties were unrelated and the transaction has a material effect on the summary financial statements.

For the year ended March 31, 2021, there were no material related party transactions or balances to disclose.

17. TRANSFERS TO THE WINNIPEG FOUNDATION

During the fiscal year, the Province transferred and deposited \$98 million (2020 - \$119 million) in various trust accounts either directly or on behalf of certain Manitoba community foundations to The Winnipeg Foundation (TWF). TWF is a registered charity and is classified as a public foundation for the purposes of the Income Tax Act (Canada).

The funds transferred to the trust are irrevocable. The trust funds are administered and invested by TWF for the purpose of generating revenue for purposes specified in the trust agreements. The trusts are not controlled by the Province and therefore are not consolidated as part of the GRE. The total transfers have been expensed in the following ministries and the balances as at March 31, 2021 are as follows:

17. Transfers to the Winnipeg Foundation (continued)

Trust Balances at The Winnipeg Foundation (listed at cost)

| | \$ (millions) | |
|---|----------------------|---------------|
| | 2021 | 2020 |
| | Actual | Actual |
| Agriculture and Resource Development | | |
| Fish and Wildlife Enhancement Fund | 22 | 20 |
| GROW | 52 | 52 |
| Wetlands GROW | 50 | 50 |
| Highway One West Shelterbelt Renewal | 2 | 2 |
| Conservation Trust Fund | 102 | 102 |
| Manitoba Habitat Heritage Corporation Fund Foundation | 15 | 15 |
| Harry J. Enns Oak Hammock Marsh Fund | 6 | 6 |
| Oak Hammock Marsh Capital Renewal | 2 | 2 |
| Fort Whyte Endowment Fund | 4 | 4 |
| Watershed District Association | 3 | - |
| Growing Outcomes in Watersheds Trust Fund | 3 | - |
| Hunter Education and Firearms Safety | 2 | - |
| Conservation and Climate | | |
| Provincial Parks Endowment Fund | 20 | - |
| Families | | |
| Child Care Sustainability Fund | 2 | 2 |
| Employment and Income Assistance Fund | 20 | - |
| Manitoba Accessibility Fund | 20 | - |
| Municipal Relations | | |
| Trails Manitoba Endowment Fund | 8 | 8 |
| Endow Manitoba Fund | 10 | 10 |
| Manitoba Trails Strategic Fund – Rural | 3 | - |
| Sport, Culture and Heritage | | |
| Signature Museum Sustainability Funds | 10 | 10 |
| Manitoba Heritage Trust Program | 5 | 5 |
| Military Memorials Conservation Fund | 2 | 2 |
| The Bay Building Heritage Preservation Fund | 25 | - |
| | 388 | 290 |

18. CONTRACTUAL RIGHTS

The Government is involved in various contracts and agreements arising in the ordinary course of business. This results in contractual rights to economic resources, leading to both assets and revenue in the future. The total amounts outstanding from these agreements at March 31, 2021 are as follows:

| (\$ millions) | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 and thereafter | Total |
|-------------------------------|------|------|------|------|------|---------------------------|-------|
| Federal transfers - Capital | 72 | 40 | 22 | 9 | 1 | 4 | 148 |
| Federal transfers - Operating | 80 | 17 | 1 | 1 | 1 | - | 100 |
| Lease and rental agreements | 140 | 138 | 136 | 135 | 135 | 188 | 872 |
| Other | 14 | 14 | 15 | 15 | 16 | 327 | 401 |
| Total | 306 | 209 | 174 | 160 | 153 | 519 | 1,521 |

Under section 22(4) of The Manitoba Liquor and Lotteries Corporation Act, the Province is entitled to receive the net revenue from the Manitoba Liquor And Lotteries Corporation. The future amounts to be received are unknown; therefore, they have not been included in the table above. These contractual rights could be significant.

The contractual rights for water power rentals included in Lease and rental agreements has been estimated using the current year's revenue for the next 6 years. This contract has no expiration date and amounts beyond 2027 may be significant. Contractual rights amounts relating to Provincial Park land leases with cottagers included in Lease and rental agreements have been calculated based on the current year revenue for the next 6 years. These lease agreements have various expiration dates, however, the amounts beyond 2027 are not included and these future amounts could be significant.

The Province is also entitled to receive investment revenue from various investments held in irrevocable trusts by The Winnipeg Foundation. The amount of revenue to be received is unknown and dependent on the rate of return earned on the investments.

Manitoba Hydro has dependable export sales contracts to U.S. and Canada totaling approximately \$9.5 billion expiring in 2052. Dependable sales are export contracts sourced from Manitoba Hydro's hydraulic energy available during lowest water conditions.

19. ADJUSTMENTS TO ACCUMULATED DEFICIT

Effective for fiscal years beginning on or after January 1, 2009, local governments were required to record their tangible capital assets in their financial statements. An analysis of unincorporated communities' tangible capital assets was recently concluded and effective April 1, 2019, the Government has made an adjustment to record these tangible capital assets in these financial statements. The adjustment decreased the opening net accumulated deficit at April 1, 2020 by \$58 million (2019 - \$58 million). Amortization charges for the year ended March 31, 2020 were nil.

20. IMPACT OF COVID-19 PANDEMIC

Through the entire 2020/21 fiscal year, the Government maintained a state of emergency in response to the COVID-19 pandemic. The government's response to the COVID-19 pandemic had a significant financial impact on the summary financial statements for the year ended March 31, 2021.

The Province received equipment and supplies at no cost from the Government of Canada in response to COVID-19. These are recorded at fair value estimated to be \$63 million. No amounts have been recorded for the COVID-19 vaccines because the fair value of these vaccines received from the Government of Canada cannot be reasonably determined. Due to confidentiality clauses embedded in contracts between the Government of Canada and the various COVID-19 vaccine manufacturers, information related to the price per dose of vaccine could not be shared with the Province.

The pandemic has increased measurement uncertainty as noted in Note 1.E Measurement uncertainty. The COVID-19 pandemic has increased risks related to the operations and financial reporting processes of the Province and for this reason the pandemic has been identified as a key audit matter by the Auditor General. Many staff worked remotely during the fiscal year. There is inevitably an increase in risk due to the remote accessing of information technology systems.

An additional \$1,977 million in expenditure authority was authorized for fiscal year 2020/21 by the Legislative Assembly to support the pandemic response and economic recovery. The future financial impacts of the pandemic on the province are ongoing and cannot be fully determined at this time.

21. RESTATED BUDGET

The restated budget on the Consolidated Statement of Revenue and Expense are taken from Budget 2020 as presented to the Legislative Assembly on March 19, 2020 and restated for comparability to the current year results.

Refer to Schedule 10 for further details. The restated amounts do not include other authorizations granted for COVID-19 in subsequent Main Estimates Supplements of \$1,977 million.

22. COMPARATIVE FIGURES

On January 5, 2021, the Government announced organizational changes that resulted in certain functions being transferred between departments. As a result, certain 2020 financial statement balances have also been reclassified to be presented on the same basis as the 2021 results.

SCHEDULE 1

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF AMOUNTS RECEIVABLE

As at March 31, 2021

| | (\$ millions) | |
|---|---------------------|---------------------|
| | 2021 Actual | 2020 Actual |
| TAXATION: | | |
| Income taxes..... | 244 | 254 |
| Retail sales tax..... | 264 | 231 |
| Other taxes..... | 146 | 135 |
| | <u>654</u> | <u>620</u> |
| GOVERNMENT OF CANADA AND OTHER GOVERNMENTS: | | |
| Government of Canada shared cost programs/agreements..... | 532 | 646 |
| Other..... | 506 | 468 |
| | <u>1,038</u> | <u>1,114</u> |
| OTHER: | | |
| Health and social services..... | 185 | 175 |
| Government business enterprises..... | 23 | 18 |
| Sundry departmental revenue..... | 158 | 112 |
| Other..... | 259 | 167 |
| | <u>625</u> | <u>472</u> |
| | 2,317 | 2,206 |
| Less: Allowances..... | <u>416</u> | <u>349</u> |
| Total Amounts Receivable..... | <u><u>1,901</u></u> | <u><u>1,857</u></u> |

SCHEDULE 2

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF LOANS AND ADVANCES

As at March 31, 2021

| | (\$ millions) | |
|---|----------------|----------------|
| | 2021 Actual | 2020 Actual |
| GOVERNMENT BUSINESS ENTERPRISES: | | |
| Manitoba Hydro-Electric Board..... | 23,937 | 23,078 |
| Manitoba Liquor and Lotteries Corporation..... | 357 | 381 |
| | 24,294 | 23,459 |
| Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board..... | 23,937 | 23,078 |
| | 357 | 381 |
| OTHER: | | |
| Loans and mortgages - Note a..... | 1,039 | 1,099 |
| Stadium loan - Note b..... | 137 | 137 |
| Manitoba student loans - Note c..... | 223 | 182 |
| Family services agencies - Note d..... | 26 | 27 |
| Other..... | 58 | 32 |
| | 1,483 | 1,477 |
| TOTAL LOANS AND ADVANCES | 1,840 | 1,858 |
| Less: Valuation allowance..... | 249 | 254 |
| NET LOANS AND ADVANCES | 1,591 | 1,604 |

The government business enterprises loans and advances portfolio is due in varying annual amounts to the year 2120, bearing interest at either:

- i) Fixed with rates ranging from 1.25% to 10.50%; or
- ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 0.61% and the highest set at 0.93% as at March 31, 2021.

Note a

| | | | |
|------|--|-------|-------|
| i) | Agricultural direct lending and special assistance program mortgages, due in varying annual amounts to the year 2046, bearing interest at rates ranging from 2.50% to 9.00%. | 901 | 943 |
| ii) | Housing direct lending and special assistance program mortgages, due in varying annual amounts to the year 2053, bearing interest at rates ranging from 0% to 13.50%. | 72 | 80 |
| iii) | Business development assistance loans, due in varying annual amounts to the year 2040, bearing interest at rates ranging from 0% to 5.88%. | 43 | 52 |
| iv) | Northern business development and fishing industry assistance loans, due in varying annual amounts to the year 2031, bearing interest at rates ranging from 4.50% to 8.08%. | 23 | 24 |
| | | 1,039 | 1,099 |

Note b Stadium loan to Triple B Stadium Inc., bearing interest at 4.65%; and issued in two phases, with Phase 1 due in varying annual amounts to 2038 and Phase 2 due in annual payments of principal and interest to 2058.

Note c Student loans, interest-free and not repayable until 6 months past the completion of studies, due 114 to 174 months after that time.

Note d Advances to provide family services agencies with prepayment of fee for service charges, to be repaid when no longer required, bearing no interest.

SCHEDULE 3

SUMMARY FINANCIAL STATEMENTS

GOVERNMENT BUSINESS ENTERPRISES

SCHEDULE OF CONSOLIDATED OPERATING RESULTS AND FINANCIAL POSITION

For the Year Ended March 31, 2021

| | (\$ millions) | | | TOTAL | TOTAL |
|--|---------------|-----------|---------|--------|--------|
| | UTILITY | INSURANCE | FINANCE | 2021 | 2020 |
| CHANGES IN EQUITY | | | | | |
| Results from Operations: | | | | | |
| Revenues from operations..... | 2,845 | 1,593 | 1,270 | 5,708 | 5,872 |
| Expenses: From operations..... | 1,880 | 1,537 | 832 | 4,249 | 4,107 |
| Debt servicing..... | 846 | - | 13 | 859 | 852 |
| Total expenses..... | 2,726 | 1,537 | 845 | 5,108 | 4,959 |
| Net income | 119 | 56 | 425 | 600 | 913 |
| Other comprehensive income (loss)..... | 187 | 56 | - | 243 | 69 |
| Total comprehensive income..... | 306 | 112 | 425 | 843 | 982 |
| Transfers to the Government..... | - | - | (425) | (425) | (606) |
| Net increase in equity in government business enterprises..... | 306 | 112 | - | 418 | 376 |
| FINANCIAL POSITION | | | | | |
| Assets: | | | | | |
| Cash and temporary investments..... | 1,142 | 184 | 51 | 1,377 | 1,234 |
| Amounts receivable..... | 464 | 514 | 55 | 1,033 | 975 |
| Portfolio investments: Due from Government and government organizations..... | - | 591 | - | 591 | 629 |
| Due from others..... | - | 3,267 | - | 3,267 | 2,847 |
| Capital assets..... | 26,023 | 143 | 338 | 26,504 | 25,662 |
| Other assets..... | 3,086 | 123 | 146 | 3,355 | 2,993 |
| Total assets..... | 30,715 | 4,822 | 590 | 36,127 | 34,340 |
| Liabilities: | | | | | |
| Accounts payable, accrued liabilities and deferred revenue..... | 2,769 | 1,051 | 164 | 3,984 | 3,594 |
| Long-term debt: Owing to Government..... | 23,937 | - | 357 | 24,294 | 23,459 |
| Other borrowings, discounts and deferred transaction costs..... | 249 | 7 | 64 | 320 | 283 |
| Net pension obligations | 737 | 458 | - | 1,195 | 1,141 |
| Future cost of existing claims..... | - | 2,182 | - | 2,182 | 2,150 |
| Total liabilities..... | 27,692 | 3,698 | 585 | 31,975 | 30,627 |
| Equity: | | | | | |
| Non-controlling interests..... | 323 | - | - | 323 | 302 |
| Equity in government business enterprises..... | 2,700 | 1,124 | 5 | 3,829 | 3,411 |
| Total equity..... | 3,023 | 1,124 | 5 | 4,152 | 3,713 |
| Total liabilities and equity..... | 30,715 | 4,822 | 590 | 36,127 | 34,340 |
| EQUITY COMPRISED OF: | | | | | |
| Retained earnings..... | 3,260 | 1,107 | 5 | 4,372 | 4,197 |
| Accumulated other comprehensive income (loss)..... | (560) | 17 | - | (543) | (786) |
| Equity in government business enterprises..... | 2,700 | 1,124 | 5 | 3,829 | 3,411 |

Note: For government business enterprises whose fiscal year end is prior to March 31, the amounts reflected are as at their fiscal year end. The financial statements of the Manitoba Public Insurance Corporation for the 2019/20 fiscal period includes 13 months ending March 31, 2020.

SCHEDULE 4

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF BORROWINGS

As at March 31, 2021

| (\$ millions) | | | | | | | |
|--|----------------------|-------|-------------------------|--|--|-------------|-------------|
| Fiscal Year of Maturity | Bonds and Debentures | | Canada Pension Plan Cdn | Loans and Mortgages Cdn | Promissory Notes and Treasury Bills Cdn | Totals | |
| | Cdn | US | | | | 2021 Actual | 2020 Actual |
| 2021..... | - | - | - | - | - | - | 5,834 |
| 2022..... | 2,480 | 377 | - | 1 | 2,025 | 4,883 | 2,907 |
| 2023..... | 2,529 | 189 | - | - | - | 2,718 | 2,741 |
| 2024..... | 2,788 | 440 | - | - | - | 3,228 | 2,884 |
| 2025..... | 3,473 | - | - | - | - | 3,473 | 3,473 |
| 2026..... | 3,965 | - | - | - | - | 3,965 | 2,735 |
| 2021-2026..... | 15,235 | 1,006 | - | 1 | 2,025 | 18,267 | 20,574 |
| 2027-2031..... | 11,735 | - | - | - | - | 11,735 | 8,879 |
| 2032-2041..... | 7,155 | - | 300 | - | - | 7,455 | 6,003 |
| 2042-2071..... | 16,289 | - | 178 | - | - | 16,467 | 16,278 |
| 2072-2122..... | 600 | - | - | - | - | 600 | - |
| 2027-2122..... | 35,779 | - | 478 | - | - | 36,257 | 31,160 |
| 2022-2057 Government Organizations..... | 453 | - | - | 248 | - | 701 | 766 |
| Total borrowings..... | 51,467 | 1,006 | 478 | 249 | 2,025 | 55,225 | 52,500 |
| Reduced by: | | | | | | | |
| Debt incurred for and repayable by the Manitoba Hydro-Electric Board..... | | | | | | | |
| | | | | | | (23,937) | (23,078) |
| Unamortized debt issue costs..... | | | | | | | |
| | | | | | | (287) | (277) |
| Unamortized gains and losses on derivative contracts. Province of Manitoba debt issues held as investments in sinking funds and cash and cash equivalents..... | | | | | | | |
| | | | | | | 435 | 268 |
| | | | | | | (97) | (141) |
| | | | | | | 31,339 | 29,272 |
| | | | | March 31/21 Cdn \$ Valuation (See Notes) | March 31/20 Cdn \$ Valuation (See Notes) | | |
| Borrowings payable in: | | | | | | | |
| Canadian dollars | | | | 42,257 | 37,996 | | |
| Foreign issues hedged to Canadian dollars | | | | 11,962 | 13,014 | | |
| U.S. dollars | | | | 377 | 426 | | |
| Issues hedged to U.S. dollars | | | | 629 | 1,064 | | |
| Total borrowings | | | | 55,225 | 52,500 | | |

Note a: The hedges are derivative contracts which include swaps and forward foreign exchange contracts.

Note b: The Canadian dollar valuation is calculated using the foreign currency exchange rates in effect at each March 31 adjusted for any forward foreign exchange contracts entered into for settlement after year-end.

Note c: Interest rates on these borrowings fall into one of two categories:

i) Fixed with rates ranging from 1.32% to 10.68%.

ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 0.22% and the highest set at 2.09% as at March 31, 2021.

SCHEDULE 5

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF ACCOUNTS PAYABLE, ACCRUED CHARGES, PROVISIONS AND UNEARNED REVENUE

As at March 31, 2021

| | (\$ millions) | |
|---|---------------------|---------------------|
| | 2021 Actual | 2020 Actual |
| ACCOUNTS PAYABLE | <u>2,272</u> | <u>1,507</u> |
| ACCRUED CHARGES: | | |
| Interest..... | 184 | 200 |
| Disaster financial assistance..... | 99 | 62 |
| Liability for contaminated sites (Note 15)..... | 379 | 265 |
| Salaries and benefits..... | 1,138 | 975 |
| Employee future benefits (Note 13)..... | 568 | 552 |
| Other..... | <u>397</u> | <u>177</u> |
| | <u>2,765</u> | <u>2,231</u> |
| PROVISION FOR FUTURE LOSSES (Note 7) | <u>10</u> | <u>11</u> |
| UNEARNED REVENUE | <u>704</u> | <u>650</u> |
| Total Accounts Payable, Accrued Charges, Provisions and Unearned Revenue | <u><u>5,751</u></u> | <u><u>4,399</u></u> |

SCHEDULE 6

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PENSION LIABILITY

As at March 31, 2021

| | Civil Service Superannuation Plan | Teachers' Pension Plan | Post- Secondary Education Plans (Note A) | Public School Division Plans (Note A) | Other Plans (Note A) | (\$ millions) | |
|--|--|------------------------------|--|---|----------------------------|---------------|---------------|
| | | | | | | Total 2021 | Total 2020 |
| ACCRUED BENEFIT OBLIGATION | | | | | | | |
| Obligation at beginning of year..... | 3,295 | 4,412 | 1,644 | 594 | 150 | 10,095 | 9,780 |
| Current service costs..... | 82 | 111 | 67 | 18 | 4 | 282 | 284 |
| Interest cost on benefit obligation..... | 184 | 262 | 88 | 34 | 7 | 575 | 562 |
| Change in actuarial (gains) losses and reserves..... | 29 | - | 37 | 1 | - | 67 | 56 |
| Benefits paid..... | (258) | (231) | (129) | (32) | (8) | (658) | (587) |
| Obligation at end of year..... | <u>3,332</u> | <u>4,554</u> | <u>1,707</u> | <u>615</u> | <u>153</u> | <u>10,361</u> | <u>10,095</u> |
| PLAN ASSETS | | | | | | | |
| Plan assets at beginning of year..... | 2,320 | 2,413 | 1,643 | 592 | 57 | 7,025 | 6,861 |
| Employer contributions..... | 92 | 121 | 41 | 12 | 7 | 273 | 281 |
| Employee contributions..... | - | - | 30 | 10 | 1 | 41 | 43 |
| Transfer of plan assets..... | - | - | - | - | - | - | 2 |
| Benefits paid..... | (258) | (231) | (129) | (32) | (8) | (658) | (587) |
| Expected return on plan assets..... | 127 | 146 | 84 | 33 | 3 | 393 | 387 |
| Experience gains (losses)..... | 126 | 252 | 31 | 11 | 1 | 421 | 38 |
| Market value of plan assets..... | 2,407 | 2,701 | 1,700 | 626 | 61 | 7,495 | 7,025 |
| Deferred investment losses (gains)..... | (117) | (128) | (97) | - | 1 | (341) | (38) |
| Market related value of plan assets..... | <u>2,290</u> | <u>2,573</u> | <u>1,603</u> | <u>626</u> | <u>62</u> | <u>7,154</u> | <u>6,987</u> |
| PENSION LIABILITY | | | | | | | |
| Plan deficit (surplus)..... | 1,042 | 1,981 | 104 | (11) | 91 | 3,207 | 3,108 |
| Unamortized actuarial gains (losses)..... | 18 | 43 | 12 | (10) | (7) | 56 | (32) |
| Surplus adjustments (Note B)..... | - | - | - | 22 | 7 | 29 | 21 |
| Pension liability..... | <u>1,060</u> | <u>2,024</u> | <u>116</u> | <u>1</u> | <u>91</u> | <u>3,292</u> | <u>3,097</u> |
| PENSION EXPENSE | | | | | | | |
| Defined benefit pension plan expense: | | | | | | | |
| Current service cost..... | 82 | 111 | 67 | 18 | 4 | 282 | 284 |
| Interest cost on benefit obligation..... | 184 | 262 | 88 | 34 | 7 | 575 | 561 |
| Return on plan assets..... | (127) | (146) | (84) | (33) | (3) | (393) | (387) |
| Employee contributions..... | - | - | (30) | (10) | (1) | (41) | (44) |
| Amortization of actuarial (gains) losses..... | 3 | 17 | 13 | 4 | 2 | 39 | 46 |
| Change in surplus adjustments..... | - | - | - | 7 | 1 | 8 | (6) |
| Defined benefit pension plan expense..... | <u>142</u> | <u>244</u> | <u>54</u> | <u>20</u> | <u>10</u> | <u>470</u> | <u>454</u> |
| Defined contribution pension plan expense..... | <u>-</u> | <u>-</u> | <u>6</u> | <u>25</u> | <u>198</u> | <u>229</u> | <u>228</u> |

