

**PROVINCE OF MANITOBA
NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE THREE MONTHS - APRIL TO JUNE 1998**

This report presents the unaudited financial results of the Province of Manitoba for the first quarter of the 1998/99 fiscal year. These financial statements have been prepared on a cash basis without adjustments for normal year end entries.

The comparative data provided for the 1997/98 fiscal year has been recast to reflect the organizational structure of departments established in the 1998/99 Estimates.

FIRST QUARTER - ACTUAL TO ESTIMATE

The first quarter deficit of \$262.1 million was \$46.6 million less than the \$308.7 million projected. The estimate represents cash flow projections for the period. The major variances arise from timing differences between the cash flow of receipts and disbursements.

FIRST QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

The first quarter deficit was \$70.4 million higher than the same period last year. The increase reflects a \$91.7 million increase in expenditure which is primarily due to timing differences of certain payments, and a \$21.3 million increase in revenue from growth in various own source revenues.

YEAR END PROJECTION

Based on experience to date, the budgeted surplus of \$23.0 million is unchanged and reflects offsetting revisions to revenue and expenditure projections. Revenue is currently projected to be higher than the budget based on solid own-source revenue combined with the positive impact of recently revised census data. The revised data indicates that Manitoba's share of total population has increased, thereby increasing related federal transfers. This increased revenue is offset by additional resource allocations for health care and other expenditure pressures.

Preliminary federal data also confirms the flood-related data distortion that affected 1996 personal income tax return filings and equalization, as noted in last year's financial reports. Therefore, in 1998/99 individual income tax revenue will be higher than budgeted and this will be offset by a corresponding decrease in equalization revenue.

A revised year end projection will be provided in the second quarter financial report.

BORROWING ACTIVITY

The borrowing requirement for the 1998/99 fiscal year is estimated to be \$1,345.2 million. This includes \$1,112.5 million for refinancing maturing debt issues with the balance required for self-sustaining programs, including Manitoba Hydro.

For the period April 1, 1998 to June 30, 1998, \$267.9 million has been borrowed; \$187.9 million was raised through the issue of Builder Bonds Series 4 with the remainder raised in the public market.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE THREE MONTHS ENDED JUNE 30, 1998
(with comparative figures for June 30, 1997)
(UNAUDITED)**

1997/98 <u>ACTUAL</u> (thousands of dollars)	1998/99 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>1998/99</u> (thousands of dollars)		
				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
			Revenue			
856,981	871,540	14,559	Own Source Revenue	871,540	864,750	6,790
383,091	389,833	6,742	Government of Canada	389,833	393,491	(3,658)
<u>1,240,072</u>	<u>1,261,373</u>	<u>21,301</u>	Total Revenue	<u>1,261,373</u>	<u>1,258,241</u>	<u>3,132</u>
			Program Expenditure			
1,149,909	1,238,113	88,204	Current	1,238,113	1,274,142	(36,029)
49,985	51,334	1,349	Capital	51,334	65,206	(13,872)
<u>1,199,894</u>	<u>1,289,447</u>	<u>89,553</u>	Total Program Expenditure	<u>1,289,447</u>	<u>1,339,348</u>	<u>(49,901)</u>
231,907	234,067	2,160	Public Debt Costs	234,067	227,649	6,418
<u>1,431,801</u>	<u>1,523,514</u>	<u>91,713</u>	Total Expenditure	<u>1,523,514</u>	<u>1,566,997</u>	<u>(43,483)</u>
<u>(191,729)</u>	<u>(262,141)</u>	<u>70,412</u>	Budgetary Deficit	<u>(262,141)</u>	<u>(308,756)</u>	<u>(46,615)</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE
FOR THE THREE MONTHS ENDED JUNE 30, 1998
(with comparative figures for June 30, 1997)
(UNAUDITED)**

