
**PROVINCE OF MANITOBA
NOTES TO THE QUARTERLY FINANCIAL REPORT
FOR THE THREE MONTHS - APRIL TO JUNE 2002**

This report presents the unaudited financial results of the Province of Manitoba for the first quarter of the 2002/03 fiscal year. The comparative data provided for the 2001/02 fiscal year has been restated to reflect the organizational structure of departments established in the 2002/03 Estimates.

FIRST QUARTER - ACTUAL TO ESTIMATE

The first quarter result of a net expenditure (excess expenditure over revenue) of \$282.9 million was \$28.0 million less than the \$310.9 million projected net expenditure. The net decrease is due to actual operating expenditure for the first quarter being \$25.5 million less than estimated and actual revenue being \$2.5 million more than anticipated resulting in the decrease in net expenditure. The variances result primarily from differences in the timing of expenditures or receipts.

FIRST QUARTER COMPARED TO PREVIOUS YEAR'S RESULTS

The first quarter net expenditure of \$282.9 million was \$108.4 million more than the same period last year. The change was due to a \$33.7 million decrease in revenue and a \$74.7 million increase in operating expenditure. The decrease in revenue is partially attributable to tax reductions implemented for the 2002 tax year and lower federal estimates for Corporate Income Tax offset by increased revenue from Retail Sales and Tobacco taxes. The increase in expenditure is consistent with the increases in expenditure authority included in the 2002 Budget as well as differences in the timing of payments.

CAPITAL INVESTMENT

Departmental expenditures on tangible capital assets were \$4.1 million less than estimated for the first quarter primarily due to timing variances. The \$3.5 million level of expenditure during the first quarter was comparable to expenditures for the same period last year.

FISCAL STABILIZATION FUND

The status of the Fiscal Stabilization Fund is provided on page 10. The table reflects the transitional 2001/02 transfer of \$150.0 million to the Operating Fund in lieu of the Manitoba Hydro payment of \$150.0 million as well as the offsetting transfer in 2002/03 back to the Fiscal Stabilization Fund. The Fiscal Stabilization Fund is projected to have a balance of \$313.8 million at the 2002/03 year-end.

YEAR END PROJECTION

A \$9.8 million positive balance was projected in the 2002 Budget. At the end of the first quarter the projection remains unchanged. More complete information on revenues and expenditures, available for the second quarter financial report, will provide the basis for a revised year-end projection.

As noted in the 2001/02 Preliminary Year-End Report, a \$150.0 million payment from Manitoba Hydro that was to have been received in 2001/02 will be recorded as revenue to the province in the 2002/03 fiscal year. As a transitional measure, a \$150.0 million transfer from the Fiscal Stabilization Fund was made in the 2001/02 fiscal year. This transfer will be reversed in the 2002/03 fiscal year to replenish the Fiscal Stabilization Fund. Therefore, there will be no net effect on the province's balance under Balanced Budget Legislation for the 2002/03 fiscal year.

BORROWING ACTIVITY

The original estimate of borrowing requirements identified in the 2002 Budget was \$2,260.2 million including refinancing, funding for Manitoba Hydro and Health's capital programs and new self sustaining requirements. This requirement has increased to \$2,373.1 million to accommodate debt called prior to maturity and to fund an allocation to the Provincial Sinking Fund for the repurchase of foreign debt.

For the period April 1, 2002 to June 30, 2002, \$936.4 million has been borrowed of which \$543.0 million was raised in the public market.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE THREE MONTHS ENDED JUNE 30, 2002
(with comparative figures for June 30, 2001)
(UNAUDITED)**

2001/02 ACTUAL	2002/03 ACTUAL	INCREASE (DECREASE)		2002/03		
(thousands of dollars)				ACTUAL	ESTIMATE	VARIANCE
				(thousands of dollars)		
Revenue						
1,018,983	984,622	(34,361)	Own Source Revenue	984,622	980,677	3,945
483,942	484,622	680	Government of Canada	484,622	486,065	(1,443)
<u>1,502,925</u>	<u>1,469,244</u>	<u>(33,681)</u>	Total Revenue	<u>1,469,244</u>	<u>1,466,742</u>	<u>2,502</u>
Expenditure						
1,569,011	1,659,629	90,618	Program Expenditure	1,659,629	1,690,195	(30,566)
108,413	92,496	(15,917)	Debt Servicing	92,496	87,472	5,024
<u>1,677,424</u>	<u>1,752,125</u>	<u>74,701</u>	Total Expenditure	<u>1,752,125</u>	<u>1,777,667</u>	<u>(25,542)</u>
(174,499)	(282,881)	108,382	Net Revenue/(Expenditure)	(282,881)	(310,925)	(28,044)
Interfund Transfers						
-	-	-	Debt/Pension Repayment	-	-	-
-	-	-	Fiscal Stabilization Fund	-	-	-
<u>(174,499)</u>	<u>(282,881)</u>	<u>108,382</u>	Balance Under Balanced Budget Legislation	<u>(282,881)</u>	<u>(310,925)</u>	<u>(28,044)</u>