SCHEDULE 6 (cont'd)

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PENSION LIABILITY

As at March 31, 2021

| | Civil Service Superannuation Plan | Teachers' Pension Plan | Post- Secondary Education Plans | Public School Division Plans | Other Plans | Total 2021 | Total 2020 |
|--|--|------------------------------|--|---------------------------------------|----------------|---------------|---------------|
| MEMBER DATA | | | | | | | |
| Defined benefit pension plan | | | | | | | |
| Number of active and deferred members..... | 20,300 | 23,500 | 5,400 | 5,100 | 200 | 54,500 | 54,900 |
| Number of pensioners..... | 17,200 | 16,000 | 2,600 | 2,200 | 300 | 38,300 | 37,300 |
| Total number of plan members..... | <u>37,500</u> | <u>39,500</u> | <u>8,000</u> | <u>7,300</u> | <u>500</u> | <u>92,800</u> | <u>92,200</u> |
| ACTUARIAL ASSUMPTIONS | | | | | | | |
| Discount rate on accrued benefits..... | 5.75% | 6.00% | 5.20% - 5.50% | 4.75% - 5.75% | 3.20% - 5.50% | | |
| Expected long-term rate of return..... | 5.75% | 6.00% | 5.20% - 5.50% | 4.75% - 5.75% | 3.20% - 5.50% | | |
| Inflation..... | 2.00% | 2.00% | 2.00% - 2.50% | 0.75% - 2.50% | 2.00% - 2.00% | | |
| Real rate of return..... | 3.75% | 4.00% | 3.00% - 3.30% | 2.75% - 4.75% | 1.20% - 3.50% | | |
| Rate of salary increase..... | 3.75% | 2.50% | 1.00% - 3.00% | 3.00% - 4.50% | 0.00% - 3.75% | | |
| Latest valuation..... | (Note C) | (Note C) | (Note C) | (Note C) | (Note C) | | |

Note A: Post-Secondary Education plans include the University of Manitoba Pension Plans, the University of Winnipeg Pension Plan and the Brandon University Retirement Plan.

Public School Division plans include the Winnipeg School Division Pension Fund for Employees Other Than Teachers, Retirement Plan for Non-Teaching Employees of the St. James-Assiniboia School Division, Retirement Plan for Employees of Frontier School Division and The School District of Mystery Lake No. 2355 Pension Plan.

Other plans include the Members of Legislative Assembly Pension Plan, the Legislative Assembly Pension Plan, the Judges' Supplemental Pension Plan, and the Winnipeg Child and Family Services Employee Benefits Retirement Plan.

Note B: For those plans that the Government is unable to access surplus funds within the plan, adjustments are made to record an allowance against these surplus amounts. These pension surplus allowances represent the excess of the adjusted benefit asset over the employers' share of the expected future benefit.

Note C: The latest actuarial valuation report dates and the estimated average remaining service life (EARS), in years, are as follows:

| | <u>Valuation Date</u> | <u>EARS</u> |
|--|-----------------------|-------------|
| - Civil Service Superannuation Plan..... | Dec-19 | 13.0 |
| - Teachers' Retirement Allowance Plan..... | Jan-18 | 12.0 |
| - University of Manitoba Pension Plans..... | Dec-19 | 9.0 |
| - University of Winnipeg Pension Plan..... | Dec-19 | 6.2 |
| - Brandon University Retirement Plan..... | Dec-19 | 9.0 |
| - Winnipeg School Division Pension Fund for Employees Other than Teachers..... | Dec-19 | 11.4 |
| - Retirement Plan for Non-Teaching Employees of the St. James-Assiniboia School Division..... | Dec-19 | 14.0 |
| - Retirement Plan for Employees of Frontier School Division..... | Dec-19 | 13.1 |
| - School District of Mystery Lake..... | Jun-18 | 16.7 |
| - Members of Legislative Assembly Pension Plan..... | Mar-20 | 0.0 |
| - Legislative Assembly Pension Plan..... | Dec-19 | 9.0 |
| - Judges' Supplemental Pension Plan..... | Mar-20 | 9.2 |
| - Winnipeg Child and Family Services Employee Benefits Retirement Plan..... | Dec-19 | 0.0 |

SCHEDULE 7

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS

For the Year Ended March 31, 2021

(\$ millions)

| | General Capital Assets | | | | | Infrastructure | | | | Totals | |
|--|------------------------|--------------------------------------|------------------------|--------------------------------|-------------------------------------|-----------------------|----------------|--------------------------------------|-------------------------------------|---------------|---------------|
| | Land | Buildings and Leasehold Improvements | Vehicles and Equipment | Computer Hardware and Software | Assets Under Construction Note b | Land and Improvements | Transportation | Dams and Water Management Structures | Assets Under Construction Note b | 2021 Actual | 2020 Restated |
| Cost | | | | | | | | | | | |
| Opening cost..... | 329 | 10,793 | 2,793 | 1,256 | 704 | 576 | 7,208 | 760 | 137 | 24,556 | 23,984 |
| Restatements - Note a | - | 34 | 12 | - | 5 | 86 | 25 | - | - | 162 | (77) |
| Adjusted Opening Balance | 329 | 10,827 | 2,805 | 1,256 | 709 | 662 | 7,233 | 760 | 137 | 24,718 | 23,907 |
| Add: | | | | | | | | | | | |
| Additions during the year..... | 7 | 287 | 98 | 23 | 260 | 37 | 275 | (2) | 76 | 1,061 | 1,025 |
| Less: | | | | | | | | | | | |
| Disposals and write downs..... | (32) | (5) | (73) | (19) | (18) | (3) | (2) | - | (2) | (154) | (214) |
| Settlements and reclassifications... | 1 | 129 | 52 | 3 | (185) | 2 | 51 | 6 | (59) | - | - |
| Closing cost..... | 305 | 11,238 | 2,882 | 1,263 | 766 | 698 | 7,557 | 764 | 152 | 25,625 | 24,718 |
| Accumulated amortization | | | | | | | | | | | |
| Opening accumulated amortization... | - | 4,484 | 2,049 | 897 | - | 102 | 2,888 | 153 | - | 10,573 | 10,127 |
| Restatements - Note a | - | 26 | 8 | - | - | 52 | 18 | - | - | 104 | (74) |
| Adjusted Opening Balance | - | 4,510 | 2,057 | 897 | - | 154 | 2,906 | 153 | - | 10,677 | 10,053 |
| Add: | | | | | | | | | | | |
| Amortization..... | - | 310 | 151 | 66 | - | 9 | 235 | 12 | - | 783 | 745 |
| Less: | | | | | | | | | | | |
| Accumulated amortization on disposals and write downs..... | - | (6) | (65) | (18) | - | (1) | - | - | - | (90) | (121) |
| Closing accumulated amortization..... | - | 4,814 | 2,143 | 945 | - | 162 | 3,141 | 165 | - | 11,370 | 10,677 |
| Net Book Value of Tangible Capital Assets..... | 305 | 6,424 | 739 | 318 | 766 | 536 | 4,416 | 599 | 152 | 14,255 | 14,041 |

Note a - Restatements are related to the inclusion of unincorporated communities' tangible capital assets.

Note b - During the year the Province capitalized \$3 million of interest relating to assets under construction (2020 - \$6 million).

SCHEDULE 8

GOVERNMENT ORGANIZATIONS, COMPONENTS AND BUSINESS ENTERPRISES COMPRISING THE GOVERNMENT REPORTING ENTITY

HEALTH

Health and Seniors Care

CancerCare Manitoba
Manitoba Health Services Insurance Plan - Note f
Not-for-Profit Personal Care Homes and Community Health Agencies
3885136 Manitoba Association Inc. (operating as Calvary Place Personal Care Home)
Actionmarguerite (Saint-Boniface) (Saint-Vital) and (St. Joseph)
Bethania Menonite Personal Care Home, Inc.
Clinique Youville Clinic Inc.
Donwood Manor Personal Care Home Inc.
Eden Mental Health Centre
Fred Douglas Personal Care Home
Holy Family Home Inc. and Sisters Servants of Mary
Immaculate Plant Fund
Hope Centre Health Care Incorporated
Klinic Incorporated
LHC Personal Care Home Inc.
Luther Home Corporation
MFL Occupational Health and Safety Centre Inc.
Main Street Project, Inc.
Meadowood Manor
Menno Home for the Aged Inc. (Personal Care Home 1122 Division)
Mount Carmel Clinic
Nine Circles Community Health Centre Inc.
Niverville Heritage PCH Inc.
NorWest Co-op Community Health Centre, Inc.
Odd Fellows and Rebekahs (Personal Care Homes Inc. Golden Links Lodge)
Park Manor Care Inc.
Pembina Place Mennonite Personal Care Home Inc.
Prairie View Lodge
Rest Haven Nursing Home
Rock Lake Health District
Salem Home Inc.
Sexuality Education Resource Centre Manitoba, Inc.
Southeast Personal Care Home Inc.
Tabor Home Inc.
The Convalescent Home of Winnipeg
The Salvation Army Golden West Centennial Lodge
The Saul and Claribel Simkin Centre Personal Care Home Inc.
The Saul and Claribel Simkin Centre Foundation Inc. - Note f
Villa Youville Inc. - Nursing
West Park Manor Personal Care Home Inc.
Women's Health Clinic Inc.
Regional Health Authorities (including controlled organizations)
Interlake-Eastern Regional Health Authority
Northern Regional Health Authority Inc.
Prairie Mountain Health
Southern Health-Santé Sud
Winnipeg Regional Health Authority
Rehabilitation Centre for Children, Inc.
St. Amant Inc.
Shared Health Inc.

Mental Health, Wellness and Recovery

Addictions Foundation of Manitoba

EDUCATION AND ECONOMIC DEVELOPMENT

Advanced Education, Skills and Immigration

Assiniboine Community College
Brandon University
Helen Betty Osborne Memorial Foundation - Note f
Red River College
Université de Saint-Boniface
University College of The North
University of Manitoba
University of Winnipeg

Education

Manitoba Learning Resource Centre - Note f
Public School Divisions
Beautiful Plains School Division
Border Land School Division
Brandon School Division
Division scolaire franco-manitobaine
Evergreen School Division
Flin Flon School Division
Fort La Bosse School Division
Frontier School Division
Garden Valley School Division
Hanover School Division
Interlake School Division
Kelsey School Division
Lakeshore School Division
Lord Selkirk School Division
Louis Riel School Division
Manitoba Institute of Trades and Technology
Mountain View School Division
Mystery Lake School District
Park West School Division
Pembina Trails School Division
Pine Creek School Division
Portage la Prairie School Division
Prairie Rose School Division
Prairie Spirit School Division
Red River Valley School Division
River East Transcona School Division
Rolling River School Division
Seine River School Division
Seven Oaks School Division
Southwest Horizon School Division
St James-Assiniboia School Division
Sunrise School Division
Swan Valley School Division
Turtle Mountain School Division
Turtle River School Division
Western School Division
Whiteshell School District
Winnipeg School Division
Public Schools Finance Board - Note f

To view the results of these entities please visit Province of Manitoba <https://www.gov.mb.ca/government/finances>

SCHEDULE 8 (cont'd)

GOVERNMENT ORGANIZATIONS, COMPONENTS AND BUSINESS ENTERPRISES COMPRISING THE GOVERNMENT REPORTING ENTITY

EDUCATION AND ECONOMIC DEVELOPMENT (continued)

Economic Development and Jobs

Community Revitalization Fund - Note f
Communities Economic Development Fund
Co-operative Loans and Loans Guarantee Board - Note f
Economic Development Winnipeg Inc. - Note c
Industrial Technology Centre
Manitoba Development Corporation
Manitoba Opportunities Fund Ltd.
Research Manitoba
Rural Manitoba Economic Development Corporation
Travel Manitoba

FAMILIES

Families

General Child and Family Services Authority
Manitoba Housing and Renewal Corporation

COMMUNITY AND RESOURCE DEVELOPMENT

Agriculture and Resource Development

Abandonment Reserve Fund
Farm Machinery and Equipment Act Fund - Note f
Fish and Wildlife Enhancement Fund - Note f
Food Development Centre - Note f
Manitoba Agricultural Services Corporation
Manitoba Habitat Heritage Corporation - Note f
Manitoba Potash Corporation
Mining Community Reserve - Note f
Mining Rehabilitation Reserve Fund
Quarry Rehabilitation Reserve Fund
Veterinary Science Scholarship Fund - Note f

Conservation and Climate

Efficiency Manitoba Inc.
Manitoba Hazardous Waste Management Corporation
Waste Reduction and Recycling Support Fund - Note f

Indigenous and Northern Relations

Infrastructure

Manitoba Trucking Productivity Improvement Fund - Note f

Municipal Relations

Manitoba Water Services Board
North Portage Development Corporation - Note b

General Government

Public Debt

SPECIAL ACCOUNTS, not attached to a Sector or Department

Rainy Day Fund - Note d

Notes:

- This entity reports to Crown Services.
- North Portage Development Corporation is a government business partnership.
- Economic Development Winnipeg is a government partnership.
- Fiscal Stabilization Account
- This entity reports to Finance.
- This is the last year the entity will be reported in the GRE.

JUSTICE AND OTHER EXPENDITURES

Civil Service Commission

Crown Services

Employee Pensions and Other Costs

Executive Council

Legislative and Public Affairs

Legislative Assembly

Tax Credits

Central Services

Leaf Rapids Town Properties Ltd.
Manitoba Education, Research and Learning
Information Networks (MERLIN)
Materials Distribution Agency
Vehicle and Equipment Management Agency

Finance

Entrepreneurship Manitoba
Financial Literacy Fund - Note f
Funeral Board of Manitoba
Insurance Council of Manitoba
Land Titles Assurance Fund - Note f
Manitoba Financial Services Agency
Pension Asset Fund
Special Operating Agencies Financing Authority
The Public Guardian and Trustee of Manitoba
Vital Statistics Agency - Note f
Workplace Safety and Health Public
Education Fund - Note f

Justice

Legal Aid Manitoba
Liquor, Gaming and Cannabis Authority of Manitoba
Manitoba Horse Racing Commission - Note f
Manitoba Law Reform Commission
Victims Assistance Fund - Note f

Sport, Culture and Heritage

Le Centre culturel franco-manitobain
Manitoba Arts Council
Manitoba Centennial Centre Corporation
Manitoba Combative Sports Commission
Manitoba Film and Sound Recording
Development Corporation
Sport Manitoba Inc.

GOVERNMENT BUSINESS ENTERPRISES:

(Schedule 3)

Utility:

Manitoba Hydro-Electric Board - Note a

Insurance:

Deposit Guarantee Corporation of Manitoba - Note e
Manitoba Public Insurance Corporation - Note a

Finance:

Manitoba Liquor and Lotteries Corporation - Note a

To view the results of these entities please visit Province of Manitoba | <https://www.gov.mb.ca/government/finances>

SCHEDULE 9

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OPERATIONS BY SECTOR

For the Year Ended March 31, 2021

(\$ millions)

| | Health | | Education and Economic Development | | Families | | Community and Resource Development | |
|--|----------------|------------------|---------------------------------------|------------------|----------------|------------------|--|------------------|
| | 2021 Actual | 2020 Restated | 2021 Actual | 2020 Restated | 2021 Actual | 2020 Restated | 2021 Actual | 2020 Restated |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| REVENUE | | | | | | | | |
| Income taxes..... | - | - | - | - | - | - | - | - |
| Other taxes..... | - | - | 943 | 919 | - | - | - | - |
| Fees and other revenue..... | 535 | 614 | 739 | 835 | 139 | 172 | 624 | 630 |
| Federal transfers..... | 1,604 | 1,574 | 295 | 255 | 63 | 72 | 116 | 151 |
| Contributions from entities within the Government Reporting Entity..... | 98 | 60 | 266 | 264 | 1 | - | 3 | - |
| Sinking funds and other investment earnings..... | 6 | 6 | 49 | 56 | - | 1 | 2 | 6 |
| TOTAL REVENUE | 2,243 | 2,254 | 2,292 | 2,329 | 203 | 245 | 745 | 787 |
| EXPENSE | | | | | | | | |
| Personnel services..... | 4,277 | 3,827 | 3,335 | 3,290 | 169 | 210 | 297 | 301 |
| Grants/Transfer payments..... | 1,634 | 1,725 | 496 | 374 | 386 | 371 | 912 | 625 |
| Transportation..... | 71 | 82 | 15 | 36 | 2 | 3 | 36 | 44 |
| Communication..... | 23 | 14 | 29 | 34 | 5 | 4 | 8 | 8 |
| Supplies and services..... | 978 | 907 | 479 | 512 | 156 | 150 | 329 | 151 |
| Social assistance related..... | - | - | 138 | 96 | 1,393 | 1,408 | 199 | 211 |
| Other operating..... | 244 | 143 | 19 | 16 | 94 | 28 | 156 | 102 |
| Debt servicing..... | 56 | 51 | 88 | 94 | 41 | 43 | 27 | 28 |
| Minor capital..... | 19 | 17 | 97 | 78 | - | - | 5 | 3 |
| Amortization..... | 213 | 196 | 178 | 170 | 59 | 54 | 262 | 251 |
| TOTAL EXPENSE | 7,515 | 6,962 | 4,874 | 4,700 | 2,305 | 2,271 | 2,231 | 1,724 |
| NET INCOME (LOSS) FOR THE YEAR | (5,272) | (4,708) | (2,582) | (2,371) | (2,102) | (2,026) | (1,486) | (937) |

* As of February 1, 2021, Manitoba Habitat Heritage Corporation was incorporated under The Corporations Act and ceased to be an reporting entity of the Province. As a result of this change in control, \$48 million has been included in Other operating expenses of the Community and Resource Development sector.

SCHEDULE 9 (cont'd)

SUMMARY FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OPERATIONS BY SECTOR

For the Year Ended March 31, 2021

(\$ millions)

| | Justice and Other Expenditures | | General Government (Note a) | | Adjustments (Note b) | | Total | |
|--|-----------------------------------|------------------|--------------------------------|------------------|-------------------------|------------------|----------------|------------------|
| | 2021 Actual | 2020 Restated | 2021 Actual | 2020 Restated | 2021 Actual | 2020 Restated | 2021 Actual | 2020 Restated |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| REVENUE | | | | | | | | |
| Income taxes..... | - | - | 4,199 | 4,515 | - | - | 4,199 | 4,515 |
| Other taxes..... | - | - | 3,533 | 3,618 | (47) | (45) | 4,429 | 4,492 |
| Fees and other revenue..... | 308 | 224 | 5 | 7 | (18) | (17) | 2,332 | 2,465 |
| Federal transfers..... | 140 | 23 | 3,718 | 2,804 | - | - | 5,936 | 4,879 |
| Contributions from entities within the Government Reporting Entity..... | (6) | - | 600 | 913 | (362) | (324) | 600 | 913 |
| Sinking funds and other investment earnings..... | (10) | 2 | 276 | 306 | - | - | 323 | 377 |
| TOTAL REVENUE | <u>432</u> | <u>249</u> | <u>12,331</u> | <u>12,163</u> | <u>(427)</u> | <u>(386)</u> | <u>17,819</u> | <u>17,641</u> |
| EXPENSE | | | | | | | | |
| Personnel services..... | 644 | 596 | 6 | 3 | 12 | 14 | 8,740 | 8,241 |
| Grants/Transfer payments..... | 534 | 131 | 162 | 27 | (461) | (444) | 3,663 | 2,809 |
| Transportation..... | 34 | 17 | - | - | - | - | 158 | 182 |
| Communication..... | 12 | 15 | - | - | - | - | 77 | 75 |
| Supplies and services..... | 558 | 280 | 1 | 3 | 8 | 32 | 2,509 | 2,035 |
| Social assistance related..... | 12 | 13 | - | - | - | - | 1,742 | 1,728 |
| Other operating..... | 431 | 358 | 131 | 20 | 13 | 11 | 1,088 | 678 |
| Debt servicing..... | 6 | 3 | 751 | 817 | - | 1 | 969 | 1,037 |
| Minor capital..... | 85 | 7 | - | 1 | 1 | - | 207 | 106 |
| Amortization..... | 66 | 67 | 5 | 7 | - | - | 783 | 745 |
| TOTAL EXPENSE | <u>2,382</u> | <u>1,487</u> | <u>1,056</u> | <u>878</u> | <u>(427)</u> | <u>(386)</u> | <u>19,936</u> | <u>17,636</u> |
| NET INCOME (LOSS) FOR THE YEAR | <u>(1,950)</u> | <u>(1,238)</u> | <u>11,275</u> | <u>11,285</u> | <u>-</u> | <u>-</u> | <u>(2,117)</u> | <u>5</u> |

Note a: The general government category includes revenue from sources that cannot be attributed to a particular sector. It also includes federal revenues and expenses related to emergency services and disaster assistance.