1997/98 <u>ACTUAL</u> (thousands of dollars)	1998/99 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>1998/99</u> (thousands of dollars)		
				<u>ACTUAL</u>	<u>ESTIMATE</u>	<u>VARIANCE</u>
			Taxation:			
			Consumer and Corporate Affairs			
9,172	9,198	26	- Insurance Corporations Tax	9,198	9,341	(143)
2,997	2,946	(51)	- Land Transfer Tax	2,946	3,000	(54)
			Energy and Mines			
1,075	617	(458)	- Oil and Natural Gas Tax	617	805	(188)
			Finance			
50,634	57,684	7,050	- Corporation Income Tax	57,684	57,684	-
371,440	389,021	17,581	- Individual Income Tax	389,021	389,064	(43)
31,817	28,314	(3,503)	- Corporation Capital Tax	28,314	30,400	(2,086)
25,453	23,997	(1,456)	- Gasoline Tax	23,997	25,200	(1,203)
52,525	37,536	(14,989)	- Levy for Health and Education	37,536	35,500	2,036
-	3,736	3,736	- Mining Tax	3,736	3,000	736
10,096	9,466	(630)	- Motive Fuel Tax	9,466	9,900	(434)
130,101	141,263	11,162	- Retail Sales Tax	141,263	136,300	4,963
8,226	8,088	(138)	- Revenue Act, 1964, Part I	8,088	8,500	(412)
18,101	17,550	(551)	- Tobacco Tax	17,550	18,800	(1,250)
<u>595</u>	<u>375</u>	<u>(220)</u>	- Environmental Protection Tax	<u>375</u>	<u>740</u>	<u>(365)</u>
<u>712,232</u>	<u>729,791</u>	<u>17,559</u>		<u>729,791</u>	<u>728,234</u>	<u>1,557</u>
			Government of Canada:			
257,574	267,690	10,116	Equalization	267,690	267,702	(12)
125,462	116,118	(9,344)	Canada Health and Social Transfer	116,118	124,353	(8,235)
			Other			
-	3,934	3,934	- Education	3,934	1,295	2,639
-	1,979	1,979	- Family Services	1,979	-	1,979
<u>55</u>	<u>112</u>	<u>57</u>	- Other	<u>112</u>	<u>141</u>	<u>(29)</u>
<u>383,091</u>	<u>389,833</u>	<u>6,742</u>		<u>389,833</u>	<u>393,491</u>	<u>(3,658)</u>
			Other Revenue:			
2,295	1,302	(993)	- Energy and Mines	1,302	1,264	38
2,953	457	(2,496)	- Finance	457	389	68
17,179	16,499	(680)	- Highways and Transportation	16,499	14,954	1,545
17,682	17,120	(562)	- Natural Resources	17,120	13,926	3,194
92,101	91,439	(662)	- Crown Corporations	91,439	92,938	(1,499)
<u>12,539</u>	<u>14,932</u>	<u>2,393</u>	- Other Departments	<u>14,932</u>	<u>13,045</u>	<u>1,887</u>
<u>144,749</u>	<u>141,749</u>	<u>(3,000)</u>		<u>141,749</u>	<u>136,516</u>	<u>5,233</u>
<u>1,240,072</u>	<u>1,261,373</u>	<u>21,301</u>	Total Revenue	<u>1,261,373</u>	<u>1,258,241</u>	<u>3,132</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF EXPENDITURE
FOR THE THREE MONTHS ENDED JUNE 30, 1998
(with comparative figures for June 30, 1997)
(UNAUDITED)**

1997/98 <u>ACTUAL</u> (thousands of dollars)	1998/99 <u>ACTUAL</u> (thousands of dollars)	INCREASE (DECREASE)		<u>1998/99</u> <u>ACTUAL</u> (thousands of dollars)	<u>ESTIMATE</u> (thousands of dollars)	<u>VARIANCE</u>
3,876	4,363	487	Legislative Assembly	4,363	4,405	(42)
587	630	43	Executive Council	630	797	(167)
8,276	7,273	(1,003)	Agriculture	7,273	9,931	(2,658)
61	708	647	Children and Youth Secretariat	708	1,517	(809)
746	895	149	Civil Service Commission	895	1,069	(174)
2,603	2,578	(25)	Community Support Programs	2,578	2,606	(28)
1,836	2,020	184	Consumer and Corporate Affairs	2,020	2,018	2
13,100	13,069	(31)	Culture, Heritage and Citizenship	13,069	14,458	(1,389)
279,283	288,449	9,166	Education and Training	288,449	285,411	3,038
8,651	12,097	3,446	Employee Benefits and Other Payments	12,097	10,939	1,158
1,865	2,054	189	Energy and Mines	2,054	1,974	80
3,226	3,289	63	Environment	3,289	3,535	(246)
145,379	152,536	7,157	Family Services	152,536	154,208	(1,672)
362,800	356,806	(5,994)	Finance	356,806	346,208	10,598
17,476	20,032	2,556	Government Services	20,032	20,215	(183)
413,104	479,445	66,341	Health	479,445	508,051	(28,606)
48,002	40,681	(7,321)	Highways and Transportation	40,681	42,988	(2,307)
13,874	10,419	(3,455)	Housing	10,419	12,530	(2,111)
4,189	4,770	581	Industry, Trade and Tourism	4,770	5,437	(667)
26,971	28,691	1,720	Justice	28,691	29,625	(934)
2,756	2,627	(129)	Labour	2,627	2,897	(270)
26,927	25,443	(1,484)	Natural Resources	25,443	33,013	(7,570)
4,979	5,012	33	Northern Affairs	5,012	5,355	(343)
20,439	19,468	(971)	Rural Development	19,468	22,042	(2,574)
98	102	4	Seniors Directorate	102	130	(28)
3,298	7,646	4,348	Sport	7,646	7,646	-
174	178	4	Status of Women	178	178	-
12,347	13,489	1,142	Urban Affairs	13,489	14,941	(1,452)
93	192	99	Enabling Appropriations	192	190	2
4,785	18,552	13,767	Other Appropriations	18,552	22,683	(4,131)
<u>1,431,801</u>	<u>1,523,514</u>	<u>91,713</u>	Total Expenditure	<u>1,523,514</u>	<u>1,566,997</u>	<u>(43,483)</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
JUNE 30, 1998
(with comparative figures for March 31, 1998)
(UNAUDITED)**