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF REVENUE
FOR THE THREE MONTHS ENDED JUNE 30, 2002
(with comparative figures for June 30, 2001)
(UNAUDITED)**

2001/02 ACTUAL	2002/03 ACTUAL	INCREASE (DECREASE)	2002/03		
			ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)			(thousands of dollars)		
Taxation:					
Consumer and Corporate Affairs					
10,066	11,238	1,172	11,238	11,099	139
2,994	3,452	458	3,452	3,079	373
Finance					
449,304	421,880	(27,424)	421,880	421,884	(4)
100,812	62,034	(38,778)	62,034	62,034	-
36,085	45,235	9,150	45,235	32,500	12,735
25,391	26,215	824	26,215	25,400	815
36,692	41,339	4,647	41,339	37,000	4,339
7,611	-	(7,611)	-	4,375	(4,375)
9,901	10,407	506	10,407	10,000	407
156,174	165,773	9,599	165,773	169,900	(4,127)
10,568	11,446	878	11,446	10,500	946
22,668	33,662	10,994	33,662	30,000	3,662
752	403	(349)	403	630	(227)
855,958	818,394	(37,564)	818,394	804,223	14,171
Industry, Trade and Mines					
996	582	(414)	582	723	(141)
870,014	833,666	(36,348)	833,666	819,124	14,542
Other Revenue:					
28,822	23,316	(5,506)	23,316	27,428	(4,112)
6,676	6,666	(10)	6,666	6,738	(72)
Transportation and Government					
20,096	22,393	2,297	22,393	25,298	(2,905)
55,000	63,000	8,000	63,000	63,000	-
20,388	16,500	(3,888)	16,500	21,000	(4,500)
17,987	19,081	1,094	19,081	18,089	992
148,969	150,956	1,987	150,956	161,553	(10,597)
1,018,983	984,622	(34,361)	984,622	980,677	3,945
Total Own Source Revenue					
Government of Canada:					
300,444	288,804	(11,640)	288,804	288,806	(2)
169,458	182,208	12,750	182,208	182,200	8
14,040	13,610	(430)	13,610	15,059	(1,449)
483,942	484,622	680	484,622	486,065	(1,443)
1,502,925	1,469,244	(33,681)	1,469,244	1,466,742	2,502
Total Revenue					

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF PART A – OPERATING EXPENDITURE
FOR THE THREE MONTHS ENDED JUNE 30, 2002
(with comparative figures for June 30, 2001)
(UNAUDITED)**

2001/02 ACTUAL	2002/03 ACTUAL	INCREASE (DECREASE)		2002/03		
				ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)				(thousands of dollars)		
6,008	6,232	224	Legislative Assembly	6,232	6,172	60
767	889	122	Executive Council	889	895	(6)
7,622	6,695	(927)	Aboriginal and Northern Affairs	6,695	12,191	(5,496)
109,470	99,355	(10,115)	Advanced Education	99,355	98,804	551
11,759	13,708	1,949	Agriculture and Food	13,708	13,871	(163)
991	1,051	60	Civil Service Commission	1,051	1,138	(87)
2,133	1,872	(261)	Community Support Programs	1,872	1,872	-
32,475	33,912	1,437	Conservation	33,912	32,749	1,163
2,420	2,480	60	Consumer and Corporate Affairs	2,480	2,687	(207)
16,510	16,924	414	Culture, Heritage and Tourism	16,924	16,792	132
317,293	366,542	49,249	Education, Training and Youth	366,542	370,878	(4,336)
11,171	13,243	2,072	Employee Pensions and Other Costs	13,243	13,528	(285)
195,115	201,631	6,516	Family Services and Housing	201,631	203,318	(1,687)
37,200	37,479	279	Finance - Departmental Costs	37,479	38,754	(1,275)
108,413	92,496	(15,917)	Finance - Debt Servicing Costs	92,496	87,472	5,024
655,065	689,148	34,083	Health	689,148	700,808	(11,660)
2,496	3,564	1,068	Healthy Child Manitoba	3,564	4,115	(551)
7,694	6,257	(1,437)	Industry, Trade and Mines	6,257	7,039	(782)
29,183	25,165	(4,018)	Intergovernmental Affairs	25,165	34,673	(9,508)
45,222	48,853	3,631	Justice	48,853	45,146	3,707
6,113	6,735	622	Labour and Immigration	6,735	6,449	286
153	186	33	Seniors Directorate	186	196	(10)
2,662	2,615	(47)	Sport	2,615	2,614	1
252	223	(29)	Status of Women	223	228	(5)
64,764	67,449	2,685	Transportation and Government Services	67,449	65,480	1,969
155	356	201	Enabling Appropriations	356	1,369	(1,013)
4,318	7,065	2,747	Other Appropriations	7,065	8,429	(1,364)
1,677,424	1,752,125	74,701	Total Expenditure	1,752,125	1,777,667	(25,542)