Note b: Consolidation adjustments are necessary to conform sectors to Government accounting policies and to eliminate transactions between sectors.

SCHEDULE 10

SUMMARY FINANCIAL STATEMENTS

RESTATED BUDGET

For the Year Ended March 31, 2021

| | | (\$ millions) | | |
|---|--------|---------------|---------|----------|
| | | Adjustments | | |
| | Print | Note a | Note b | Restated |
| TOTAL REVENUE | 17,737 | - | - | 17,737 |
| EXPENSES | | | | |
| Legislative Assembly..... | 50 | - | - | 50 |
| Executive Council..... | 4 | 2 | - | 6 |
| Advanced Education, Skills and Immigration..... | - | 6 | 1,494 | 1,500 |
| Agriculture and Resource Development..... | 429 | 44 | 16 | 489 |
| Central Services..... | 212 | 2 | - | 214 |
| Civil Service Commission..... | 25 | - | 1 | 26 |
| Conservation and Climate..... | 212 | 23 | (16) | 219 |
| Crown Services..... | 2 | - | - | 2 |
| Economic Development and Jobs..... | 1,707 | 22 | (1,496) | 233 |
| Education..... | 3,003 | 1 | - | 3,004 |
| Families..... | 2,161 | 18 | 1 | 2,180 |
| Finance..... | 111 | 1 | (2) | 110 |
| Health and Seniors Care..... | 6,819 | 5 | (340) | 6,484 |
| Indigenous and Northern Relations..... | 33 | - | - | 33 |
| Infrastructure..... | 494 | - | 1 | 495 |
| Justice..... | 700 | 29 | (1) | 728 |
| Legislative and Public Affairs..... | - | 1 | 2 | 3 |
| Mental Health, Wellness and Recovery..... | - | 11 | 341 | 352 |
| Municipal Relations..... | 386 | 52 | (3) | 435 |
| Sport, Culture and Heritage..... | 116 | 26 | (33) | 109 |
| Tax Credits..... | - | - | 36 | 36 |
| Enabling Appropriations..... | 391 | (243) | (1) | 147 |
| Emergency and Other Appropriations..... | 101 | - | - | 101 |
| Debt Servicing..... | 1,001 | - | - | 1,001 |
| Total Expenses | 17,957 | - | - | 17,957 |
| NET INCOME (LOSS) FOR THE YEAR | (220) | - | - | (220) |

Note a: In addition to government ministries, separate "service headings" exist to provide expenditure authority for programs that are delivered by a number of ministries, where it is desirable to know the total amount allocated to the program, or where the allocation to various ministries is not known at the time of printing the budget. In some cases funding is allocated, as required, from Enabling Appropriations to ministries by the Minister of Finance under authority granted by section 33 of The Financial Administration Act. This restatement has no impact to net loss.

Note b: On January 5, 2021, the Province announced organizational changes that resulted in transfers of certain functions between departments. This restatement has no impact to net loss.

Information Provided Under Statutory Requirement

FOR THE YEAR ENDED MARCH 31, 2021



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INFORMATION PROVIDED UNDER STATUTORY REQUIREMENT

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INDEPENDENT AUDITOR'S REPORT

To the Legislative Assembly of the Province of Manitoba

Opinion

We have audited the accompanying Fiscal Stabilization Account "Rainy Day Fund" Statement of Transfers and Account Balance of the Province of Manitoba ("the Province") for the year ended March 31, 2021 ("the statement").

In our opinion, the financial information in the statement of the Province of Manitoba for the year ended March 31, 2021 is prepared, in all material respects, in accordance with Note 2 to the statement.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement section of our report. We are independent of the Province in accordance with the ethical requirements that are relevant to our audit of the statement in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 to the statement, which describes the basis of accounting. The statement is prepared to assist the Province to meet the requirements of Section 65(1)(b) of *The Financial Administration Act*. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter – Supplementary Information

We draw attention to the fact that the supplementary information included in The Schedule of Supplementary Information does not form part of the financial statements. We have not audited or reviewed this supplementary information and, accordingly, we do not express an opinion, a review conclusion or any other form of assurance on this supplementary information.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Province of Manitoba Annual Report and Public Accounts ("annual report"), but does not include the statement and our auditor's report thereon.

Our opinion on the statement does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the statement, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the statement or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the annual report prior to the date of this auditor's report. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Statement

Management is responsible for the preparation of this statement in accordance with Note 2, and for such internal control as management determines is necessary to enable the preparation of the statement that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the Province's financial reporting process.

Auditor's Responsibilities for the Audit of the Statement

Our objectives are to obtain reasonable assurance about whether the statement as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this statement.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Province's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

"Original document signed by"

Winnipeg, Manitoba
September 20, 2021

Tyson Shtykalo, CPA, CA
Auditor General

RAINY DAY FUND*

STATEMENT OF TRANSFERS AND ACCOUNT BALANCE

For the Year Ended March 31, 2021

| | (\$ thousands) | |
|---|-----------------------|-----------------------|
| | 2021 | 2020 |
| Transfer (to) / from Core Government operations | (215,000) | 228,477 |
| Account Balance, beginning of year | <u>800,000</u> | <u>571,523</u> |
| Account Balance, end of year | <u><u>585,000</u></u> | <u><u>800,000</u></u> |

* Refers to the Fiscal Stabilization Account established under The Fiscal Stabilization Fund Act

RAINY DAY FUND*

NOTES TO STATEMENT OF TRANSFERS AND ACCOUNT BALANCE

For the Year Ended March 31, 2021

1. The Fiscal Stabilization Account is also known and commonly referred to as the Rainy Day Fund. The Fiscal Stabilization Account was established under the authority of subsection 26.1(1) of The Financial Administration Act. The legislated purpose of the Account is to assist in stabilizing the fiscal position by supporting core government operations in a fiscal year or to repay debt. Under subsection 26.1(3) the Minister of Finance, with the approval of the Lieutenant Governor in Council, may deposit in the Account any part of the revenue or other financial assets received in the core government in any fiscal year. Under subsection 26.1(4), the Minister of Finance may, with the approval of the Lieutenant Governor in Council, transfer all or part of the Account balance to the core government.
2. Transactions in the Fiscal Stabilization Account are accounted for on an accrual basis and reflect the transfers made under Section 26.1(3) and 26.1(4) of The Financial Administration Act. Transfers are determined by the Minister of Finance and are authorized with an Order in Council. The report on these transactions is made in accordance with Section 65(1)(b) of The Financial Administration Act.
3. Subsection 26.1(2) of The Financial Administration Act stipulates that the Minister of Finance shall make every effort to ensure that the balance of the Account at the end of each fiscal year is at least 5% of the core government expenditures for that year.

* Refers to the Fiscal Stabilization Account established under The Fiscal Stabilization Fund Act

RAINY DAY FUND*

SCHEDULE OF SUPPLEMENTARY INFORMATION

(Unaudited)

For the Year Ended March 31, 2021

| | (\$ thousands) | |
|--|----------------|----------------|
| | 2021 | 2020 |
| Account Balance, beginning of year | 800,000 | 571,523 |
| - Transfer to Core Government - allocated to COVID-19 related expenditures | (215,000) | - |
| - Transfer from Core Government - allocated to general purposes | <u>-</u> | <u>228,477</u> |
| Account Balance, end of year | <u>585,000</u> | <u>800,000</u> |

* Refers to the Fiscal Stabilization Account established under The Fiscal Stabilization Fund Act

STATEMENT OF THE TOTAL AMOUNT OF DEBT OR OBLIGATION DUE HER MAJESTY WRITTEN OFF IN WHOLE OR IN PART

As Required by Section 24B of The Financial Administration Act
For the Year Ended March 31, 2021

| | \$ | \$ |
|---|------------------|-------------------------|
| AGRICULTURE AND RESOURCE DEVELOPMENT (III) | | |
| Manitoba Agricultural Services Corporation..... | | 65,886 |
| CONSERVATION AND CLIMATE (XII) | | |
| Accounts Receivable..... | | 55,007 |
| ECONOMIC DEVELOPMENT AND JOBS (X) | | |
| Accounts Receivable..... | | 126,793 |
| Co-op Loan and Loan Guarantee Board..... | | 1,895,528 |
| EDUCATION (XVI) | | |
| Accounts Receivable..... | | 486 |
| FAMILIES (IX) | | |
| Accounts Receivable..... | | 1,541,849 |
| FINANCE (VII) | | |
| Levy for Health and Post Secondary Education Tax..... | 23,663 | |
| Retail Sales Tax..... | <u>1,425,042</u> | 1,448,705 |
| HEALTH AND SENIORS CARE (XXI) | | |
| Accounts Receivable..... | | 6,885 |
| INFRASTRUCTURE (XV) | | |
| Accounts Receivable..... | | 107,272 |
| MENTAL HEALTH, WELLNESS AND RECOVERY (XXIV) | | |
| Accounts Receivable..... | | 5,557 |
| | | <u><u>5,253,968</u></u> |

STATEMENT OF SPECIAL WARRANTS OF HER HONOUR THE LIEUTENANT-GOVERNOR OF MANITOBA

As Required by Section 32(4) of The Financial Administration Act
Issued Relative to the Year Ended March 31, 2021

OPERATING EXPENSES

\$

NIL

-

Total Special Warrants.....

-

STATEMENT OF THE CLAIMS SETTLED

As Required by Section 41(7) of The Financial Administration Act
For the Year Ended March 31, 2021

| | \$ |
|---|-------------------------|
| Agriculture and Resource Development (III)..... | 35,000 |
| Conservation and Climate (XII)..... | 19,823 |
| Economic Development and Jobs (X)..... | 49,000 |
| Families (IX)..... | 78,866 |
| Infrastructure (XV)..... | 1,250,000 |
| Justice (IV)..... | <u>52,517</u> |
| | <u><u>1,485,206</u></u> |

STATEMENT OF EXPENDITURES RELATED TO CAPITAL AND FUTURE CONTRACT COMMITMENTS

As Required by Section 45(3) of The Financial Administration Act
For the Year Ended March 31, 2021

| | Future Commitment \$ |
|--|----------------------------|
| LEGISLATIVE ASSEMBLY (I) | |
| Service contracts..... | 604,320 |
| | <u>604,320</u> |
| EXECUTIVE COUNCIL (II) | |
| Service contracts..... | 764 |
| | <u>764</u> |
| ADVANCED EDUCATION, SKILLS AND IMMIGRATION (XLIV) | |
| Acquisition or construction of capital | 422,625 |
| | <u>422,625</u> |
| AGRICULTURE AND RESOURCE DEVELOPMENT (III) | |
| Service contracts..... | 580,000 |
| | <u>580,000</u> |
| CENTRAL SERVICES (VIII) | |
| Service contracts..... | 125,633,369 |
| Rental of capital assets..... | 21,207,664 |
| Acquisition or construction of capital | 12,588,575 |
| | <u>159,429,608</u> |
| CONSERVATION AND CLIMATE (XII) | |
| Service contracts..... | 35,028,064 |
| Acquisition or construction of capital | 9,576,900 |
| | <u>44,604,964</u> |
| EDUCATION (XVI) | |
| Service contracts..... | 406,170 |
| | <u>406,170</u> |
| FAMILIES (IX) | |
| Service contracts..... | 33,942,841 |
| Rental of capital assets..... | 300,516 |
| | <u>34,243,357</u> |
| FINANCE (VII) | |
| Service contracts..... | 228,480 |
| | <u>228,480</u> |
| HEALTH AND SENIORS CARE (XXI) | |
| Service contracts..... | 16,895,234 |
| | <u>16,895,234</u> |
| INDIGENOUS AND NORTHERN RELATIONS (XIX) | |
| Service contracts..... | 70,500 |
| | <u>70,500</u> |
| INFRASTRUCTURE (XV) | |
| Service contracts..... | 41,970,427 |
| Rental of capital assets..... | 4,032,223 |
| Acquisition or construction of capital | 215,537,886 |
| | <u>261,540,536</u> |

STATEMENT OF EXPENDITURES RELATED TO CAPITAL AND FUTURE CONTRACT COMMITMENTS (cont'd)

As Required by Section 45(3) of The Financial Administration Act
For the Year Ended March 31, 2021

| | Future Commitment \$ |
|--|----------------------------|
| JUSTICE (IV) | |
| Service contracts..... | 1,637,220 |
| Acquisition or construction of capital | 6,055,000 |
| | <u>7,692,220</u> |
| MENTAL HEALTH, WELLNESS AND RECOVERY (XXIV) | |
| Service contracts..... | 461,924 |
| | <u>461,924</u> |
| MUNICIPAL RELATIONS (XIII) | |
| Service contracts..... | 292,581 |
| Acquisition or construction of capital | 671,398 |
| | <u>963,979</u> |
| Totals | |
| Service contracts..... | 257,751,894 |
| Rental of capital assets..... | 25,540,403 |
| Acquisition or construction of capital | 244,852,384 |
| TOTAL | <u><u>528,144,681</u></u> |

NOTE: The Appropriation Act, 2020 authorizes the Government to commit to expenditures up to an amount not exceeding \$700,000,000 for the purpose of ensuring completion of projects or fulfilling contracts initiated in the year ended March 31, 2021. Any expenditures so committed must be included in the estimates of the fiscal year in which the expenditure is to be made or incurred.

STATEMENT OF REVENUE AND EXPENSE RELATED TO ROADWAY AND MUNICIPAL INFRASTRUCTURE

As Required by Section 67.1(3) of The Financial Administration Act
For the Year Ended March 31, 2021

| | 2021 | 2020 |
|---|---------------|----------------|
| | \$ | Restated \$ |
| REVENUE | | |
| Net Gasoline and Motive Fuel Tax - Note 1..... | 299,371,004 | 338,013,155 |
| | 299,371,004 | 338,013,155 |
| Less: Tax attributed to aircrafts and locomotives..... | 13,931,760 | 16,367,686 |
| TOTAL REVENUE | 285,439,244 | 321,645,469 |
| EXPENSES | | |
| Highways and Transportation Programs | 1,885,041 | 1,837,274 |
| Construction and Maintenance | | |
| Maintenance and preservation of provincial trunk highways, provincial roads and related projects..... | 147,038,982 | 143,313,024 |
| Winter roads..... | 8,371,075 | 8,740,175 |
| Infrastructure assets - provincial roads and highways..... | 231,849,529 | 224,423,121 |
| Road construction and maintenance..... | 387,259,586 | 376,476,320 |
| General assets - road related..... | 3,372,224 | 5,242,782 |
| Other construction and maintenance..... | 3,372,224 | 5,242,782 |
| Total Construction and Maintenance..... | 390,631,810 | 381,719,102 |
| TOTAL EXPENSES | 392,516,851 | 383,556,376 |
| NET RESULT FOR THE YEAR | (107,077,607) | (61,910,907) |

Note 1: Amount refers to proceeds of tax paid into the Consolidated Fund, net of authorized refunds.

REPORT ON TRANSFER BETWEEN OPERATING EXPENDITURE APPROPRIATIONS WITHIN DEPARTMENT

As Required by Section 34.1(3) of The Financial Administration Act
Issued Relative to the Year Ended March 31, 2021

TRANSFER BETWEEN OPERATING EXPENDITURE APPROPRIATIONS WITHIN DEPARTMENT

The net effect of all transfers, as reported to the Minister of Finance pursuant to
Section 34.1(3) of The Financial Administration Act, are as follows:

\$

Net effect of all transfers for the year ended March 31, 2021

NIL

STATEMENT OF CALCULATION OF SURPLUS OR DEFICIT UNDER THE FISCAL RESPONSIBILITY AND TAXPAYER PROTECTION ACT

(Unaudited)

For the Year Ended March 31, 2021

| | (\$ millions) | |
|--|---------------|------------------------------|
| | Budget | 2021 Base Line Deficit |
| Revenue | 17,737 | 17,819 |
| Expenditure | 17,957 | 19,936 |
| Net Income (Loss) | (220) | (2,117) |
| Less adjustments: | | |
| 1) Net Income Manitoba Hydro | (47) | (119) |
| 2) Rainy Day Fund (also known as the Fiscal Stabilization Account) | (72) | 215 |
| Deficit balance for the purposes of The Fiscal Responsibility and Taxpayer Protection Act | (339) | (2,021) |

NOTE 1: The Fiscal Responsibility and Taxpayer Protection Act requires the government not to incur a deficit greater than the baseline amount and penalizes ministers by reducing their salaries if this requirement is not met. Amendments to the Act received Royal Assent on May 20, 2021 that reset the baseline amount to be the deficit calculated in accordance with provisions of the Act for fiscal year 2021. In subsequent years, the baseline amount is reduced by 1/8 of the 2020-21 deficit. The deficit in fiscal year 2021 of \$2,021 million is the baseline amount.

NOTE 2: The Act requires the government to withhold 20% of the ministerial salaries. This percentage will increase to 40% if the government has a deficit exceeding the baseline amount for two consecutive years. The withheld amounts will be paid back to the ministers if there is no deficit incurred or if the deficit is below the baseline amount. However, the repayment amounts will be prorated if the deficit is below the baseline amount by less than 1/8 of the 2020-21 deficit.

NOTE 3: Since the 2021 fiscal year is a transition year where the baseline amount is reset, the Amendments to the Act specify that the provisions on Ministerial salary withholding and reductions do not apply in the 2020-21 fiscal year.

REPORT OF INCOME FROM CROWN AGENCIES

As Required by Section 52.27.1(1) of The Legislative Assembly Act
Issued Relative to the Year Ended March 31, 2021

PAYMENTS TO MLAs FROM CROWN AGENCIES

The reported amounts do not include remuneration or expenses received by the MLAs during the fiscal year for duties performed as a board member of a Crown agency. These amounts, as reported to the Minister of Finance pursuant to Section 52.27.1(1) of The Legislative Assembly Act, are as follows:

\$

Amounts issued for the year ended March 31, 2021

NIL

Northern Affairs Fund

AUDITED FINANCIAL STATEMENTS MARCH 31, 2016

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Indigenous and Northern Relations

Financial and Administrative Services
400-352 Donald Street, Winnipeg, Manitoba R3B 2H8
T 204-945-2510 F 204-948-2274
www.manitoba.ca

October 23, 2020

NORTHERN AFFAIRS FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the Canadian public sector accounting standards as stated in the notes to the financial statements. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate, and that the assets of the Fund are properly safeguarded.

The responsibility of the Auditor General for Manitoba is to express an independent professional opinion as to whether the financial statements are presented fairly in all material respects.

The Executive Financial Officer has reviewed and approved these financial statements.