Canadian Dollar Equivalent at Date of Issue <u>June 30/98</u> (thousands of dollars)	Canadian Dollar Equivalent at Date of Issue <u>Mar 31/98</u> (thousands of dollars)	Increase (Decrease) over <u>Mar 31/98</u>		Canadian Dollar Valuation (Note 1) <u>June 30/98</u> (thousands of dollars)	Canadian Dollar Valuation (Note 1) <u>Mar 31/98</u> (thousands of dollars)	Increase (Decrease) over <u>Mar 31/98</u>
			Direct Debt Payable in:			
8,666,130	8,575,028	91,102	Canadian Dollars	8,666,130	8,575,028	91,102
2,585,835	2,654,435	(68,600)	Issues Swapped to Canadian Dollars	2,677,811	2,746,411	(68,600)
4,074,490	4,074,490	-	U.S. Dollars	5,076,160	4,895,424	180,736
1,271,824	1,271,824	-	Issues Swapped to U.S. Dollars	1,413,324	1,363,002	50,322
<u>16,598,279</u>	<u>16,575,777</u>	<u>22,502</u>	Total Direct Debt	<u>17,833,425</u>	<u>17,579,865</u>	<u>253,560</u>
			Guaranteed Debt Payable in:			
506,620	507,565	(945)	Canadian Dollars	506,620	507,565	(945)
552,160	532,500	19,660	U.S. Dollars	552,160	532,500	19,660
<u>1,058,780</u>	<u>1,040,065</u>	<u>18,715</u>	Total Guaranteed Debt	<u>1,058,780</u>	<u>1,040,065</u>	<u>18,715</u>
17,657,059	17,615,842	41,217	Total Direct and Guaranteed Debt (Note 2)	18,892,205	18,619,930	272,275
<u>5,399,982</u>	<u>5,302,251</u>	<u>97,731</u>	Less: Sinking Fund Investments	<u>5,399,982</u>	<u>5,302,251</u>	<u>97,731</u>
<u><u>12,257,077</u></u>	<u><u>12,313,591</u></u>	<u><u>(56,514)</u></u>	Net Direct and Guaranteed Debt (Note 3)	<u><u>13,492,223</u></u>	<u><u>13,317,679</u></u>	<u><u>174,544</u></u>

Note 1: The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at June 30, 1998 and March 31, 1998 adjusted for any foreign currency contracts entered into for settlement after these dates.

Note 2: Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at June 30, 1998, total gross debt was payable 63% in Canadian dollars and 37% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 77% in Canadian dollars (78% at March 31, 1998) and 23% in U.S. dollars (22% at March 31, 1998) while Manitoba Hydro was payable 37% in Canadian dollars (38% at March 31, 1998) and 63% in U.S. dollars (62% at March 31, 1998).

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

	<u>June 30, 1998</u>		<u>March 31, 1998</u>	
	(in thousands)	(per capita) (Note 4)	(in thousands)	(per capita) (Note 4)
General Government Programs	6,807,453	5,958	6,763,278	5,920
The Manitoba Hydro-Electric Board	5,700,385	4,989	5,568,799	4,874
Other	984,385	862	985,602	863
	<u>13,492,223</u>	<u>11,809</u>	<u>13,317,679</u>	<u>11,657</u>

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

**PROVINCE OF MANITOBA
STATEMENT OF THE FISCAL STABILIZATION FUND
FOR THE THREE MONTHS ENDED JUNE 30, 1998
(with comparative figures for June 30, 1997)
(UNAUDITED)**

	<u>1998/99</u>	<u>1997/98</u>
	(thousands of dollars)	
Fund Balance Beginning of Year	565,003	577,494
Revenue:		
Investments	<u>126</u>	<u>558</u>
	565,129	578,052
Expenditure:		
Committed for transfer to the Consolidated Fund as per Budget	226,400	100,000
Fund Balance, End of Year	<u><u>338,729</u></u>	<u><u>478,052</u></u>