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF PART B – CAPITAL INVESTMENT
FOR THE THREE MONTHS ENDED JUNE 30, 2002
(with comparative figures for June 30, 2001)
(UNAUDITED)**

2001/02 ACTUAL	2002/03 ACTUAL	INCREASE (DECREASE)		2002/03		
				ACTUAL	ESTIMATE	VARIANCE
(thousands of dollars)			(thousands of dollars)			
104	17	(87)	Conservation	17	180	(163)
-	1	1	Consumer and Corporate Affairs	1	9	(8)
-	126	126	Family Services and Housing	126	83	43
50	166	116	Health	166	214	(48)
293	322	29	Justice	322	424	(102)
2,354	1,757	(597)	Transportation and Government Services	1,757	4,127	(2,370)
1,170	1,118	(52)	Other Appropriations	1,118	2,542	(1,424)
3,971	3,507	(464)	Total Capital Investment	3,507	7,579	(4,072)

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
JUNE 30, 2002
(with comparative figures for March 31, 2002)
(UNAUDITED)**

Canadian Dollar Equivalent at Date of Issue June 30/02	Canadian Dollar Equivalent at Date of Issue Mar 31/02	Increase (Decrease) June 30/02 over Mar 31/02		Canadian Dollar Valuation (Note 1) June 30/02	Canadian Dollar Valuation (Note 1) Mar 31/02	Increase (Decrease) June 30/02 over Mar 31/02
(thousands of dollars)				(thousands of dollars)		
			Direct Debt Payable in:			
11,865,077	11,835,290	29,787	Canadian Dollars	11,837,277	11,807,490	29,787
2,629,165	2,962,401	(333,236)	Issues Swapped to Canadian Dollars	2,789,544	3,221,628	(432,084)
3,032,500	3,055,916	(23,416)	U.S. Dollars	3,530,738	3,734,566	(203,828)
1,403,111	1,403,111	-	Issues Swapped to U.S. Dollars	1,482,056	1,555,051	(72,995)
<u>18,929,853</u>	<u>19,256,718</u>	<u>(326,865)</u>	Total Direct Debt	<u>19,639,615</u>	<u>20,318,735</u>	<u>(679,120)</u>
			Guaranteed Debt Payable in:			
829,420	595,190	234,230	Canadian Dollars	829,419	595,191	234,228
-	-	-	U.S. Dollars	-	-	-
<u>829,420</u>	<u>595,190</u>	<u>234,230</u>	Total Guaranteed Debt	<u>829,419</u>	<u>595,191</u>	<u>234,228</u>
19,759,273	19,851,908	(92,635)	Total Direct and Guaranteed Debt (Note 2)	20,469,034	20,913,926	(444,892)
5,795,294	6,410,517	(615,223)	Less: Sinking Fund Investments	5,795,294	6,410,517	(615,223)
100,444	100,444	-	Less: Debt Retirement Fund	100,444	100,444	-
<u>13,863,535</u>	<u>13,340,947</u>	<u>522,588</u>	Net Direct and Guaranteed Debt (Note 3)	<u>14,573,296</u>	<u>14,402,965</u>	<u>170,331</u>

See notes on following page.