On Behalf of Management

Original signed by Amber Zhang

Ms. Amber Zhang
Executive Director of Finance and Administration
Department of Indigenous and Northern Relations

INDEPENDENT AUDITOR'S REPORT

To the Minister of Indigenous and Northern Relations

To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of the Northern Affairs Fund, which comprise the statement of financial position as at March 31, 2016, and the statements of operations and accumulated surplus/ (deficit), change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Affairs Fund as at March 31, 2016, and the results of its operations, changes in net debt and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Original signed by

Office of the Auditor General
October 23, 2020
Winnipeg, Manitoba

NORTHERN AFFAIRS FUND

STATEMENT OF FINANCIAL POSITION

As at March 31, 2016

| | | 2016 | (Restated, Note 15) | 2015 |
|--------------------------------------|----|---------------------|---------------------|---------------------|
| Financial Assets | | | | |
| Cash and cash equivalents (Note 3) | \$ | 14,554,846 | \$ | 13,447,428 |
| Accounts receivable (Notes 4, 5, 10) | | 1,906,547 | | 2,294,581 |
| Total Financial Assets | | 16,461,393 | | 15,742,009 |
| Liabilities | | | | |
| Accounts payable (Notes 6, 10) | | 2,278,910 | | 2,653,796 |
| Loans payable (Note 7) | | 26,961,070 | | 23,452,858 |
| Total Liabilities | | 29,239,980 | | 26,106,654 |
| Net Debt | | (12,778,587) | | (10,364,645) |
| Non-Financial Assets | | | | |
| Construction in progress (Note 8) | | 2,848,290 | | 4,122,317 |
| Total Non-Financial Assets | | 2,848,290 | | 4,122,317 |
| Accumulated Deficit | \$ | (9,930,297) | \$ | (6,242,328) |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS/(DEFICIT)

For the Year Ended March 31, 2016

| | (Restated, Note 15) | |
|--|-----------------------|-----------------------|
| | 2016 | 2015 |
| Revenues | | |
| Aboriginal and Northern Communities | \$ 12,545,228 | \$ 13,257,926 |
| Aboriginal and Northern Affairs | 686,246 | 1,094,570 |
| Department of Municipal Government | 148,368 | 148,368 |
| Department of Finance | 2,869,309 | 2,869,310 |
| Department of Jobs and Economy | 45,796 | 146,279 |
| Federal Gas Tax | 471,818 | 479,711 |
| Cottage Subdivision Funds | 568,487 | 552,836 |
| Manitoba Hydro | 100,000 | - |
| Specific Purpose - Various | 291,525 | 161,480 |
| Cottage Administration Fees | 22,578 | 23,077 |
| Tax Revenue (Sch 2, NTRA) | 2,385,584 | 2,359,370 |
| Total Revenue | 20,134,939 | 21,092,927 |
| Expenses | | |
| Aboriginal and Northern Communities | 16,729,644 | 23,492,879 |
| Aboriginal and Northern Affairs | 787,982 | 1,317,432 |
| Department of Municipal Government | 132,311 | 136,832 |
| Department of Finance | 2,794,682 | 2,775,962 |
| Department of Jobs and Economy | 43,472 | 47,754 |
| Federal Gas Tax | - | - |
| Cottage Subdivision Funds | 482,652 | 537,569 |
| Manitoba Hydro | 188,319 | 83,461 |
| Specific Purpose - Various | 472,242 | 493,131 |
| Cottage Administration Fees | 20,697 | 10,250 |
| Tax Administered Expenses (Sch 2, NTRA) | 2,170,907 | 2,260,564 |
| Total Expenses | 23,822,908 | 31,155,834 |
| Annual Deficit | (3,687,969) | (10,062,907) |
| Accumulated Surplus, Beginning of Year - as previously reported | 807,969 | 5,940,502 |
| Correction of an Error (Note 15) | (7,050,297) | (2,119,923) |
| Accumulated Surplus/(Deficit), Beginning of Year - as restated | (6,242,328) | 3,820,579 |
| Accumulated Deficit, End of Year | \$ (9,930,297) | \$ (6,242,328) |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND

STATEMENT OF CHANGE IN NET DEBT

For the Year Ended March 31, 2016

| | | (Restated, Note 15) |
|------------------------------------|------------------------|------------------------|
| | 2016 | 2015 |
| Annual Deficit | \$ (3,687,969) | \$ (10,062,907) |
| Non-Financial Assets | | |
| New construction costs (Note 8) | 2,940,907 | 4,456,302 |
| Closed projects (Note 8) | (4,214,934) | (10,261,747) |
| | (1,274,027) | (5,805,445) |
| Decrease in Net Debt | (2,413,942) | (4,257,462) |
| Net Debt, Beginning of Year | (10,364,645) | (6,107,183) |
| Net Debt, End of Year | \$ (12,778,587) | \$ (10,364,645) |

The accompanying notes are an integral part of these financial statements

NORTHERN AFFAIRS FUND

STATEMENT OF CASH FLOW

For the Year Ended March 31, 2016

| | | 2016 | (Restated, Note 15) 2015 |
|--|----|--------------------|-----------------------------|
| Operating Activities | | | |
| Annual Deficit | \$ | (3,687,969) | \$ (10,062,907) |
| Change in: | | | |
| Accounts receivable | | 388,034 | 85,358 |
| Accounts payable | | (374,887) | (724,460) |
| Cash used in operating activities | | (3,674,822) | (10,702,009) |
| Capital Activities | | | |
| Increase in construction in progress | | 1,274,027 | 5,805,445 |
| Cash provided by capital activities | | 1,274,027 | 5,805,445 |
| Financing Activities | | | |
| Increase in loans payable | | 3,508,213 | 5,754,153 |
| Cash provided by financial transactions | | 3,508,213 | 5,754,153 |
| Increase in Cash | | 1,107,418 | 857,589 |
| Cash and Cash Equivalents, Beginning of Year | | 13,447,428 | 12,589,839 |
| Cash and Cash Equivalents, End of Year (Note 3) | \$ | 14,554,846 | \$ 13,447,428 |

Supplemental Cash Flow Information

| | | |
|-------------------|---------|---------|
| Interest Received | 181,636 | 181,123 |
| Interest Paid | 763,252 | 562,010 |

The accompanying notes are an integral part of these financial statements.

SCHEDULE 1

NORTHERN AFFAIRS FUND

SPECIFIC PURPOSE FUNDS AND ACCUMULATED DEFICIT

For the Year Ended March 31, 2016

| | Balance (Restated, Note 15) 31-Mar-15 | Revenue | Expense | SPF Transfers | Transfer from Taxation Fund Account (Note 10) | Balance 31-Mar-16 |
|--|---|----------------------|----------------------|-----------------|--|------------------------|
| Aboriginal and Northern Communities | | | | | | |
| Community Council Funds (Note 11) | \$ (13,935,805) | \$ 11,933,424 | \$ 15,825,528 | \$ 42,728 | | \$ (17,785,181) |
| Community Capital Support | (373,507) | 611,804 | 904,116 | | | (665,819) |
| | (14,309,312) | 12,545,228 | 16,729,644 | 42,728 | - | (18,451,000) |
| Cottage Administration Fees | 84,406 | 22,578 | 20,697 | - | - | 86,287 |
| Aboriginal and Northern Affairs | | | | | | |
| Department Revenue/Transfer Payments | - | 554,466 | 554,466 | | | - |
| RBC Payment Distribution | 289 | 2,200 | 1,324 | | | 1,165 |
| Firefighters Insurance | 82,018 | 21,398 | 21,398 | | | 82,018 |
| Fire Inspections | 40,710 | | | | | 40,710 |
| CDO Pilot Project | 64,681 | | 473 | | | 64,208 |
| Fire Trucks and Equipment | 134,247 | 50 | 50 | | | 134,247 |
| Fire Training | 91,727 | | 21,465 | | | 70,262 |
| Sturgeon Landing Road | 20,788 | | | | | 20,788 |
| Northern Youth Empowerment Initiative | 84,956 | | | | | 84,956 |
| Community Ergonomics | 22,930 | | | | | 22,930 |
| Northern Consultation Board | (263) | | | 263 | | - |
| Northern Ministers Development Forum | 164,629 | 15,000 | 31,558 | | | 148,071 |
| Workplace Safety and Health Training | 14,427 | | 33,135 | 19,971 | | 1,263 |
| Workplace Safety and Health Equipment | 1,585 | | 735 | | | 850 |
| Constable Program | 25,691 | | | | | 25,691 |
| Community Clerk Workshop | 24,413 | | 5,993 | | | 18,420 |
| Water Operator Certification | 17,432 | 2,335 | 2,160 | | | 17,607 |
| Incorporation | 285,253 | | | | | 285,253 |
| Water Treatment Plant Assessments | 37,564 | | | | | 37,564 |
| Surveys | 10,249 | | | | | 10,249 |
| Resource Management Boards | 171,658 | 10,000 | 39,550 | | | 142,108 |
| Resource Management Boards Wildlife Projects | 1,987 | 26,332 | 6,608 | | | 21,711 |
| Hollow Water Waste Disposal Site | 60,632 | 54,465 | 54,231 | | | 60,866 |
| 911 Emergency Services | 58,913 | | 1,490 | | | 57,423 |
| North Central Summer Students | 13,500 | | 13,346 | 6,088 | | 6,242 |
| | 1,430,016 | 686,246 | 787,982 | 26,322 | - | 1,354,602 |
| Department of Municipal Government | | | | | | |
| Municipal Program Grant | - | 148,368 | 132,311 | (16,057) | | - |
| Department of Finance | | | | | | |
| General Assistance Grant | 262,036 | 2,869,309 | 2,794,682 | (9,003) | | 327,660 |
| Department of Jobs and Economy | | | | | | |
| Building Independence Program | (60) | 45,796 | 43,472 | | | 2,264 |
| Federal Gas Tax | 2,641,918 | 471,818 | - | (15,868) | | 3,097,868 |
| Cottage Subdivision Funds | | | | | | |
| Northern Affairs Levy | 717,664 | 568,487 | 482,652 | | | 803,499 |
| Manitoba Hydro | | | | | | |
| Nelson River Archaeological Survey | 28,202 | | 19,009 | | | 9,193 |
| Pimichikamak Archaeological Project | 168,496 | 100,000 | 74,227 | | | 194,269 |
| SWAP 2006 | 194,430 | | 95,083 | | | 99,347 |
| | 391,128 | 100,000 | 188,319 | - | - | 302,809 |
| Specific Purpose - Various | | | | | | |
| Nelson House Claims Account | 11,507 | 57 | | | | 11,564 |
| Sturgeon Management Program | 30,413 | 170,500 | 164,786 | | | 36,127 |
| Winnipegosis Lake Water Study | 77,500 | | | | | 77,500 |
| Cross Lake Negotiations | 6,965 | | | | | 6,965 |
| Northern Healthy Foods Initiative | 48,418 | 74,199 | 109,612 | | | 13,005 |
| Treaty Land Entitlement | 195,939 | 40,000 | 11,513 | | | 224,426 |
| OPCN/CUFMA | 191,497 | | 40,103 | | | 151,394 |
| MMF Historical Research/Tripartite | 78,217 | | 22,624 | | | 55,593 |
| Consultation Unit | 45,163 | | | | | 45,163 |
| Property Tax Enhancement (Note 10) | 291,799 | 6,769 | 123,604 | (28,122) | 78,174 | 225,016 |
| | 977,418 | 291,525 | 472,242 | (28,122) | 78,174 | 846,753 |
| Accumulated Deficit | \$ (7,804,786) | \$ 17,749,355 | \$ 21,652,001 | \$- | \$ 78,174 | \$ (11,629,258) |

The accompanying notes are an integral part of these financial statements.

SCHEDULE 2

NORTHERN AFFAIRS FUND

NET TAX REVENUES ADMINISTERED AND ACCUMULATED SURPLUS

For the Year Ended March 31, 2016

| | 2016 | 2015 |
|---|---------------------|---------------------|
| Tax Revenues | | |
| Taxation levies | \$ 1,463,624 | \$ 1,464,458 |
| Grants in lieu of taxes | 701,003 | 700,676 |
| Tax penalties | 157,194 | 135,074 |
| Rentals - Hay and Grazing | 62,943 | 57,568 |
| Other | 820 | 1,594 |
| Total Tax Revenues | 2,385,584 | 2,359,370 |
| Administered Expenses | | |
| Frontier School Division special levy | 1,069,990 | 1,073,553 |
| Public Schools Finance Board – education support levy | 474,424 | 471,083 |
| Municipal levy | 338,239 | 462,674 |
| Hay and Grazing leases | 25,008 | 23,441 |
| Department of Municipal Government | 50,916 | 51,002 |
| Budgeted allowance for doubtful accounts | 205,281 | 167,164 |
| Other | 7,049 | 11,647 |
| Total Administered Expenses | 2,170,907 | 2,260,564 |
| Net Tax Revenue Administered | 214,677 | 98,806 |
| Accumulated Surplus at Beginning of Year | 1,562,458 | 1,473,459 |
| Transfer to Specific Purpose Funds Account (Note 10) | (78,174) | (9,807) |
| Accumulated Surplus at End of Year | \$ 1,698,961 | \$ 1,562,458 |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2016

1. Purpose of the Organization

The purpose of the Northern Affairs Fund (the Fund) is to administer trust funds on behalf of the designated communities and administer the property tax system within the jurisdiction of the Department of Aboriginal and Northern Affairs (as of the audit report date they report to the Department of Indigenous and Northern Relations) in compliance with *The Northern Affairs Act*.

a) Specific Purpose Funds Account

Used to account for all monies advanced to the Minister of Aboriginal and Northern Affairs to provide financial services to community councils in northern areas of Manitoba.

b) Taxation Fund Account

Levies property and business taxes based on real property assessments and remits the tax requirements to school divisions and The Public Schools Finance Board. Taxes collected for local purposes in the communities are remitted to the community councils when collected.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The financial statements of the Fund are prepared by management in accordance with Canadian public sector accounting standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

b) Revenues and Expenses

Revenue and expenses are recognized in the period in which the transaction or events occurred. Revenue and expenses are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Interest revenue earned on short-term deposits is recognized in the period in which the transaction occurred and recorded on an accrual basis.

c) Government Transfers

Government transfers are recognized in the Fund's financial statements as expenses or revenues in the period that the events giving rise to the transfer occurred as long as the transfer is authorized, eligibility criteria, if any, have been met by the recipient, and a reasonable estimate of the amount can be made.

d) Construction in Progress

Construction in Progress represents purchased or constructed assets and is recorded at cost. When the asset is ready to be put into use for the community, the asset is authorized as completed and the project is closed. Subsequently the closed project/asset is transferred to the community by clearing through the Community Council Funds specific purpose account.

e) Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term deposits with maturities of three months or less from the deposit date and are held for meeting short-term commitments rather than for investing.

f) Financial Instruments

Financial instruments are classified into one of the two measurement categories; (a) fair value; or (b) cost or amortized cost. Financial instruments including cash and cash equivalents, accounts receivable and other receivables – Province of Manitoba, accounts payable and loans payable – Province of Manitoba are recorded at cost.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until recognized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the statement of operations.

As at March 31, 2016, the Fund does not have any financial instruments measured at fair value. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the statement of operations in the period the gain or loss occurs.

The Fund did not incur any re-measurement gains and losses during the year ended March 31, 2016.

g) Allowance for Uncollectible Taxes and Grants in Lieu of Taxes

The allowance for uncollectible taxes and grants in lieu of taxes consists of tax cancellations relating to specific tax rolls and an estimate of uncollectible accounts based on the history of tax collections.

h) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from management's best estimate as additional information becomes available in the future.

i) Administrative Support

The Department of Aboriginal and Northern Affairs provides administrative services at no charge to the Fund. The cost of these services for the year ended March 31, 2016 is estimated to be \$283,359 (2015 - \$284,752)

j) Budget

The statement of operations and accumulated surplus and the statement of change in net financial assets do not present budgeted financial results due to the nature of the Northern Affairs Fund, which administers the funds on behalf of designated communities.

3. Cash and Cash Equivalents

| | <u>2016</u> | <u>(Restated, Note 15)</u> <u>2015</u> |
|-------------------------------|----------------------------|---|
| Cash – Specific Purpose Funds | \$9,275,841 | \$7,679,960 |
| Cash – Taxation Fund | 178,374 | 109,907 |
| Cash Equivalents | <u>5,100,631</u> | <u>5,657,561</u> |
| | <u>\$14,554,846</u> | <u>\$13,447,428</u> |

Cash equivalents are 90 day callable deposits with an interest rate in range of 0.50%-0.57% and within the Province of Manitoba trust account. Deposits are normally held to maturity, but if early withdrawal is required the interest rates are applicable up to date of withdrawal.

4. Accounts Receivable

| | <u>2016</u> | <u>(Restated, Note 15)</u> <u>2015</u> |
|--|---------------------------|---|
| Accounts Receivable - Province of Manitoba (Specific Purpose Funds) | \$307,786 | \$832,180 |
| Accounts Receivable - Taxation Fund (Note 5) | <u>1,598,761</u> | <u>1,462,401</u> |
| | <u>\$1,906,547</u> | <u>\$2,294,581</u> |

5. Accounts Receivable-Taxation Fund

| | <u>2016</u> | <u>2015</u> |
|--|---------------------------|---------------------------|
| Taxes Receivable, End of year | \$2,953,244 | \$2,617,729 |
| Allowance for Doubtful Accounts | <u>(1,389,706)</u> | <u>(1,193,420)</u> |
| Total Net Taxes Receivable, End of Year | 1,563,538 | 1,424,309 |
| Other Receivables – Province of Manitoba | <u>35,223</u> | <u>38,092</u> |
| | <u>\$1,598,761</u> | <u>\$1,462,401</u> |

6. Accounts Payable

| | <u>2016</u> | <u>(Restated, Note 15)</u> <u>2015</u> |
|---|---------------------------|---|
| Accounts Payable - Specific Purpose Funds | | |
| Accrued Liabilities | \$507,232 | \$863,091 |
| Interest Payable | 752,670 | 611,805 |
| Invested Community/Reserves Payable | 1,019,008 | 1,178,857 |
| Accounts Payable-Taxation Fund | = | <u>43</u> |
| | <u>\$2,278,910</u> | <u>\$2,653,796</u> |

7. Loans Payable

Loans from the Province of Manitoba include the following:

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|---------------------|
| Province of Manitoba, interest 4.45%, repayable in annual instalments plus interest until May 31, 2019 (Original draw November 30, 2009; \$2,600,000) | \$1,152,140 | \$1,410,164 |
| Province of Manitoba, interest 4.45%, repayable in annual instalments plus interest until May 31, 2019 (Original draw February 1, 2010; \$1,950,000) | 857,612 | 1,049,676 |
| Province of Manitoba, interest 4.95%, repayable in annual instalments plus interest until May 31, 2020 (Original draw May 11, 2010; \$1,600,000) | 896,161 | 1,050,848 |
| Province of Manitoba, interest 4.00%, repayable in annual instalments plus interest until May 31, 2025 (Original draw October 1, 2010; \$4,100,000) | 2,926,309 | 3,168,334 |
| Province of Manitoba, interest 3.875%, repayable in annual instalments plus interest until May 31, 2020 (Original draw March 31, 2011; \$1,000,000) | 530,373 | 624,877 |
| Province of Manitoba, interest 3.00%, repayable in annual instalments plus interest until May 31, 2022 (Original draw December 1, 2011; \$2,000,000) | 1,326,980 | 1,495,139 |
| Province of Manitoba, interest 3.00%, repayable in annual instalments plus interest until May 31, 2022 (Original draw March 31, 2012; \$2,000,000) | 1,467,814 | 1,653,820 |
| Province of Manitoba, interest 4.25%, repayable in annual instalments plus interest until May 31, 2034 (Original draw December 31, 2013; \$6,000,000) | 5,803,681 | 6,000,000 |
| Province of Manitoba, interest 3.50%, repayable in annual instalments plus interest until May 31, 2035 (Original draw December 31, 2014; \$7,000,000) | 7,000,000 | 7,000,000 |
| Province of Manitoba, interest 3.75%, repayable in annual instalments plus interest until May 31, 2036 (Original draw December 31, 2015; \$5,000,000) | <u>5,000,000</u> | - |
| | <u>\$ 26,961,070</u> | <u>\$23,452,858</u> |

Interest payable includes the following:

| | |
|--------------------------------|--------------------------|
| \$ 1,152,140 – 305 days, 4.45% | \$42,725 |
| \$ 857,612 – 305 days, 4.45% | 31,803 |
| \$ 896,161 – 305 days, 4.95% | 36,967 |
| \$ 2,926,309 – 305 days, 4.00% | 97,544 |
| \$ 530,373 – 305 days, 3.875% | 17,127 |
| \$ 1,326,980 – 305 days, 3.00% | 33,265 |
| \$ 1,467,814 – 305 days, 3.00% | 36,796 |
| \$ 5,803,681 – 305 days, 4.25% | 205,547 |
| \$ 7,000,000 – 305 days, 3.50% | 204,167 |
| \$ 5,000,000 – 91 days, 3.75% | <u>46,619</u> |
| | <u>\$ 752,560</u> |

Annual payments, made on May 31st, are as follows:

| | <u>Loan Principal</u> | <u>Interest</u> |
|------------------|----------------------------|---------------------------|
| 2016 | \$1,799,083 | \$925,210 |
| 2017 | 2,042,750 | 963,272 |
| 2018 | 2,123,225 | 882,796 |
| 2019 | 2,206,941 | 799,080 |
| 2020 | 1,734,378 | 712,093 |
| Subsequent Years | <u>17,054,693</u> | <u>5,054,008</u> |
| | <u>\$26,961,070</u> | <u>\$9,336,459</u> |

8. Construction in Progress

| | (Restated, Note 15) | |
|---|----------------------------|---------------------------|
| | <u>2016</u> | <u>2015</u> |
| Balance, Beginning of Year – as previously reported | \$11,172,614 | \$12,047,685 |
| Correction of an Error (Note 15) | <u>(7,050,297)</u> | <u>(2,119,923)</u> |
| Balance, Beginning of Year – as restated | 4,122,317 | 9,927,762 |
| New Construction Costs | 2,940,907 | 4,456,302 |
| Closed Projects | <u>(4,214,934)</u> | <u>(10,261,747)</u> |
| Balance, End of Year – as restated | <u>\$2,848,290</u> | <u>\$4,122,317</u> |

9. Northern Affairs Fund – Specific Purpose Funds

The Northern Affairs Fund administers the following Specific Purpose Funds:

Aboriginal and Northern Affairs Communities:

Community Council Funds – The Department of Aboriginal and Northern Affairs provides funding to support communities in the Aboriginal and Northern Affairs jurisdiction for the operation, maintenance and construction of their municipal infrastructure.

Community Capital Support – The Department of Aboriginal and Northern Affairs provides funding to satisfy principal and interest due on loans payable to the Province of Manitoba (community capital funding source).

Cottage Administration Fees:

Cottage Administration Fees – A portion of funds from the cottagers levy are set aside within the specific purpose fund to provide administrative support to cottage areas.

Aboriginal and Northern Affairs:

Departmental Revenue/Transfer Payments – Revenue received from a variety of sources by the Department of Aboriginal and Northern Affairs is transferred to the consolidated fund of the Province of Manitoba.

RBC Payment Distribution – The Department of Aboriginal and Northern Affairs covers the costs for electronic bank transfer services for payroll cheques for communities and programs where funds are administered in trust.

Firefighters Insurance - The Department of Aboriginal and Northern Affairs provides to community volunteer firefighters basic loss of life, accident and sickness benefits while on duty or participating in training. The Department provides this insurance at no cost to the community or volunteer firefighter through the Volunteer Firemen's Insurance Services (VFIS).

Fire Inspections - The Department of Aboriginal and Northern Affairs is responsible for completing inspections in all communities as per the Fire Safety Inspections Regulation of *The Fires Prevention and Emergency Response Act*.

CDO Pilot Project – The Department of Aboriginal and Northern Affairs provides funding to support community based economic strategy development.

Fire Trucks and Equipment – The Department of Aboriginal and Northern Affairs and community councils provide funding to enhance equipment/fire trucks in support of the Fire Program.

Fire Training – The Department of Aboriginal and Northern Affairs provides funding for community fire training requirements identified as a result of the Fire Program Review.

Sturgeon Landing Road – The Department of Aboriginal and Northern Affairs provides funding to maintain the Sturgeon Landing Road and recovers 50% of the costs from the Saskatchewan Provincial Government.

Northern Youth Empowerment Initiative – The Department of Aboriginal and Northern Affairs provides funding and program support to youth-focused programs or projects in Northern Manitoba.

Community Ergonomics – The Department of Aboriginal and Northern Affairs provides funding as per Workplace Safety and Health Regulation 217/2006 to assist community councils with developing a Community Ergonomic Plan (CEP).

Northern Consultation Board – The Department of Aboriginal and Northern Affairs provides funding to assist the Board with reviewing/addressing matters and providing recommendations concerning any proposals with respect to the incorporation process.

Northern Ministers Development Forum – The Department of Aboriginal and Northern Affairs and other provincial governments provide funding for a special project on Maximizing the Economic and Social Impacts from Major Projects in the North.

Workplace Safety and Health Training – The Department of Aboriginal and Northern Affairs provides funding for community workplace safety and health program training requirements.

Workplace Safety and Health Equipment – The Department of Aboriginal and Northern Affairs provides funding for community workplace safety and health program equipment requirements.

Constable Program – The Department of Aboriginal and Northern Affairs provides funding to enhance equipment/vehicles in support of the Constable Program.

Community Clerk Workshop – The Department of Aboriginal and Northern Affairs provides funding to support training and development of the Community Administrative Officers and support staff.

Water Operator Certification – The Department of Aboriginal and Northern Affairs provides funding for community water/wastewater plant operator certification.

Incorporation – The Department of Aboriginal and Northern Affairs provides funding for community development on incorporation under *The Northern Affairs Act*.

Water Treatment Plant Assessments – The Department of Aboriginal and Northern Affairs provides funding of engineering assessments on all water treatment plants within Aboriginal and Northern Affairs jurisdiction to meet legislated requirements.

Surveys – The Department of Aboriginal and Northern Affairs provides funding to conduct land surveys within the communities.

Resource Management Boards – The Department of Aboriginal and Northern Affairs provides funding to resource management boards for land use planning activities.

Resource Management Boards Wildlife Projects – The Department of Aboriginal and Northern Affairs provides funding for wildlife projects under the resource management boards for polar bear and caribou activities.

Hollow Water Waste Disposal Site – Communities in the Aboriginal and Northern Affairs jurisdiction provide funding for the operations and maintenance for a regional waste disposal site for Hollow Water, Manigotagan, Bissett, Aghaming and Seymourville.

911 Emergency Services - The Department of Aboriginal and Northern Affairs provides support to implement the 911 emergency response systems in Aboriginal and Northern Affairs Communities.

North Central Summer Students – The Department of Aboriginal and Northern Affairs provides funding to support the employment equity program. Aboriginal students are hired to support the program in the analytical, municipal and technical areas.

Department of Municipal Government:

Municipal Programs Grant – The Department of Municipal Government provides unconditional funding to support municipal services.

Department of Finance:

General Assistance Grant – The Department of Finance provides funding through the distribution of tax revenue on a per capita basis (based on the most recent census) to support municipal services.

Department of Jobs and Economy:

Building Independence Program – The Department of Jobs and Economy provides funding to support a program directed at providing work experience for recipients of social assistance living in Aboriginal and Northern Affairs communities.

Federal Government:

Federal Gas Tax – Funds provided through the Department of Municipal Government to support community infrastructure projects within the jurisdiction of Aboriginal and Northern Affairs.

Cottage Subdivision Funds:

Northern Affairs Levy – Funds levied to provide municipal services to unassessed cottage properties within the Aboriginal and Northern Affairs jurisdiction.

Manitoba Hydro:

Nelson River Archaeological Survey – Manitoba Hydro provides funding to support archaeological investigation in areas of historical and cultural importance, which has been impacted by hydro-electric development.

Pimichikamak Archaeological Project – Manitoba Hydro provides funding to prepare a plan for an archaeological survey at Sipiwick Lake.

SWAP 2006 – Manitoba Hydro provides funding to support the system-wide archaeological project.

Specific Purpose – Various:

Nelson House Claims Account – Manitoba Hydro and the Department of Aboriginal and Northern Affairs provide funding for the Nelson House Community Settlement Agreement.

Sturgeon Management Program – Manitoba Hydro and the Department of Aboriginal and Northern Affairs provide funding for the operation of the Sturgeon Management Board.

Winnipegosis Lake Water Study – The Department of Aboriginal and Northern Affairs provides funding to assist in the evaluations of various types of organic compounds in the water source and their removal to improve overall quality of water and health in the region.

Cross Lake Negotiations – The Department of Aboriginal and Northern Affairs provides funding to undertake research, community consultations and provide advice and recommendations regarding the implementation of the Northern Flood Agreement.

Northern Healthy Foods Initiative – The Department of Aboriginal and Northern Affairs in partnership in MAFRI and Healthy Living and Healthy Child Manitoba provide funding to assist northern communities with their food self-sufficiency projects.

OPCN/CUFMA – The Department of Aboriginal and Northern Affairs had completed a multi-year Capital Upgrading Funding Management Agreement (CUFMA) to support the conversion of South Indian Lake to a federal reserve for the O-Pipon-Na-Piwin Cree Nation (OPCN) in 2013/14 and continued to provide funding to support the implementation of the reserve conversion.

Treaty Land Entitlement – The Federal Government provides funding for photogrammetric land surveys to support and expedite the Treaty Land Entitlement process.

MMF Historical Research/Tripartite – The Department of Aboriginal and Northern Affairs has an agreement with the Government of Canada and the Manitoba Metis Federation to provide funding for this historical research project, an initiative under the Manitoba Metis Policy.

Consultation Unit – The Department of Aboriginal and Northern Affairs provides funding to assist with the Crown-Aboriginal consultation process.

Property Tax Enhancement – The Taxation Fund Account transfers any cash in excess of \$100,100 as at March 31, 2016 as a contribution to remote communities. In addition, other governmental departments and organizations provide funding to enhance community programs.

10. Interfund Transfers

A maximum cash balance of \$100,100 is retained in the Taxation Fund Account as at March 31 of each year to cover current needs. Cash in excess of \$100,100 is transferred from the Taxation Fund Account to the Specific Purpose Funds Account as a contribution to costs incurred by the fund in providing services in remote areas which do not have a local government to provide these services. The amount of excess at March 31, 2016 was \$78,174 (2015 - \$9,807).

The transfer of \$78,174 from the Taxation Fund Account to the Specific Purpose Funds Account is excluded from accounts receivable & accounts payable on the Statement of Financial Position and revenue & expenses on the Statement of Operations and Accumulated Surplus.

11. Community Council Funds Revenue

Community Council Funds revenue includes the following:

| | <u>2016</u> | <u>2015</u> |
|--|----------------------------|----------------------------|
| Province of Manitoba, Department of Aboriginal and Northern Affairs | \$11,616,573 | \$12,380,742 |
| Locally generated revenue | 4,930 | 3,659 |
| Municipal tax collections transferred from Taxation Fund Account | 286,913 | 406,985 |
| Department of Agriculture, Food and Rural Initiatives, hay and grazing rental transferred from Taxation Fund Account | <u>25,008</u> | <u>23,441</u> |
| | <u>\$11,933,424</u> | <u>\$12,814,827</u> |

12. Public Sector Compensation Disclosure Act

In accordance to the Public Sector Compensation Disclosure Act the Northern Affairs Fund shall disclose to the public an amount of compensation it pays or provides in the fiscal year to any member of council, officer or employee of the communities if the amount paid is \$50,000 or more annually. For the year ended March 31, 2016:

- a) There were no members of council, officers or employees of the communities receiving compensation of \$50,000 or more individually.
- b) The aggregate compensation paid to all communities was \$13,110 in 2016 and \$14,490 in 2015 as follow:

| <u>Community</u> | <u>2016</u> | <u>2015</u> |
|-------------------|------------------------|------------------------|
| Aghaming | \$1,380 | \$1,380 |
| Baden | 1,380 | 1,380 |
| Granville Lake | 1,380 | 1,380 |
| Herb Lake Landing | 1,380 | 1,380 |
| Loon Straits | 1,380 | 1,380 |
| National Mills | - | 1,380 |
| Powell | 1,380 | 1,380 |
| Princess Harbour | 1,380 | 1,380 |
| Red Deer Lake | 1,380 | 1,380 |
| Red Sucker Lake | 1,380 | 1,380 |
| Salt Point | <u>690</u> | <u>690</u> |
| | <u>\$13,110</u> | <u>\$14,490</u> |

13. Related Party Transactions

The Northern Affairs Fund is related to all Province of Manitoba created Departments, Agencies, Crown Corporations and Community Councils. The Northern Affairs Fund enters into transactions with these entities in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. Financial Risk Management

The Northern Affairs Fund has exposure to the following risks from its use of financial instruments: liquidity risk, interest rate risk, credit risk and currency risk.

Liquidity risk

Liquidity risk arises from the possibility of the Northern Affairs Fund having insufficient financial resources to meet its financial obligations when they come due.

The Northern Affairs Fund mitigates this risk through cash management. The Northern Affairs Fund continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting. Accounts payable are typically paid when due or in the case of loans payable – Province of Manitoba are repaid in accordance with a schedule over the term to maturity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and loans payable – Province of Manitoba.

The interest rate risk on cash and cash equivalents is considered low due to their short-term nature. The Northern Affairs Fund is exposed to interest rate risk on its loans payable – Province of Manitoba which carries specific rates of interest. A 1% increase in interest rates would have an effect of \$269,611 and increase expenditures.

However, the interest rate risk on loans payable – Province of Manitoba is low because the rate is fixed for the term to maturity and the Province of Manitoba is funding all required interest payments. Therefore, revenue of the Community Capital Support Funds would also be increased by 269,611.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter-party. The financial instruments that potentially subject the Northern Affairs Fund to credit risk consist principally of cash and cash equivalents and accounts receivable – Province of Manitoba.

The maximum exposure of Northern Affairs Fund to credit risk at March 31st is:

| | <u>2016</u> | <u>(Restated, Note 15)</u> <u>2015</u> |
|---|----------------------------|---|
| Cash and Cash Equivalents (Note 3) | \$14,554,846 | \$13,447,428 |
| Accounts Receivable – Province of Manitoba (Specific Purpose Funds) (Note 4) | 307,786 | 832,180 |
| Other Receivables – Province of Manitoba (Note 5) | <u>35,223</u> | <u>38,092</u> |
| | <u>\$14,897,855</u> | <u>\$14,317,700</u> |

Cash in bank: The Northern Affairs Fund is not exposed to significant risk as the cash in bank is held with a large Canadian financial institution.

Cash equivalents: The Northern Affairs Fund is not exposed to significant risks as the deposits are held within the Province of Manitoba's Trust account.

Accounts Receivable and Other Receivables – Province of Manitoba: The Northern Affairs Fund is not exposed to significant risk as the receivable is from the Province of Manitoba.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Northern Affairs Fund is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

15. Correction of an Error

Cash and Cash Equivalent and Accounts Payable: During the year it was determined that cash and cash equivalents and accounts payable as previously reported were understated. Therefore, an adjustment was made to the prior period's financial statements. This change was done to recognize the amount of invested funds on behalf of and payable to the communities. This change resulted in an increase of the amount Cash and Cash Equivalent of \$1,178,857 in 2015, with an offsetting increase to Accounts Payable by the same amount. This represents a net neutral impact on the statement of the financial position. The financial statement of 2016 has been adjusted accordingly.

Construction in Progress: Adjustments were made to the opening accumulated deficit to recognize the expense of completed Loan Act capital projects that were not accounted for as transferred to the communities from Construction in Progress in prior years. This change resulted in an increase of \$2,119,923 in accumulated deficit at the beginning of 2015 and an increase of \$4,930,374 in-year (Aboriginal and Northern Communities) expenses in 2015, with an offsetting adjustment to Construction in Progress by the same amount. These adjustments resulted in a total change to opening accumulated deficit for the trust fund at the beginning of year 2016 of \$7,050,297.

Northern Affairs Fund

AUDITED FINANCIAL STATEMENTS MARCH 31, 2017

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Indigenous and Northern Relations

Financial and Administrative Services
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February 10, 2021

NORTHERN AFFAIRS FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the Canadian public sector accounting standards as stated in the notes to the financial statements. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate, and that the assets of the Fund are properly safeguarded.

The responsibility of the Auditor General for Manitoba is to express an independent professional opinion as to whether the financial statements are presented fairly in all material respects.

The Executive Financial Officer has reviewed and approved these financial statements.

On Behalf of Management

Original signed by Mike Sosiak

Mr. Mike Sosiak
Executive Financial Officer
Department of Indigenous and Northern Relations

INDEPENDENT AUDITOR'S REPORT

To the Minister of Indigenous and Northern Relations
To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of the Northern Affairs Fund, which comprise the statement of financial position as at March 31, 2017, and the statements of operations and accumulated deficit, change in net debt and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Affairs Fund as at March 31, 2017, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Original signed by

Office of the Auditor General
February 6, 2021
Winnipeg, Manitoba

NORTHERN AFFAIRS FUND

STATEMENT OF FINANCIAL POSITION

As at March 31, 2017

| | 2017 | 2016 |
|--------------------------------------|------------------------|-----------------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 3) | \$ 16,020,058 | \$ 14,554,846 |
| Accounts receivable (Notes 4, 5, 10) | 1,875,080 | 1,906,547 |
| Total Financial Assets | 17,895,138 | 16,461,393 |
| Liabilities | | |
| Accounts payable (Notes 6, 10) | 3,017,436 | 2,278,910 |
| Loans payable (Note 7) | 30,161,988 | 26,961,070 |
| Total Liabilities | 33,179,424 | 29,239,980 |
| Net Debt | (15,284,286) | (12,778,587) |
| Non-Financial Assets | | |
| Construction in progress (Note 8) | 4,569,487 | 2,848,290 |
| Total Non-Financial Assets | 4,569,487 | 2,848,290 |
| Accumulated Operating Deficit | \$ (10,714,799) | \$ (9,930,297) |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

For the Year Ended March 31, 2017

| | 2017 | 2016 |
|---|-------------------------|-----------------------|
| Revenues (Sch 1, SPF) | | |
| Indigenous and Northern Communities | \$ 12,555,789 | \$ 12,545,228 |
| Cottage Administration Fees | 27,625 | 22,578 |
| Indigenous and Northern Affairs | 671,135 | 686,246 |
| Municipal Relations | 148,368 | 148,368 |
| Department of Finance | 2,869,310 | 2,869,309 |
| Department of Families | 45,600 | 45,796 |
| Federal Gas Tax | 496,662 | 471,818 |
| Cottage Subdivision Funds | 610,932 | 568,487 |
| Manitoba Hydro | - | 100,000 |
| Specific Purpose - Various | 290,191 | 291,525 |
| Tax Revenue (Sch 2, NTRA) | 2,403,050 | 2,385,584 |
| Total Revenue | 20,118,662 | 20,134,939 |
| Expenses (Sch 1, SPF) | | |
| Indigenous and Northern Communities | 13,256,615 | 16,729,644 |
| Cottage Administration Fees | 34,729 | 20,697 |
| Indigenous and Northern Affairs | 1,049,948 | 787,982 |
| Municipal Relations | 132,311 | 132,311 |
| Department of Finance | 2,794,682 | 2,794,682 |
| Department of Families | 24,185 | 43,472 |
| Federal Gas Tax | 7,157 | - |
| Cottage Subdivision Funds | 648,573 | 482,652 |
| Manitoba Hydro | 111,459 | 188,319 |
| Specific Purpose - Various | 480,853 | 472,242 |
| Tax Administered Expenses (Sch 2, NTRA) | 2,362,652 | 2,170,907 |
| Total Expenses | 20,903,164 | 23,822,908 |
| Annual Deficit | (784,502) | (3,687,969) |
| Accumulated Operating Deficit, Beginning of Year | (9,930,297) | (6,242,328) |
| Accumulated Operating Deficit, End of Year | \$ (10,714,799) | \$ (9,930,297) |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31, 2017

| | 2017 | 2016 |
|------------------------------------|------------------------|------------------------|
| Annual Deficit | \$ (784,502) | \$ (3,687,969) |
| Non-Financial Assets | | |
| New construction costs (Note 8) | (2,849,726) | (2,940,907) |
| Closed projects (Note 8) | 1,128,529 | 4,214,934 |
| | (1,721,197) | 1,274,027 |
| Increase in Net Debt | (2,505,699) | (2,413,942) |
| Net Debt, Beginning of Year | (12,778,587) | (10,364,645) |
| Net Debt, End of Year | \$ (15,284,286) | \$ (12,778,587) |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND
STATEMENT OF CASH FLOW
For the Year Ended March 31, 2017

| | 2017 | 2016 |
|--|----------------------|----------------------|
| Operating Activities | | |
| Annual Deficit | \$ (784,502) | \$ (3,687,969) |
| Change in: | | |
| Accounts receivable | 31,467 | 388,034 |
| Accounts payable | 738,526 | (374,887) |
| Cash used in operating activities | (14,509) | (3,674,822) |
| Capital Activities | | |
| Increase (decrease) in construction in progress | (1,721,197) | 1,274,027 |
| Cash provided by (used in) capital activities | (1,721,197) | 1,274,027 |
| Financing Activities | | |
| Increase in loans payable | 3,200,918 | 3,508,213 |
| Cash provided by financial transactions | 3,200,918 | 3,508,213 |
| Increase in Cash | 1,465,212 | 1,107,418 |
| Cash and Cash Equivalents, Beginning of Year | 14,554,846 | 13,447,428 |
| Cash and Cash Equivalents, End of Year (Note 3) | \$ 16,020,058 | \$ 14,554,846 |

Supplemental Cash Flow Information

| | | |
|-------------------|---------|---------|
| Interest Received | 196,743 | 181,636 |
| Interest Paid | 952,210 | 763,252 |

The accompanying notes are an integral part of these financial statements.