**PROVINCE OF MANITOBA
OPERATING FUND
STATEMENT OF VALUATION AND PURPOSE OF
DIRECT AND GUARANTEED DEBT OUTSTANDING
JUNE 30, 2002
(with comparative figures for March 31, 2002)
(UNAUDITED)**

NOTES:

1. The Canadian Dollar Valuation is calculated using the foreign currency exchange rates in effect at March 31, 2002 and June 30, 2002.
2. Direct and Guaranteed Debt are payable in Canadian and U.S. dollars. As at June 30, 2002, total gross debt was payable 76% in Canadian dollars and 24% in U.S. dollars. Of this total, General Purpose Debt and Other Debt was payable 94% in Canadian dollars (94% at March 31, 2002) and 6% in U.S. dollars (6% at March 31, 2002) while Manitoba Hydro was payable 46% in Canadian dollars (42% at March 31, 2002) and 54% in U.S. dollars (58% at March 31, 2002)
3. The above debt was issued for the following purposes:

	June 30, 2002		March 31, 2002	
	(in thousands)	(per capita) (Note 6)	(in thousands)	(per capita) (Note 6)
General Government Programs	6,521,253	5,671	6,406,112	5,571
The Manitoba Hydro-Electric Board	6,318,441	5,494	6,263,251	5,446
Capital Investments (Note 4)	244,900	213	244,900	213
Manitoba Hospital Facilities (Note 4)	390,000	339	390,000	339
Other	1,098,702	955	1,098,702	955
Total (Note 5)	<u>14,573,296</u>	<u>12,672</u>	<u>14,402,965</u>	<u>12,524</u>

4. Capital Investments are the stock of tangible assets held by government. These are paid off over the useful life of the assets (See Main Estimates page 161 for details.). Manitoba Hospital Facilities debt was recorded as Provincial debt for the first time in 2000/01. Previously, this debt was held in the name of individual health facilities at a higher overall cost to taxpayers. Hospital facilities debt is repaid over terms up to 20 years.
5. The \$170 million increase in total debt is comprised of prefunding Manitoba Hydro's capital requirements as well as future maturities for the Province, which was offset by the impact of a stronger Canadian dollar.
6. Per capita debt is based upon population figures at April 1, 2002 as reported by Statistics Canada. Taxpayer supported debt for general government programs increased as a result of the prefunding of future maturities of the Province offset by the impact of a stronger Canadian dollar. Self sustaining debt for Manitoba Hydro increased due to prefunding of Manitoba Hydro's capital requirements offset by the impact of a stronger Canadian dollar. Manitoba Hydro's U.S. dollar revenues are sufficient to pay the interest and principal on all outstanding U.S. dollar debt.

**PROVINCE OF MANITOBA
DEBT RETIREMENT FUND
PROJECTION FOR THE YEAR ENDING MARCH 31, 2003
(with comparative figures for March 31, 2002)**

(UNAUDITED)

	2002/03 Projection (1)	2001/02 Actual (2)
	(thousands of dollars)	
Fund Balance, Beginning of Year	100,444	75,227
Revenue:		
Interest Earnings	3,734	3,860
Transfer from Operating Fund	96,357	96,357
	100,091	100,217
Expenditure:		
Transfer to Operating Fund for:		
- Debt Retirement	-	-
- Pension Obligation (3)	(21,357)	(75,000)
	(21,357)	(75,000)
Fund Balance, End of Year	179,178	100,444

Notes:

- (1) Based on 2002 Budget
- (2) Based on 2001/02 Preliminary Year-End Financial Report
- (3) The actual allocation of funds for 2002/03 will be determined by the Allocation Committee as per The Balanced Budget, Debt Repayment and Taxpayer Accountability Act.

**PROVINCE OF MANITOBA
FISCAL STABILIZATION FUND
PROJECTION FOR THE YEAR ENDING MARCH 31, 2003
(with comparative figures for March 31, 2002)**

(UNAUDITED)

	2002/03 Projection	2001/02 Actual (2)
	(thousands of dollars)	
Fund Balance, Beginning of Year	238,139	320,494
Revenue:		
Interest Earnings (1)	8,787	13,923
Interfund Transfers		
Transfer to the Operating Fund - Re: Transfer from Manitoba Hydro	-	(150,000)
Transfer from the Operating Fund - Re: Transfer from Manitoba Hydro	150,000	-
Transfer to the Operating Fund (1)	(93,000)	-
Transfer from the Operating Fund - Re: Year-end surplus (1)	9,873	53,722
	66,873	(96,278)
Fund Balance, End of Year	313,799	238,139

NOTES:

- (1) Based on 2002 Budget projections
(2) 2001/02 Preliminary Year-End Financial Report