SCHEDULE 1

NORTHERN AFFAIRS FUND

SPECIFIC PURPOSE FUNDS AND ACCUMULATED DEFICIT

For the Year Ended March 31, 2017

| | Balance 31-Mar-2016 | Revenue | Expense | SPF Transfers | Transfer from Taxation Fund Account (Note 10) | Balance 31-Mar-2017 |
|--|------------------------|----------------------|----------------------|------------------|---|------------------------|
| Indigenous and Northern Communities | | | | | | |
| Community Council Funds (Note 11) | \$ (17,785,181) | \$ 11,803,120 | \$ 12,235,027 | \$ 35,256 | | \$ (18,181,832) |
| Community Capital Support | (665,819) | 752,669 | 1,021,588 | | | (934,738) |
| | (18,451,000) | 12,555,789 | 13,256,615 | 35,256 | | (19,116,570) |
| Cottage Administration Fees | 86,287 | 27,625 | 34,729 | | | 79,183 |
| Indigenous and Northern Affairs | | | | | | |
| Department Revenue/Transfer Payments | - | 563,647 | 563,647 | | | - |
| RBC Payment Distribution | 1,165 | 200 | 1,338 | | | 27 |
| Firefighters Insurance | 82,018 | - | - | (82,018) | | - |
| Fire Inspections | 40,710 | - | - | (40,710) | | - |
| CDO Pilot Project | 64,208 | - | 31,810 | (32,398) | | - |
| Winnipegosis Lake Water Study | 77,500 | 22,200 | 99,700 | | | - |
| Fire Trucks and Equipment | 134,247 | - | - | (134,247) | | - |
| Fire Training | 70,262 | - | 111,163 | 256,976 | | 216,075 |
| Sturgeon Landing Road | 20,788 | 24,705 | 4,726 | | | 40,767 |
| Northern Youth Empowerment Initiative | 84,956 | - | - | (84,956) | | - |
| Community Ergonomics | 22,930 | - | 1,380 | | | 21,550 |
| Northern Ministers Development Forum | 148,071 | - | 78,000 | | | 70,071 |
| Workplace Safety and Health Training | 1,263 | - | - | | | 1,263 |
| Workplace Safety and Health Equipment | 850 | - | - | (850) | | - |
| Constable Program | 25,691 | - | 25,691 | | | - |
| Community Clerk Workshop | 18,420 | 542 | 3,478 | 33,373 | | 48,857 |
| Water Operator Certification | 17,607 | - | - | | | 17,607 |
| Incorporation | 285,253 | - | - | (285,253) | | - |
| Water Treatment Plant Assessments | 37,564 | - | - | | | 37,564 |
| Surveys | 10,249 | - | - | | | 10,249 |
| Resource Management Boards | 142,108 | - | 56,023 | | | 86,085 |
| Resource Management Boards Wildlife Projects | 21,711 | - | 9,781 | | | 11,930 |
| Hollow Water Waste Disposal Site | 60,866 | 59,384 | 56,638 | | | 63,612 |
| 911 Emergency Services | 57,423 | - | - | (9,199) | | 48,224 |
| North Central Summer Students | 6,242 | - | 6,116 | (126) | | - |
| Bluff Road | - | 457 | 457 | | | - |
| | 1,432,102 | 671,135 | 1,049,948 | (379,408) | | 673,881 |
| Municipal Relations | | | | | | |
| Municipal Program Grant | - | 148,368 | 132,311 | (16,057) | | - |
| Department of Finance | | | | | | |
| General Assistance Grant | 327,660 | 2,869,310 | 2,794,682 | | - | 402,288 |
| Department of Families | | | | | | |
| Building Independence Program | 2,264 | 45,600 | 24,185 | | - | 23,679 |
| Federal Gas Tax | 3,097,868 | 496,662 | 7,157 | | - | 3,587,373 |
| Cottage Subdivision Funds | | | | | | |
| Northern Affairs Levy | 803,499 | 610,932 | 648,573 | | - | 765,858 |
| Manitoba Hydro | | | | | | |
| Nelson River Archaeological Survey | 9,193 | - | 9,188 | | | 5 |
| Pimichikamak Archaeological Project | 194,269 | - | 52,290 | | | 141,979 |
| SWAP 2006 | 99,347 | - | 49,981 | | | 49,366 |
| | 302,809 | - | 111,459 | | - | 191,350 |
| Specific Purpose - Various | | | | | | |
| Nelson House Claims Account | 11,564 | 68 | - | | | 11,632 |
| Sturgeon Management Program | 36,127 | 207,200 | 232,803 | | | 10,524 |
| Cross Lake Negotiations | 6,965 | 73,372 | 80,337 | | | - |
| Northern Healthy Foods Initiative | 13,005 | 2,782 | 13,204 | | | 2,583 |
| Treaty Land Entitlement | 224,426 | - | 49,563 | | | 174,863 |
| OPCN/CUFMA | 151,394 | - | 11,926 | | | 139,468 |
| MMF Historical Research/Tripartite | 55,593 | - | 4,245 | | | 51,348 |
| Consultation Unit | 45,163 | - | 21,551 | | | 23,612 |
| Property Tax Enhancement (Note 10) | 225,016 | 6,769 | 67,224 | 360,209 | 107,207 | 631,977 |
| | 769,253 | 290,191 | 480,853 | 360,209 | 107,207 | 1,046,007 |
| Accumulated Deficit | \$ (11,629,258) | \$ 17,715,612 | \$ 18,540,512 | - | \$ 107,207 | \$ (12,346,951) |

The accompanying notes are an integral part of these financial statements.

SCHEDULE 2

NORTHERN AFFAIRS FUND

NET TAX REVENUES ADMINISTERED AND ACCUMULATED SURPLUS

For the Year Ended March 31, 2017

| | 2017 | 2016 |
|---|---------------------|---------------------|
| Tax Revenues | | |
| Taxation levies | \$ 1,467,926 | \$ 1,463,624 |
| Grants in lieu of taxes | 696,883 | 701,003 |
| Tax penalties | 174,519 | 157,194 |
| Rentals - Hay and Grazing | 62,024 | 62,943 |
| Other | 1,698 | 820 |
| Total Tax Revenues | 2,403,050 | 2,385,584 |
| Administered Expenses | | |
| Frontier School Division special levy | 1,049,441 | 1,069,990 |
| Public Schools Finance Board – education support levy | 460,427 | 474,424 |
| Municipal levy | 608,181 | 338,239 |
| Hay and Grazing leases | 23,980 | 25,008 |
| Department of Indigenous and Municipal Relations | 52,537 | 50,916 |
| Budgeted allowance for doubtful accounts | 163,676 | 205,281 |
| Other | 4,410 | 7,049 |
| Total Administered Expenses | 2,362,652 | 2,170,907 |
| Net Tax Revenue Administered | 40,398 | 214,677 |
| Accumulated Surplus at Beginning of Year | 1,698,961 | 1,562,458 |
| Transfer to Specific Purpose Funds Account (Note 10) | (107,207) | (78,174) |
| Accumulated Surplus at End of Year | \$ 1,632,152 | \$ 1,698,961 |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2017

1. Purpose of the Fund

The purpose of the Northern Affairs Fund (the Fund) is to administer trust funds on behalf of the designated communities and administer the property tax system within the jurisdiction of the Department of Indigenous and Municipal Relations (as of the audit report date they report to the Department of Indigenous and Northern Relations) in compliance with *The Northern Affairs Act*.

a) Specific Purpose Funds Account

Used to account for all monies advanced to the Minister of Indigenous and Municipal Relations to provide financial services to community councils in northern areas of Manitoba.

b) Taxation Fund Account

Levies property and business taxes based on real property assessments and remits the tax requirements to school divisions and The Public Schools Finance Board. Taxes collected for local purposes in the communities are remitted to the community councils when collected.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The financial statements of the Fund are prepared by management in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

b) Revenues and Expenses

Revenue and expenses are recognized in the period in which the transaction or events occurred. Revenue and expenses are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.

Interest revenue earned on short-term deposits is recognized in the period in which the transaction occurred and recorded on an accrual basis.

c) Government Transfers

Government transfers are recognized in the Fund's financial statements as expenses or revenues in the period that the events giving rise to the transfer occurred as long as the transfer is authorized, eligibility criteria, if any, have been met by the recipient, and a reasonable estimate of the amount can be made.

d) Construction in Progress

Construction in Progress represents purchased or constructed assets and is recorded at cost. When the asset is ready to be put into use for the community, the asset is authorized as completed and the project is closed. Subsequently the closed project/asset is transferred to the community by clearing through the Community Council Funds specific purpose account.

e) Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term deposits with maturities of three months or less from the deposit date and are held for meeting short-term commitments rather than for investing.

f) Financial Instruments

Financial instruments are classified into one of the two measurement categories; (a) fair value; or (b) cost or amortized cost. Financial instruments including cash and cash equivalents, accounts receivable and other receivables – Province of Manitoba, accounts payable and loans payable – Province of Manitoba are recorded at cost.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until recognized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the Statement of Operations and Accumulated Deficit.

As at March 31, 2017, the Fund does not have any financial instruments measured at fair value. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the Statement of Operations and Accumulated Deficit in the period the gain or loss occurs.

The Fund did not incur any re-measurement gains and losses during the year ended March 31, 2017.

g) Allowance for Uncollectible Taxes and Grants in Lieu of Taxes

The allowance for uncollectible taxes and grants in lieu of taxes consists of tax cancellations relating to specific tax rolls and an estimate of uncollectible accounts based on the history of tax collections.

h) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from management's best estimate as additional information becomes available in the future.

i) Administrative Support

The Department of Indigenous and Municipal Relations provides administrative services at no charge to the Fund. The cost of these services for the year ended March 31, 2017 is estimated to be \$326,582 (2016 - \$283,359).

j) Budget

The statement of operations and accumulated surplus and the statement of change in net financial assets do not present budgeted financial results due to the nature of the Northern Affairs Fund, which administers the funds on behalf of designated communities.

3. Cash and Cash Equivalents

| | <u>2017</u> | <u>2016</u> |
|------------------------------------|----------------------|----------------------|
| Cash – Specific Purpose Funds | \$ 10,930,735 | \$ 9,275,841 |
| Cash – Taxation Fund | 100,200 | 178,374 |
| Investments Payable to Communities | 1,044,426 | 1,019,008 |
| Cash Equivalents | 3,944,697 | 4,081,623 |
| | <u>\$ 16,020,058</u> | <u>\$ 14,554,846</u> |

Cash equivalents are 90 day callable deposits with an interest rate in range of 0.50%-0.57% and within the Province of Manitoba trust account. Deposits are normally held to maturity, but if early withdrawal is required the interest rates are applicable up to date of withdrawal.

4. Accounts Receivable

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Accounts receivable - Province of Manitoba (Specific purpose fund) | \$ 343,130 | \$ 307,786 |
| Accounts receivable - Taxation Fund (Note 5) | 1,531,950 | 1,598,761 |
| | <u>\$ 1,875,080</u> | <u>\$ 1,906,547</u> |

5. Accounts Receivable-Taxation Fund

| | <u>2017</u> | <u>2016</u> |
|--|---------------------|---------------------|
| Taxes Receivable, End of year | \$ 3,047,290 | \$ 2,953,244 |
| Allowance for Doubtful Accounts | (1,553,043) | (1,389,706) |
| Total Net Taxes Receivable, End of Year | 1,494,247 | 1,563,538 |
| Other Receivables – Province of Manitoba | 37,703 | 35,223 |
| | <u>\$ 1,531,950</u> | <u>\$ 1,598,761</u> |

6. Accounts Payable

| | <u>2017</u> | <u>2016</u> |
|---|---------------------|---------------------|
| Accounts Payable - Specific Purpose Funds | | |
| Accrued Liabilities | \$ 1,123,963 | \$ 507,232 |
| Interest Payable | 849,047 | 752,670 |
| Invested Community/Reserves Payable | 1,044,426 | 1,019,008 |
| | <u>\$ 3,017,436</u> | <u>\$ 2,278,910</u> |

7. Loans Payable

Payment of principal and interest is funded primarily by grants from the Province of Manitoba.

Loans from the Province of Manitoba include the following:

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Province of Manitoba, interest 4.45%, repayable in annual instalments plus interest until May 31, 2019 (Original draw November 30, 2009; \$2,600,000) | \$882,634 | \$1,152,140 |
| Province of Manitoba, interest 4.45%, repayable in annual instalments plus interest until May 31, 2019 (Original draw February 1, 2010; \$1,950,000) | \$657,002 | \$857,612 |
| Province of Manitoba, interest 4.95%, repayable in annual instalments plus interest until May 31, 2020 (Original draw May 11, 2010; \$1,600,000) | \$733,816 | \$896,161 |
| Province of Manitoba, interest 4.00%, repayable in annual instalments plus interest until May 31, 2025 (Original draw October 1, 2010; \$4,100,000) | \$2,674,603 | \$2,926,309 |
| Province of Manitoba, interest 3.875%, repayable in annual instalments plus interest until May 31, 2020 (Original draw March 31, 2011; \$1,000,000) | \$432,207 | \$530,373 |
| Province of Manitoba, interest 3.00%, repayable in annual instalments plus interest until May 31, 2022 (Original draw December 1, 2011; \$2,000,000) | \$1,153,886 | \$1,326,981 |
| Province of Manitoba, interest 3.00%, repayable in annual instalments plus interest until May 31, 2022 (Original draw March 31, 2012; \$2,000,000) | \$1,276,350 | \$1,467,814 |
| Province of Manitoba, interest 4.25%, repayable in annual instalments plus interest until May 31, 2034 (Original draw December 31, 2013; \$6,000,000) | \$5,599,018 | \$5,803,680 |
| Province of Manitoba, interest 3.50%, repayable in annual instalments plus interest until May 31, 2035 (Original draw December 31, 2014; \$7,000,000) | \$6,752,472 | \$7,000,000 |
| Province of Manitoba, interest 3.75%, repayable in annual instalments plus interest until May 31, 2036 (Original draw December 31, 2015; \$5,000,000) | \$5,000,000 | \$5,000,000 |
| Province of Manitoba, interest 3.75%, repayable in annual instalments plus interest until May 31, 2037 (Original draw December 31, 2016; \$5,000,000) | \$5,000,000 - | |
| | <u>\$ 30,161,988</u> | <u>\$ 26,961,070</u> |

Interest payable includes the following:

| | |
|--------------------------------|-------------------|
| \$ 1,152,140 – 305 days, 4.45% | 32,713 |
| \$ 857,612 – 305 days, 4.45% | 24,364 |
| \$ 896,161 – 305 days, 4.95% | 30,253 |
| \$ 2,926,309 – 305 days, 4.00% | 89,105 |
| \$ 530,373 – 305 days, 3.875% | 13,949 |
| \$ 1,326,980 – 305 days, 3.00% | 28,831 |
| \$ 1,467,814 – 305 days, 3.00% | 31,891 |
| \$ 5,803,681 – 305 days, 4.25% | 198,191 |
| \$ 7,000,000 – 305 days, 3.50% | 196,839 |
| \$ 5,000,000 – 91 days, 3.75% | 156,164 |
| \$ 5,000,000 – 305 days, 3.75% | 46,747 |
| | <hr/> |
| | \$ 849,047 |

| | Loan Principal | Interest |
|------------------------------|-----------------------|----------------------|
| 2017 | \$ 2,042,749 | \$ 1,040,840 |
| 2018 | 2,295,535 | 1,070,296 |
| 2019 | 2,385,714 | 980,118 |
| 2020 | 1,919,854 | 886,427 |
| 2021 | 1,667,193 | 813,666 |
| Subsequent Years (from 2022) | 19,850,943 | 5,893,679 |
| | <hr/> | <hr/> |
| | \$ 30,161,988 | \$ 10,685,026 |

8. Construction in Progress

| | 2017 | 2016 |
|----------------------------|---------------------------|---------------------------|
| Balance, Beginning of Year | \$ 2,848,290 | \$ 4,122,317 |
| New Construction Costs | 2,849,726 | 2,940,907 |
| Closed Projects | (1,128,529) | (4,214,934) |
| Balance, End of Year | <hr/> \$ 4,569,487 | <hr/> \$ 2,848,290 |

9. Northern Affairs Fund – Specific Purpose Funds

The Northern Affairs Fund administers the following Specific Purpose Funds:

Indigenous and Northern Affairs Communities:

Community Council Funds – The Department of Indigenous and Municipal Relations provides funding to support communities in the Indigenous and Northern Affairs jurisdiction for the operation, maintenance and construction of their municipal infrastructure.

Community Capital Support – The Department of Indigenous and Municipal Relations provides funding to satisfy principal and interest due on loans payable to the Province of Manitoba (community capital funding source).

Cottage Administration Fees:

Cottage Administration Fees – A portion of funds from the cottagers levy are set aside within the specific purpose fund to provide administrative support to cottage areas.

Indigenous and Northern Affairs:

Departmental Revenue/Transfer Payments – Revenue received from a variety of sources by the Department of Indigenous and Municipal Relations is transferred to the consolidated fund of the Province of Manitoba.

RBC Payment Distribution – The Department of Indigenous and Municipal Relations covers the costs for electronic bank transfer services for payroll cheques for communities and programs where funds are administered in trust.

Firefighters Insurance - The Department of Indigenous and Municipal Relations provides to community volunteer firefighters basic loss of life, accident and sickness benefits while on duty or participating in training. The Department provides this insurance at no cost to the community or volunteer firefighter through the Volunteer Firemen's Insurance Services (VFIS).

Fire Inspections - The Department of Indigenous and Municipal Relations is responsible for completing inspections in all communities as per the Fire Safety Inspections Regulation of *The Fires Prevention and Emergency Response Act*.

CDO Pilot Project – The Department of Indigenous and Municipal Relations provides funding to support community based economic strategy development.

Winnipegosis Lake Water Study – The Department of Indigenous and Municipal Relations provides funding to assist in the evaluations of various types of organic compounds in the water source and their removal to improve overall quality of water and health in the region.

Fire Trucks and Equipment – The Department of Indigenous and Municipal Relations and community councils provide funding to enhance equipment/fire trucks in support of the Fire Program.

Fire Training – The Department of Indigenous and Municipal Relations provides funding for community fire training requirements identified as a result of the Fire Program Review.

Sturgeon Landing Road – The Department of Indigenous and Municipal Relations provides funding to maintain the Sturgeon Landing Road and recovers 50% of the costs from the Saskatchewan Provincial Government.

Northern Youth Empowerment Initiative – The Department of Indigenous and Municipal Relations provides funding and program support to youth-focused programs or projects in Northern Manitoba.

Community Ergonomics – The Department of Indigenous and Municipal Relations funding as per Workplace Safety and Health Regulation 217/2006 to assist community councils with developing a Community Ergonomic Plan (CEP).

Northern Ministers Development Forum – The Department of Indigenous and Municipal Relations and other provincial governments provide funding for a special project on Maximizing the Economic and Social Impacts from Major Projects in the North.

Workplace Safety and Health Training – The Department of Indigenous and Municipal Relations provides funding for community workplace safety and health program training requirements.

Workplace Safety and Health Equipment – The Department of Indigenous and Municipal Relations provides funding for community workplace safety and health program equipment requirements.

Constable Program – The Department of Indigenous and Municipal Relations provides funding to enhance equipment/vehicles in support of the Constable Program.

Community Clerk Workshop – The Department of Indigenous and Municipal Relations provides funding to support training and development of the Community Administrative Officers and support staff.

Water Operator Certification – The Department of Indigenous and Municipal Relations provides funding for community water/wastewater plant operator certification.

Incorporation – The Department of Indigenous and Municipal Relations provides funding for community development on incorporation under *The Northern Affairs Act*.

Water Treatment Plant Assessments – The Department of Indigenous and Municipal Relations provides funding of engineering assessments on all water treatment plants within Indigenous and Northern Affairs jurisdiction to meet legislated requirements.

Surveys – The Department of Indigenous and Municipal Relations provides funding to conduct land surveys within the communities.

Resource Management Boards – The Department of Indigenous and Municipal Relations provides funding to resource management boards for land use planning activities.

Resource Management Boards Wildlife Projects – The Department of Indigenous and Municipal Relations provides funding for wildlife projects under the resource management boards for polar bear and caribou activities.

Hollow Water Waste Disposal Site – Communities in the Indigenous and Northern Affairs jurisdiction provide funding for the operations and maintenance for a regional waste disposal site for Hollow Water, Manigotagan, Bissett, Aghaming and Seymourville.

911 Emergency Services - The Department of Indigenous and Municipal Relations provides support to implement the 911 emergency response systems in Indigenous and Northern Affairs Communities.

North Central Summer Students – The Department of Indigenous and Municipal Relations provides funding to support the employment equity program. Indigenous students are hired to support the program in the analytical, municipal and technical areas.

Bluff Road – The Department of Aboriginal and Northern Affairs provides funding to maintain the Bluff Road.

Municipal Relations:

Municipal Programs Grant – The Municipal Relations Division of the Department of Indigenous and Municipal Relations provides unconditional funding to support municipal services.

Department of Finance:

General Assistance Grant – The Department of Finance provides funding through the distribution of tax revenue on a per capita basis (based on the most recent census) to support municipal services.

Department of Families:

Building Independence Program – The Department of Families provides funding to support a program directed at providing work experience for recipients of social assistance living in Indigenous and Northern Affairs communities.

Federal Government:

Federal Gas Tax – Funds provided through the Department of Indigenous and Municipal Relations to support community infrastructure projects within the jurisdiction of Indigenous and Northern Affairs.

Cottage Subdivision Funds:

Northern Affairs Levy – Funds levied to provide municipal services to unassessed cottage properties within the Indigenous and Northern Affairs jurisdiction.

Manitoba Hydro:

Nelson River Archaeological Survey – Manitoba Hydro provides funding to support archaeological investigation in areas of historical and cultural importance, which has been impacted by hydro-electric development.

Pimichikamak Archaeological Project – Manitoba Hydro provides funding to prepare a plan for an archaeological survey at Sipiwick Lake.

SWAP 2006 – Manitoba Hydro provides funding to support the system-wide archaeological project.

Specific Purpose – Various:

Nelson House Claims Account – Manitoba Hydro and the Department of Indigenous and Municipal Relations provide funding for the Nelson House Community Settlement Agreement.

Sturgeon Management Program – Manitoba Hydro and the Department of Indigenous and Municipal Relations provide funding for the operation of the Sturgeon Management Board.

Cross Lake Negotiations – The Department of Indigenous and Municipal Relations provides funding to undertake research, community consultations and provide advice and recommendations regarding the implementation of the Northern Flood Agreement.

Northern Healthy Foods Initiative – The Department of Indigenous and Municipal Relations in partnership with MAFRI and Healthy Living and Healthy Child Manitoba provide funding to assist northern communities with their food self-sufficiency projects.

OPCN/CUFMA – The Department of Indigenous and Municipal Relations had completed a multi-year Capital Upgrading Funding Management Agreement (CUFMA) to support the conversion of South Indian Lake to a

federal reserve for the O-Pipon-Na-Piwin Cree Nation (OPCN) in 2013/14 and continued to provide funding to support the implementation of the reserve conversion.

Treaty Land Entitlement – The Federal Government provides funding for photogrammetric land surveys to support and expedite the Treaty Land Entitlement process.

MMF Historical Research/Tripartite – The Department of Indigenous and Municipal Relations has an agreement with the Government of Canada and the Manitoba Metis Federation to provide funding for this historical research project, an initiative under the Manitoba Metis Policy.

Consultation Unit – The Department of Indigenous and Municipal Relations provides funding to assist with the Crown-Indigenous consultation process.

Property Tax Enhancement – The Taxation Fund Account transfers any cash in excess of \$100,100 as at March 31, 2017 as a contribution to remote communities. In addition, other governmental departments and organizations provide funding to enhance community programs.

10. Interfund Transfers

A maximum cash balance of \$100,100 is retained in the Taxation Fund Account as at March 31 of each year to cover current needs. Cash in excess of \$100,100 is transferred from the Taxation Fund Account to the Specific Purpose Funds Account as a contribution to costs incurred by the fund in providing services in remote areas which do not have a local government to provide these services. The amount of excess at March 31, 2017 was \$107,207 (2016 - \$78,174). The transfer of \$107,207 from the Taxation Fund Account to the Specific Purpose Funds Account is excluded from accounts receivable & accounts payable on the Statement of Financial Position and revenue & expenses on the Statement of Operations and Accumulated Deficit.

11. Community Council Funds Revenue

Community Council Fund Revenue includes the following:

| | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|
| Province of Manitoba, Department of Indigenous and Municipal Relations | \$ 11,219,551 | \$ 11,616,623 |
| Locally generated revenue | - | 4,930 |
| Municipal tax collections transferred from Taxation Fund Account | 559,589 | 286,913 |
| Department of Agriculture, Food and Rural Initiatives, hay and grazing rental transferred from taxation Fund Account | 23,980 | 25,008 |
| | <u>\$ 11,803,120</u> | <u>\$ 11,933,474</u> |

12. Public Sector Compensation Disclosure Act

In accordance to the Public Sector Compensation Disclosure Act the Northern Affairs Fund shall disclose to the public an amount of compensation it pays or provides in the fiscal year to any member of council, officer or employee of the communities if the amount paid is \$50,000 or more annually. For the year ended March 31, 2017:

- a) There were no members of council, officers or employees of the communities receiving compensation of \$50,000 or more individually.
- b) The aggregate compensation paid to all communities was \$12,880 in 2017 and \$13,110 in 2016 as follow:

| <u>Community</u> | <u>2017</u> | <u>2016</u> |
|-------------------|------------------|------------------|
| Aghaming | 1,265 | 1,380 |
| Baden | 1,380 | 1,380 |
| Granville Lake | 690 | 1,380 |
| Herb Lake Landing | 1,610 | 1,380 |
| Loon straits | 1,265 | 1,380 |
| Powell | 1,380 | 1,380 |
| Princess Harbour | 1,265 | 1,380 |
| Red Deer Lake | 1,380 | 1,380 |
| Red Sucker Lake | 1,265 | 1,380 |
| Salt Point | 1,380 | 690 |
| | <u>\$ 12,880</u> | <u>\$ 13,110</u> |

13. Related Party Transactions

The Northern Affairs Fund is related to all Province of Manitoba created Departments, Agencies, Crown Corporations and Community Councils. The Northern Affairs Fund enters into transactions with these entities in the normal course of operations and they are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. Financial Risk Management

The Northern Affairs Fund has exposure to the following risks from its use of financial instruments: liquidity risk, interest rate risk, credit risk and currency risk.

Liquidity risk

Liquidity risk arises from the possibility of the Northern Affairs Fund having insufficient financial resources to meet its financial obligations when they come due.

The Northern Affairs Fund mitigates this risk through cash management. The Northern Affairs Fund continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting. Accounts payable are typically paid when due or in the case of loans payable – Province of Manitoba are repaid in accordance with a schedule over the term to maturity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and loans payable – Province of Manitoba.

The interest rate risk on cash and cash equivalents is considered low due to their short-term nature. The Northern Affairs Fund is exposed to interest rate risk on its loans payable – Province of Manitoba which carries specific rates of interest. A 1% increase in interest rates would have an effect of \$301,620 and increase expenditures.

However, the interest rate risk on loans payable – Province of Manitoba is low because the rate is fixed for the term to maturity and the Province of Manitoba is funding all required interest payments. Therefore, revenue of the Community Capital Support Funds would also be increased by \$301,620.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter-party. The financial instruments that potentially subject the Northern Affairs Fund to credit risk consist principally of cash and cash equivalents and accounts receivable – Province of Manitoba.

The maximum exposure of Northern Affairs Fund to credit risk at March 31st is:

| | <u>2017</u> | <u>2016</u> |
|---|----------------------|----------------------|
| Cash and Cash equivalent (Note 3) | \$ 16,020,058 | \$ 14,554,846 |
| Account Receivable - Province of Manitoba (Specific Purpose Fund) (Note 4) | 343,130 | 307,786 |
| Other Receivables - Province of Manitoba (Note 5) | 37,703 | 35,223 |
| | <u>\$ 16,400,891</u> | <u>\$ 14,897,855</u> |

Cash in bank: The Northern Affairs Fund is not exposed to significant risk as the cash in bank is held with a large Canadian financial institution.

Cash equivalents: The Northern Affairs Fund is not exposed to significant risks as the deposits are held within the Province of Manitoba's Trust account.

Accounts Receivable and Other Receivables – Province of Manitoba: The Northern Affairs Fund is not exposed to significant risk as the receivable is from the Province of Manitoba.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Northern Affairs Fund is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

15. Comparative Figures

Comparative Figures for the year end March 31, 2016 have been reclassified, where appropriate, to confirm with the presentation adopted for the year end March 31, 2017.

Northern Affairs Fund

AUDITED FINANCIAL STATEMENTS MARCH 31, 2018

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Indigenous and Northern Relations

Financial and Administrative Services
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August 10, 2021

NORTHERN AFFAIRS FUND

MANAGEMENT REPORT

The accompanying financial statements are the responsibility of management and have been prepared in accordance with the Canadian public sector accounting standards as stated in the notes to the financial statements. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available.

Management maintains internal controls to provide reasonable assurance that the financial information is reliable and accurate, and that the assets of the Fund are properly safeguarded.

The responsibility of the Auditor General for Manitoba is to express an independent professional opinion as to whether the financial statements are presented fairly in all material respects.

The Executive Financial Officer has reviewed and approved these financial statements.

On Behalf of Management

Original signed by Mike Sosiak

Mr. Mike Sosiak
Executive Financial Officer
Department of Indigenous and Northern Relations

INDEPENDENT AUDITOR'S REPORT

To the Minister of Indigenous Reconciliation and Northern Relations
To the Legislative Assembly of Manitoba

We have audited the accompanying financial statements of the Northern Affairs Fund, which comprise the statement of financial position as at March 31, 2018, and the statement of operations and accumulated deficit, statement of change in net debt and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Northern Affairs Fund as at March 31, 2018, and the results of its operations and its cash flows for the year then ended, in accordance with Canadian public sector accounting standards.

Original signed by

Office of the Auditor General
August 10, 2021
Winnipeg, Manitoba

NORTHERN AFFAIRS FUND

STATEMENT OF FINANCIAL POSITION

As at March 31, 2018

| | 2018 | Restated (Note 17) 2017 |
|--------------------------------------|------------------------|----------------------------|
| Financial Assets | | |
| Cash and cash equivalents (Note 3) | \$ 14,027,961 | \$ 16,020,058 |
| Accounts receivable (Notes 4, 5, 10) | 2,137,038 | 1,961,556 |
| Total Financial Assets | 16,164,999 | 17,981,614 |
| Liabilities | | |
| Accounts payable (Notes 6, 10) | 2,967,757 | 3,017,436 |
| Loans payable (Note 7) | 28,119,239 | 30,161,988 |
| Total Liabilities | 31,086,996 | 33,179,424 |
| Net Debt | (14,921,997) | (15,197,810) |
| Non-Financial Assets | | |
| Construction in progress (Note 8) | 3,868,888 | 4,569,487 |
| Total Non-Financial Assets | 3,868,888 | 4,569,487 |
| Accumulated Deficit | \$ (11,053,109) | \$ (10,628,323) |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND

STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

For the Year Ended March 31, 2018

| | 2018 | Restated (Note 17) 2017 |
|--|------------------------|----------------------------|
| Revenues (Sch 1, SPF) | | |
| Indigenous and Northern Communities | \$ 11,966,079 | \$ 12,555,789 |
| Cottage Administration Fees | 27,938 | 27,625 |
| Indigenous and Northern Affairs | 501,346 | 671,135 |
| Municipal Relations | 2,883,005 | 3,017,678 |
| Department of Families | 18,200 | 45,600 |
| Federal Gas Tax | 507,051 | 496,662 |
| Cottage Subdivision Funds | 656,603 | 610,932 |
| Manitoba Hydro | - | - |
| Specific Purpose - Various | 163,139 | 290,191 |
| Tax Revenue (Sch 2, NTRA) | 2,478,501 | 2,403,050 |
| Total Revenue | 19,201,862 | 20,118,662 |
| Expenses (Sch 1, SPF) | | |
| Indigenous and Northern Communities | 13,176,735 | 13,256,615 |
| Cottage Administration Fees | 34,970 | 34,729 |
| Indigenous and Northern Affairs | 513,879 | 1,049,948 |
| Municipal Relations | 2,796,803 | 2,926,993 |
| Department of Families | 38,100 | 24,185 |
| Federal Gas Tax | 49,934 | 7,157 |
| Cottage Subdivision Funds | 516,851 | 648,573 |
| Manitoba Hydro | 82,155 | 111,459 |
| Specific Purpose - Various | 161,996 | 480,853 |
| Tax Administered Expenses (Sch 2, NTRA) | 2,255,225 | 2,276,176 |
| Total Expenses | 19,626,648 | 20,816,688 |
| Annual Deficit | (424,786) | (698,026) |
| Accumulated Surplus (Deficit) at Beginning of Year As previously reported | (10,714,799) | (9,930,297) |
| Prior Period Adjustments (Note 17) | 86,476 | |
| Accumulated Surplus (Deficit), End of Year As Restated | (10,628,323) | (9,930,297) |
| Accumulated Deficit, End of Year | \$ (11,053,109) | \$ (10,628,323) |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND
STATEMENT OF CHANGE IN NET DEBT
For the Year Ended March 31, 2018

| | 2018 | Restated (Note 17) 2017 |
|--|------------------------|----------------------------|
| Annual Deficit | \$ (424,786) | \$ (698,026) |
| Non-Financial Assets | | |
| New construction costs (Note 8) | 864,960 | 2,849,726 |
| Closed projects (Note 8) | (1,565,559) | (1,128,529) |
| | (700,599) | 1,721,197 |
| Decrease in Net Debt | 275,813 | (2,419,223) |
| Net Financial Assets/(Debt), Beginning of Year As previously reported | (15,284,286) | (12,778,587) |
| Prior Period Adjustments (Note 17) | 86,476 | |
| Net Financial Assets/(Debt), Beginning of Year As Restated | (15,197,810) | (12,778,587) |
| Net Debt, End of Year | \$ (14,921,997) | \$ (15,197,810) |

The accompanying notes are an integral part of these financial statements

NORTHERN AFFAIRS FUND
STATEMENT OF CASH FLOW
For the Year Ended March 31, 2018

| | 2018 | Restated (Note 17) 2017 |
|--|----------------------|----------------------------|
| Operating Activities | | |
| Annual Deficit | \$ (424,786) | \$ (698,026) |
| Change in: | | |
| Accounts receivable | (175,482) | (55,009) |
| Accounts payable | (49,679) | 738,526 |
| Cash used in operating activities | (649,947) | (14,509) |
| Capital Activities | | |
| Increase in construction in progress | 700,599 | (1,721,197) |
| Cash provided by capital activities | 700,599 | (1,721,197) |
| Financing Activities | | |
| Increase in loans payable | (2,042,749) | 3,200,918 |
| Cash provided by financial transactions | (2,042,749) | 3,200,918 |
| Increase/(Decrease) in Cash | (1,992,097) | 1,465,212 |
| Cash and Cash Equivalents, Beginning of Year | 16,020,058 | 14,554,846 |
| Cash and Cash Equivalents, End of Year (Note 3) | \$ 14,027,961 | \$ 16,020,058 |

Supplemental Cash Flow Information

| | | |
|-------------------|-----------|---------|
| Interest Received | 226,326 | 202,568 |
| Interest Paid | 1,040,841 | 952,210 |

The accompanying notes are an integral part of these financial statements.

SCHEDULE 1

NORTHERN AFFAIRS FUND

SPECIFIC PURPOSE FUNDS AND ACCUMULATED DEFICIT

For the Year Ended March 31, 2018

| | Balance | SPF Transfers (Note 10) | Transfer from Taxation Fund Account (Note 10) | Revenue | Expense | Balance |
|--|-----------------|-------------------------------|--|---------------|---------------|-----------------|
| | 31-Mar-17 | | | | | 31-Mar-18 |
| Indigenous and Northern Communities | | | | | | |
| Community Council Funds (Note 11 & 17) | \$ (18,267,523) | \$ 193,729 | | \$ 10,925,238 | \$ 12,093,507 | \$ (19,242,063) |
| Community Capital Support (Note 17) | (849,047) | | | 1,040,841 | 1,083,228 | (891,434) |
| | (19,116,570) | 193,729 | - | 11,966,079 | 13,176,735 | (20,133,497) |
| Cottage Administration Fees | 79,183 | | | 27,938 | 34,970 | 72,151 |
| Indigenous and Northern Affairs | | | | | | |
| Department Revenue/Transfer Payments | - | | | 440,303 | 440,303 | - |
| RBC Payment Distribution | 27 | | | 1,100 | 1,374 | (247) |
| Fire Training | 216,075 | | | - | - | 216,075 |
| Sturgeon Landing Road | 40,767 | | | 671 | 1,251 | 40,187 |
| Community Ergonomics | 21,550 | | | - | 994 | 20,556 |
| Northern Ministers Development Forum | 70,071 | | | - | - | 70,071 |
| Workplace Safety and Health Training | 1,263 | | | - | - | 1,263 |
| Community Clerk Workshop | 48,857 | | | - | 25,000 | 23,857 |
| Water Operator Certification | 17,607 | | | - | - | 17,607 |
| Water Treatment Plant Assessments | 37,564 | | | - | - | 37,564 |
| Surveys | 10,249 | | | - | - | 10,249 |
| Resource Management Boards | 86,085 | | | - | - | 86,085 |
| Resource Management Boards Wildlife Projects | 11,930 | | | - | 1,493 | 10,437 |
| Hollow Water Waste Disposal Site | 63,612 | | | 59,272 | 43,464 | 79,420 |
| 911 Emergency Services | 48,224 | | | - | - | 48,224 |
| | 673,881 | | | 501,346 | 513,879 | 661,348 |
| Department of Municipal Relations | | | | | | |
| General Assistance Grant | 402,288 | | | 2,742,605 | 2,674,725 | 470,168 |
| Municipal Program Grant | - | (18,322) | | 140,400 | 122,078 | - |
| | 402,288 | (18,322) | - | 2,883,005 | 2,796,803 | 470,168 |
| Department of Finance | | | | | | |
| Department of Families | | | | | | |
| Building Independence Program | 23,679 | | | 18,200 | 38,100 | 3,779 |
| | 3,587,373 | | | 507,051 | 49,934 | 4,044,490 |
| Federal Gas Tax | | | | | | |
| Cottage Subdivision Funds | | | | | | |
| Northern Affairs Levy | 765,858 | | | 656,603 | 516,851 | 905,610 |
| Manitoba Hydro | | | | | | |
| Nelson River Archaeological Survey | 5 | (5) | | - | - | - |
| Pimichikamak Archaeological Project | 141,979 | 42,364 | | - | 82,155 | 102,188 |
| SWAP 2006 | 49,366 | (42,364) | | - | - | 7,002 |
| | 191,350 | (5) | - | - | 82,155 | 109,190 |
| Specific Purpose - Various | | | | | | |
| Nelson House Claims Account | 11,632 | | | 90 | - | 11,722 |
| Sturgeon Management Program | 10,524 | | | 156,280 | 156,659 | 10,145 |
| Northern Healthy Foods Initiative | 2,583 | | | - | - | 2,583 |
| Treaty Land Entitlement | 174,863 | | | - | - | 174,863 |
| OPCN-CUFMA Agreement | 139,468 | | | - | - | 139,468 |
| MMF Historical Research/Tripartite | 51,348 | | | - | - | 51,348 |
| Consultation Unit | 23,612 | | | - | - | 23,612 |
| Property Tax Enhancement (Note 10) | 631,977 | (175,402) | 49,925 | 6,769 | 5,337 | 507,932 |
| | 1,046,007 | (175,402) | 49,925 | 163,139 | 161,996 | 921,673 |
| Accumulated Deficit | \$ (12,346,951) | - | \$ 49,925 | \$ 16,723,361 | \$ 17,371,423 | \$ (12,945,088) |

The accompanying notes are an integral part of these financial statements.

SCHEDULE 2

NORTHERN AFFAIRS FUND

NET TAX REVENUES ADMINISTERED AND ACCUMULATED SURPLUS

For the Year Ended March 31, 2018

| | 2018 | Restated (Note 17) 2017 |
|--|---------------------|----------------------------|
| Tax Revenues | | |
| Taxation levies | \$ 1,527,356 | \$ 1,467,926 |
| Grants in lieu of taxes | 693,034 | 696,883 |
| Tax penalties | 191,109 | 174,519 |
| Rentals - Hay and Grazing | 66,102 | 62,024 |
| Other | 900 | 1,698 |
| Total Tax Revenues | 2,478,501 | 2,403,050 |
| Administered Expenses | | |
| Frontier School Division special levy | 1,061,354 | 1,049,441 |
| Public Schools Finance Board – education support levy | 461,020 | 460,427 |
| Municipal levy | 394,970 | 608,181 |
| Hay and Grazing leases | 30,233 | 23,980 |
| Department of Indigenous and Municipal Relations | 52,639 | 52,537 |
| Budgeted allowance for doubtful accounts | 251,683 | 77,200 |
| Other | 3,326 | 4,410 |
| Total Administered Expenses | 2,255,225 | 2,276,176 |
| Net Tax Revenue Administered | 223,276 | 126,874 |
| Accumulated Surplus (Deficit) at Beginning of Year As previously reported | 1,718,628 | 1,698,961 |
| Prior Period Adjustments (Note 17) | 86,476 | |
| Accumulated Surplus (Deficit), End of Year As Restated | 1,718,628 | 1,698,961 |
| Transfer to Specific Purpose Funds Account (Note 10) | (49,925) | (107,207) |
| Accumulated Surplus at End of Year | \$ 1,891,979 | \$ 1,718,628 |

The accompanying notes are an integral part of these financial statements.

NORTHERN AFFAIRS FUND

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended March 31, 2018

1. Purpose of the Organization

The purpose of the Northern Affairs Fund (the Fund) is to administer trust funds on behalf of the designated communities and administer the property tax system within the jurisdiction of the Department of Indigenous and Municipal Relations (as of the audit report date they report to the Department of Indigenous and Northern Relations) in compliance with *The Northern Affairs Act*.

a) Specific Purpose Funds Account

Used to account for all monies advanced to the Minister of Indigenous and Municipal Relations to provide financial services to community councils in northern areas of Manitoba.

b) Taxation Fund Account

Levies property and business taxes based on real property assessments and remits the tax requirements to school divisions and The Public Schools Finance Board. Taxes collected for local purposes in the communities are remitted to the community councils when collected.

2. Summary of Significant Accounting Policies

a) Basis of Accounting

The financial statements of the Fund are prepared by management in accordance with Canadian Public Sector Accounting Standards established by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada.

b) Revenues and Expenses

- I. Revenue and expenses are recognized in the period in which the transaction or events occurred. Revenue and expenses are recorded on an accrual basis, except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impractical.
- II. Interest revenue earned on short-term deposits is recognized in the period in which the transaction occurred and recorded on an accrual basis.
- III. Tax revenues from property tax assessments, including interest & penalties on overdue payments, are recorded in the year earned and are recorded net of the education property tax credit advance. Transfers made through the tax system are recorded as an expense. Due to the timing differences between the entity's fiscal year and the tax calendar year, receivables are accrued based on the tax assessments of the subsequent tax year.

c) Government Transfers

Government transfers are recognized in the Fund's financial statements as expenses or revenues in the period that the events giving rise to the transfer occurred as long as the transfer is authorized, eligibility criteria, if any, have been met by the recipient, and a reasonable estimate of the amount can be made.

d) Construction in Progress

Construction in Progress represents purchased or constructed assets and is recorded at cost. When the asset is ready to be put into use for the community, the asset is authorized as completed and the project is closed. Subsequently the closed project/asset is transferred to the community by clearing through the Community Council Funds specific purpose account.

e) Cash and Cash Equivalents

Cash and cash equivalents includes cash and short-term deposits with maturities of three months or less from the deposit date and are held for meeting short-term commitments rather than for investing.

f) Financial Instruments

Financial instruments are classified into one of the two measurement categories; (a) fair value; or (b) cost or amortized cost. Financial instruments including cash and cash equivalents, accounts receivable and other receivables – Province of Manitoba, accounts payable and loans payable – Province of Manitoba are recorded at cost.

Gains and losses on financial instruments measured at fair value are recorded in accumulated surplus as re-measurement gains and losses until recognized. Upon disposition of the financial instruments, the cumulative re-measurement gains and losses are reclassified to the Statement of Operations and Accumulated Deficit.

As at March 31, 2018, the Fund does not have any financial instruments measured at fair value. Gains and losses on financial instruments measured at cost or amortized cost are recognized in the Statement of Operations and Accumulated Deficit in the period the gain or loss occurs.

The Fund did not incur any re-measurement gains and losses during the year ended March 31, 2018.

g) Allowance for Uncollectible Taxes and Grants in Lieu of Taxes

The allowance for uncollectible taxes and grants in lieu of taxes consists of tax cancellations relating to specific tax rolls and an estimate of uncollectible accounts based on the history of tax collections.

h) Measurement Uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and contingent liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from management's best estimate as additional information becomes available in the future.

i) Administrative Support

The Department of Indigenous and Municipal Relations provides administrative services at no charge to the Fund. The cost of these services for the year ended March 31, 2018 is estimated to be \$ \$311,054 (2017 \$326,582).

j) Budget

The statement of operations and accumulated surplus and the statement of change in net financial assets do not present budgeted financial results due to the nature of the Northern Affairs Fund, which administers the funds on behalf of designated communities.

3. Cash and Cash Equivalents

| | <u>2018</u> | <u>2017</u> |
|------------------------------------|----------------------|----------------------|
| Cash – Specific Purpose Funds | \$ 9,070,324 | \$ 10,930,735 |
| Cash – Taxation Fund | 100,200 | 100,200 |
| Investments Payable to Communities | 925,779 | 1,044,426 |
| Cash Equivalents | 3,931,658 | 3,944,697 |
| | <u>\$ 14,027,961</u> | <u>\$ 16,020,058</u> |

Cash equivalents are 90 day callable deposits with an interest rate in range of 0.50%-0.57% and within the Province of Manitoba trust account. Deposits are normally held to maturity, but if early withdrawal is required the interest rates are applicable up to date of withdrawal.

4. Accounts Receivable

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Accounts receivable - Province of Manitoba (Specific purpose fund) | \$ 295,479 | \$ 343,130 |
| Accounts receivable - Taxation Fund (Note 5) | 1,791,778 | 1,618,426 |
| Taxation Surplus Receivable | 49,781 | |
| | <u>\$ 2,137,038</u> | <u>\$ 1,961,556</u> |

5. Accounts Receivable-Taxation Fund

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|---------------------|
| Taxes Receivable, End of year | \$ 3,471,450 | \$ 3,047,290 |
| Allowance for Doubtful Accounts | (1,718,250) | (1,553,043) |
| Adjustment to the Allowance for Doubtful Accounts (Note 17) | | 86,476 |
| Adjusted Allowance for Doubtful Accounts | (1,718,250) | (1,466,567) |
| Total Net Taxes Receivable, End of Year | 1,753,200 | 1,580,723 |
| Other Receivables – Province of Manitoba | 38,578 | 37,703 |
| | <u>\$ 1,791,778</u> | <u>\$ 1,618,426</u> |

6. Accounts Payable

| | <u>2018</u> | <u>2017</u> |
|---|---------------------|---------------------|
| Accounts Payable - Specific Purpose Funds | | |
| Accrued Liabilities | \$ 1,150,544 | \$ 1,123,963 |
| Interest Payable | 891,434 | 849,047 |
| Invested Community /Reserves Payable | 925,779 | 1,044,426 |
| Accounts Payable-Taxation Fund | - | - |
| | <u>\$ 2,967,757</u> | <u>\$ 3,017,436</u> |

7. Loans Payable

Payment of principal and interest is funded primarily by grants from the Province of Manitoba.

Loans from the Province of Manitoba include the following:

| | <u>2018</u> | <u>2017</u> |
|--|---------------------|----------------------|
| Province of Manitoba, interest 4.45%, repayable in annual instalments plus interest until May 31, 2019 (Original draw November 30, 2009; \$2,600,000) | \$601,135 | \$882,634 |
| Province of Manitoba, interest 4.45%, repayable in annual instalments plus interest until May 31, 2019 (Original draw February 1, 2010; \$1,950,000) | \$447,464 | \$657,002 |
| Province of Manitoba, interest 4.95%, repayable in annual instalments plus interest until May 31, 2020 (Original draw May 11, 2010; \$1,600,000) | \$563,435 | \$733,816 |
| Province of Manitoba, interest 4.00%, repayable in annual instalments plus interest until May 31, 2025 (Original draw October 1, 2010; \$4,100,000) | \$2,412,829 | \$2,674,603 |
| Province of Manitoba, interest 3.875%, repayable in annual instalments plus interest until May 31, 2020 (Original draw March 31, 2011; \$1,000,000) | \$330,237 | \$432,206 |
| Province of Manitoba, interest 3.00%, repayable in annual instalments plus interest until May 31, 2022 (Original draw December 1, 2011; \$2,000,000) | \$975,490 | \$1,153,886 |
| Province of Manitoba, interest 3.00%, repayable in annual instalments plus interest until May 31, 2022 (Original draw March 31, 2012; \$2,000,000) | \$1,079,020 | \$1,276,350 |
| Province of Manitoba, interest 4.25%, repayable in annual instalments plus interest until May 31, 2034 (Original draw December 31, 2013; \$6,000,000) | \$5,385,658 | \$5,599,018 |
| Province of Manitoba, interest 3.50%, repayable in annual instalments plus interest until May 31, 2035 (Original draw December 31, 2014; \$7,000,000) | \$6,496,281 | \$6,752,472 |
| Province of Manitoba, interest 3.75%, repayable in annual instalments plus interest until May 31, 2036 (Original draw December 31, 2015; \$5,000,000) | \$4,827,690 | \$5,000,000 |
| Province of Manitoba, interest 3.75%, repayable in annual instalments plus interest until May 31, 2037 (Original draw December 31, 2016; \$5,000,000) | \$5,000,000 | \$5,000,000 |
| | \$28,119,239 | \$ 30,161,988 |

Interest payable includes the following:

| | |
|--------------------------------|-------------------|
| \$ 1,152,140 – 305 days, 4.45% | 22,280 |
| \$ 857,612 – 305 days, 4.45% | 16,593 |
| \$ 896,161 – 305 days, 4.95% | 23,229 |
| \$ 2,926,309 – 305 days, 4.00% | 80,384 |
| \$ 530,373 – 305 days, 3.875% | 10,658 |
| \$ 1,326,980 – 305 days, 3.00% | 24,374 |
| \$ 1,467,814 – 305 days, 3.00% | 26,961 |
| \$ 5,803,681 – 305 days, 4.25% | 190,638 |
| \$ 7,000,000 – 305 days, 3.50% | 189,371 |
| \$ 5,000,000 – 305 days, 3.75% | 150,783 |
| \$5,000,000 - 305 days, 3.75% | 156,164 |
| | \$ 891,434 |

| | Loan Principal | Interest |
|------------------------------|-----------------------|---------------------|
| 2018 | \$ 2,295,535 | \$ 1,070,296 |
| 2019 | 2,385,714 | 980,118 |
| 2020 | 1,919,854 | 886,427 |
| 2021 | 1,667,193 | 813,666 |
| 2022 | 1,727,832 | 753,027 |
| Subsequent Years (from 2023) | 18,123,111 | 5,140,652 |
| | \$ 28,119,239 | \$ 9,644,187 |

8. Construction in Progress

| | 2018 | 2017 |
|----------------------------|---------------------|---------------------|
| Balance, Beginning of Year | \$ 4,569,487 | \$ 2,848,290 |
| New Construction Costs | 864,960 | 2,849,726 |
| Closed Projects | (1,565,559) | (1,128,529) |
| Balance, End of Year | \$ 3,868,888 | \$ 4,569,487 |

9. Northern Affairs Fund – Specific Purpose Funds

The Northern Affairs Fund administers the following Specific Purpose Funds:

Indigenous and Northern Affairs Communities:

Community Council Funds – The Department of Indigenous and Municipal Relations provides funding to support communities in the Indigenous and Northern Affairs jurisdiction for the operation, maintenance and construction of their municipal infrastructure.

Community Capital Support – The Department of Indigenous and Municipal Relations provides funding to satisfy principal and interest due on loans payable to the Province of Manitoba (community capital funding source).

Cottage Administration Fees:

Cottage Administration Fees – A portion of funds from the cottagers levy are set aside within the specific purpose fund to provide administrative support to cottage areas.

Indigenous and Northern Affairs:

Departmental Revenue/Transfer Payments – Revenue received from a variety of sources by the Department of Indigenous and Municipal Relations is transferred to the consolidated fund of the Province of Manitoba.

RBC Payment Distribution – The Department of Indigenous and Municipal Relations covers the costs for electronic bank transfer services for payroll cheques for communities and programs where funds are administered in trust.

Fire Training – The Department of Indigenous and Municipal Relations provides funding for community fire training requirements identified as a result of the Fire Program Review.

Sturgeon Landing Road – The Department of Indigenous and Municipal Relations provides funding to maintain the Sturgeon Landing Road and recovers 50% of the costs from the Saskatchewan Provincial Government.

Community Ergonomics – The Department of Indigenous and Municipal Relations funding as per Workplace Safety and Health Regulation 217/2006 to assist community councils with developing a Community Ergonomic Plan (CEP).

Northern Consultation Board – The Department of Indigenous and Municipal Relations provides funding to assist the Board with reviewing/addressing matters and providing recommendations concerning any proposals with respect to the incorporation process.

Northern Ministers Development Forum – The Department of Indigenous and Municipal Relations and other provincial governments provide funding for a special project on Maximizing the Economic and Social Impacts from Major Projects in the North.

Workplace Safety and Health Training – The Department of Indigenous and Municipal Relations provides funding for community workplace safety and health program training requirements.

Workplace Safety and Health Equipment – The Department of Indigenous and Municipal Relations provides funding for community workplace safety and health program equipment requirements.

Community Clerk Workshop – The Department of Indigenous and Municipal Relations provides funding to support training and development of the Community Administrative Officers and support staff.

Water Operator Certification – The Department of Indigenous and Municipal Relations provides funding for community water/wastewater plant operator certification.

Water Treatment Plant Assessments – The Department of Indigenous and Municipal Relations provides funding of engineering assessments on all water treatment plants within Indigenous and Northern Affairs jurisdiction to meet legislated requirements.

Surveys – The Department of Indigenous and Municipal Relations provides funding to conduct land surveys within the communities.

Resource Management Boards – The Department of Indigenous and Municipal Relations provides funding to resource management boards for land use planning activities.

Resource Management Boards Wildlife Projects – The Department of Indigenous and Municipal Relations provides funding for wildlife projects under the resource management boards for polar bear and caribou activities.

Hollow Water Waste Disposal Site – Communities in the Indigenous and Northern Affairs jurisdiction provide funding for the operations and maintenance for a regional waste disposal site for Hollow Water, Manigotagan, Bissett, Aghaming and Seymourville.

911 Emergency Services - The Department of Indigenous and Municipal Relations provides support to implement the 911 emergency response systems in Indigenous and Northern Affairs Communities.

Municipal Relations:

Municipal Programs Grant – The Municipal Relations Division of the Department of Indigenous and Municipal Relations provides unconditional funding to support municipal services.

General Assistance Grant – The Department of Finance provides funding through the distribution of tax revenue on a per capita basis (based on the most recent census) to support municipal services.

Department of Families:

Building Independence Program – The Department of Families provides funding to support a program directed at providing work experience for recipients of social assistance living in Indigenous and Northern Affairs communities.

Federal Government:

Federal Gas Tax – Funds provided through the Department of Indigenous and Municipal Relations to support community infrastructure projects within the jurisdiction of Indigenous and Northern Affairs.

Cottage Subdivision Funds:

Northern Affairs Levy – Funds levied to provide municipal services to unassessed cottage properties within the Indigenous and Northern Affairs jurisdiction.

Manitoba Hydro:

Nelson River Archaeological Survey – Manitoba Hydro provides funding to support archaeological investigation in areas of historical and cultural importance, which has been impacted by hydro-electric development.

Pimichikamak Archaeological Project – Manitoba Hydro provides funding to prepare a plan for an archaeological survey at Sipiwick Lake.

SWAP 2006 – Manitoba Hydro provides funding to support the system-wide archaeological project.

Specific Purpose – Various:

Nelson House Claims Account – Manitoba Hydro and the Department of Indigenous and Municipal Relations provide funding for the Nelson House Community Settlement Agreement.

Sturgeon Management Program – Manitoba Hydro and the Department of Indigenous and Municipal Relations provide funding for the operation of the Sturgeon Management Board.

Cross Lake Negotiations – The Department of Indigenous and Municipal Relations provides funding to undertake research, community consultations and provide advice and recommendations regarding the implementation of the Northern Flood Agreement.

Northern Healthy Foods Initiative – The Department of Indigenous and Municipal Relations in partnership in MAFRI and Healthy Living and Healthy Child Manitoba provide funding to assist northern communities with their food self-sufficiency projects.

Treaty Land Entitlement – The Federal Government provides funding for photogrammetric land surveys to support and expedite the Treaty Land Entitlement process.

OPCN/CUFMA – The Department of Indigenous and Municipal Relations had completed a multi-year Capital Upgrading Funding Management Agreement (CUFMA) to support the conversion of South Indian Lake to a federal reserve for the O-Pipon-Na-Piwin Cree Nation (OPCN) in 2013/14 and continued to provide funding to support the implementation of the reserve conversion.

MMF Historical Research/Tripartite – The Department of Indigenous and Municipal Relations has an agreement with the Government of Canada and the Manitoba Metis Federation to provide funding for this historical research project, an initiative under the Manitoba Metis Policy.

Consultation Unit – The Department of Indigenous and Municipal Relations provides funding to assist with the Crown-Indigenous consultation process.

Property Tax Enhancement – The Taxation Fund Account transfers any cash in excess of \$100,100 as at March 31, 2018 as a contribution to remote communities. In addition, other governmental departments and organizations provide funding to enhance community programs.

10. Inter-fund Transfers

A maximum cash balance of \$100,100 is retained in the Taxation Fund Account as at March 31 of each year to cover current needs. Cash in excess of \$100,100 is transferred from the Taxation Fund Account to the Specific Purpose Funds Account as a contribution to costs incurred by the fund in providing services in remote areas which do not have a local government to provide these services. The amount of excess at March 31, 2018 was \$49,925 (2017 \$107,207). The transfer of \$49,925 from the Taxation Fund Account to the Specific Purpose Funds Account is excluded from accounts receivable & accounts payable on the Statement of Financial Position and revenue & expenses on the Statement of Operations and Accumulated Deficit.

11. Community Council Funds Revenue

Community Council Fund Revenue includes the following:

| | <u>2018</u> | <u>2017</u> |
|--|----------------------|----------------------|
| Province of Manitoba, Department of Indigenous and Municipal Relations | \$ 10,564,694 | \$ 11,219,551 |
| Locally generated revenue | 815 | - |
| Municipal tax collections transferred from Taxation Fund Account | 329,496 | 559,589 |
| Department of Agriculture, Food and Rural Initiatives, hay and grazing rental transferred from taxation Fund Account | 30,233 | 23,980 |
| | <u>\$ 10,925,238</u> | <u>\$ 11,803,120</u> |

12. Public Sector Compensation Disclosure Act

In accordance to the Public Sector Compensation Disclosure Act the Northern Affairs Fund shall disclose to the public an amount of compensation it pays or provides in the fiscal year to any member of council, officer or employee of the communities if the amount paid is \$50,000 or more annually. For the year ended March 31, 2018:

- a) There were no members of council, officers or employees of the communities receiving compensation of \$50,000 or more individually.
- b) The aggregate compensation paid to all communities was \$11,500 in 2018 and \$12,880 in 2017 as follow:

| <u>Community</u> | <u>2018</u> | <u>2017</u> |
|-------------------|------------------|------------------|
| Aghaming | 1,380 | 1,265 |
| Baden | 1,380 | 1,380 |
| Granville Lake | - | 690 |
| Herb Lake Landing | 1,035 | 1,610 |
| Loon Straits | 1,380 | 1,265 |
| Powell | 1,380 | 1,380 |
| Princess Harbour | 1,380 | 1,265 |
| Red Deer Lake | 1,380 | 1,380 |
| Red Sucker Lake | 1,380 | 1,265 |
| Salt Point | 805 | 1,380 |
| | <u>\$ 11,500</u> | <u>\$ 12,880</u> |

13. Related Party Transactions

The Minister of Indigenous and Northern Relations has control of the Northern Affairs Fund. Key management personnel and their close family members are related parties. They are identified as the Minister and Deputy Minister of Indigenous and Northern Relations, and their spouses, and any controlled business.

Related party transactions are recorded at the exchange amount. Material transactions, in aggregate, or balances are disclosed separately. Indigenous and Northern Relations administrative provides services to the Northern Affairs Fund at no charge. The cost of these services include a portion of the salaries and benefits

of departmental staff and other expenses. Management has not estimated the cost of these services and these unallocated costs are not recognized in the financial statements.

14. Contractual Obligations

As part of operations, Indigenous and Northern Relations entered into agreements with Manitoba Sustainable Development (now Conservation and Climate) on October 25, 2016 to allow Indigenous and Northern Relations to access the Cuprus sewage lagoon for the disposal of wastewater and sewage generated from cottagers located in the Bakers Narrow area within Indigenous and Northern Relations' jurisdiction. The agreement expires on October 31, 2026. Pursuant to the agreement, Indigenous and Northern Relations must pay a total of \$414,373 to Manitoba Conservation and Climate. Payments are made on monthly basis from the Northern Affairs Fund as customers pay their share of the fee. The full balance is due by October 31, 2026.

15. Financial Risk Management

The Northern Affairs Fund has exposure to the following risks from its use of financial instruments: liquidity risk, interest rate risk, credit risk and currency risk.

Liquidity risk

Liquidity risk arises from the possibility of the Northern Affairs Fund having insufficient financial resources to meet its financial obligations when they come due.

The Northern Affairs Fund mitigates this risk through cash management. The Northern Affairs Fund continuously monitors and reviews both actual and forecasted cash flows through periodic financial reporting. Accounts payable are typically paid when due or in the case of loans payable – Province of Manitoba are repaid in accordance with a schedule over the term to maturity.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to cash and cash equivalents and loans payable – Province of Manitoba.

The interest rate risk on cash and cash equivalents is considered low due to their short-term nature.

The Northern Affairs Fund is exposed to interest rate risk on its loans payable – Province of Manitoba which carries specific rates of interest. A 1% increase in interest rates would have an effect of \$281,192 and increase expenditures.

However, the interest rate risk on loans payable – Province of Manitoba is low because the rate is fixed for the term to maturity and the Province of Manitoba is funding all required interest payments. Therefore, revenue of the Community Capital Support Funds would also be increased by \$281,192.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to the counter-party. The financial instruments that potentially subject the Northern Affairs Fund to credit risk consist principally of cash and cash equivalents and accounts receivable – Province of Manitoba.

The maximum exposure of Northern Affairs Fund to credit risk at March 31st is:

| | <u>2018</u> | <u>2017</u> |
|---|----------------------|----------------------|
| Cash and Cash equivalent (Note 3) | \$ 14,027,961 | \$ 16,020,058 |
| Account Receivable - Province of Manitoba (Specific Purpose Fund) (Note 4) | 295,479 | 343,130 |
| Other Receivables - Province of Manitoba (Note 5) | 38,578 | 37,703 |
| | <u>\$ 14,362,018</u> | <u>\$ 16,400,891</u> |

Cash in bank: The Northern Affairs Fund is not exposed to significant risk as the cash in bank is held with a large Canadian financial institution.

Cash equivalents: The Northern Affairs Fund is not exposed to significant risks as the deposits are held within the Province of Manitoba's Trust account.

Accounts Receivable and Other Receivables – Province of Manitoba: The Northern Affairs Fund is not exposed to significant risk as the receivable is from the Province of Manitoba.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Northern Affairs Fund is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

16. Comparative Figures

Department of Municipal Relations revenues and expenses for 2017 have been re-stated in the Statement of Operations and Accumulated Surplus. Department of Municipal Relations provides both General Assistance Grant and the Municipal Grant.

17. Restatement

I. Capital Support Prior Period Adjustment

At year-end revenue and expenses of the capital support interest need to be accrued as payments are made annually in the month of May. The accruals related to the ten month period of June to March was missed.

| | Community Capital Support Interest | Community Council Funds |
|--|---------------------------------------|----------------------------|
| 2017 Ending Balance as previously reported in Schedule-1 | (934,738) | (18,181,832) |
| Prior Period Interest Adjustment | 85,691 | (85,691) |
| Adjusted Opening Balance for 2018 (10 months accrued interest for 2017) | <u>(849,047)</u> | <u>(18,267,523)</u> |

II. Allowance for doubtful account was restated due to miscalculation in 2017.

The Allowance for Doubtful Accounts should be equal to the balance of unpaid taxes from five years prior. As at March 31, 2018, the Allowance for Doubtful Accounts should be the balance as of March 31, 2013.

NORTHERN AFFAIRS FUND
Notes to the Financial Statements (cont'd)
For the Year Ended March 31, 2018

The incorrect balances were used in 2017, resulting in an overstatement of the Allowance for Doubtful Accounts by \$86,476, therefore an adjustment is required to reduce this account.

| | | |
|--|----|---------------|
| Previously reported Allowance for Doubtful Accounts balance for 2017 | \$ | 1,553,043 |
| Corrected Allowance for Doubtful Accounts balance for 2017 | \$ | 1,466,567 |
| | \$ | <u>86,476</u> |



