

THE PROVINCE OF MANITOBA ANNUAL REPORT

For the Year Ended March 31, 2008

INCLUDES:

The Year-End Review | Economic Report
Financial Statement Discussion and
Analysis Report | Public Accounts — Volume 1

PROVINCE DU MANITOBA RAPPORT ANNUEL

Pour l'exercice terminé le 31 mars 2008

SOMMAIRE:

Bilan de L'année | Rapport économique
Rapport d'analyse des états financiers
Volume 1 des comptes publics





**MINISTER OF
FINANCE**

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

HIS HONOUR JOHN HARVARD
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, 2008. 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 economic statistics and indicators of the financial health of the Province.

Included in this Annual Report is Volume 1 of the Public Accounts. The Public Accounts have been structured to reflect the intent to focus more attention on the summary results of the government reporting entity while still reporting on the government's stewardship over the Consolidated Fund that is comprised of the Operating and Special Funds. It contains the summary financial statements of the reporting entity in section 1 and special purpose financial statements of the Operating Fund in section 2.

Section 6 of the *Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires the Minister of Finance to report on compliance with the Act in the audited financial statements of the Operating Fund for each fiscal year. The Special Purpose Statement of Calculation of *Balance Under the Balanced Budget Act, Debt Repayment and Taxpayer Accountability Act* shows a positive balance in the Operating Fund. The Government is therefore in compliance with the Act. In accordance with the Balanced Budget legislation, this positive balance will be transferred to the Province's Fiscal Stabilization Fund.

Original signed by

Honourable Greg Selinger
Minister of Finance

Office of the Minister of Finance
September, 2008



**MINISTER OF
FINANCE**

Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

SON HONNEUR JOHN HARVARD
Lieutenant-gouverneur de la province du Manitoba

Votre Honneur,

J'ai le privilège de vous présenter, à titre informatif, le Rapport annuel de la province du Manitoba pour l'exercice financier qui s'est terminé le 31 mars 2008. Cette nouvelle présentation du document complète le compte rendu des activités du gouvernement pour l'exercice. Le Rapport comprend une récapitulation des résultats de l'exercice par rapport au budget du gouvernement. Il contient également des statistiques économiques et des indicateurs de la santé financière de la province.

Ce rapport annuel comprend le Volume 1 des comptes publics. Les comptes publics ont été structurés de façon à exprimer l'intention du gouvernement de consacrer plus d'attention aux résultats sommaires de l'entité comptable du gouvernement tout en continuant de rendre des comptes sur la gestion par le gouvernement du fonds consolidé, lequel est composé du fonds de fonctionnement ainsi que du fonds spécial. La section 1 contient les états financiers sommaires de l'entité comptable et la section 2 renferme les états financiers à vocation spéciale relatifs au fonds de fonctionnement.

En vertu de l'article 6 de la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables*, le ministre des Finances est tenu de faire rapport sur le respect de la *Loi* dans les états financiers vérifiés du fonds de fonctionnement pour chaque exercice financier. L'état à vocation spéciale du calcul de l'équilibre sous la *Loi* sur le budget équilibré indique un solde positif dans le fonds de fonctionnement. Le gouvernement s'est donc conformé à la *Loi*. En vertu de la *Loi sur l'équilibre budgétaire, le remboursement de la dette et l'obligation de rendre compte aux contribuables*, le solde positif sera transféré au Fonds de stabilisation des recettes de la province dans le but de faire en sorte que des provisions soient disponibles.

Original signé par

Monsieur Greg Selinger
Ministre des Finances

Bureau du Ministre des Finances
Septembre 2008

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YEAR-END REVIEW

I am pleased to present the Public Accounts of Manitoba for the fiscal year ended March 31, 2008, and to report on the fiscal and economic efforts of our Government to meet our commitments.

Our summary financial statements show a net income of \$576 million, while our net debt was reduced by \$277 million. We have met the test of Manitoba's balanced budget legislation by recording a positive balance of \$128 million after paying \$110 million toward debt and pension liabilities while at the same time increasing the Fiscal Stabilization Fund balance to \$818 million.



These results reflect the Government's continuing effort to ensure fiscal responsibility and meet key financial commitments, while continuing to implement Summary Budgeting and Reporting, complying with Public Sector Accounting Board standards, and lowering business and personal taxes.

I am pleased to be able to provide Manitobans with positive results for 2007/08 for both the Summary and the Operating Fund and Special Funds Financial Statements.

Respectfully submitted

Honourable Greg Selinger
Minister of Finance

BILAN DE L'ANNÉE

J'ai le plaisir de vous présenter les Comptes publics du Manitoba pour l'exercice financier qui s'est terminé le 31 mars 2008 et de rendre compte des efforts économiques et budgétaires déployés par notre gouvernement pour tenir ses engagements.

Nos états financiers sommaires font apparaître des bénéfices nets de 576 millions de dollars, tandis que notre dette nette a été réduite de 277 millions de dollars. En enregistrant un solde positif de 128 millions de dollars, après avoir payé 110 millions au titre de la dette et du passif découlant du régime de retraite, tout en portant le solde du Fonds de stabilisation des recettes à 818 millions, nous avons respecté les critères de la loi manitobaine sur l'équilibre budgétaire.

Ces résultats montrent que le gouvernement s'efforce continuellement de garantir la responsabilité financière et de tenir des engagements financiers clés, tout en continuant de produire des états récapitulatifs et des budgets sommaires, conformément aux normes du Conseil sur la comptabilité dans le secteur public (CCSP), et en réduisant l'impôt des particuliers et des entreprises.

Je suis heureux de pouvoir faire part aux Manitobains de résultats positifs pour l'exercice 2007-2008, pour les états financiers sommaires comme pour les états financiers du fonds de fonctionnement et des fonds spéciaux.

Le tout respectueusement soumis.

Monsieur Greg Selinger
Ministre des Finances

ECONOMIC REPORT / RAPPORT ÉCONOMIQUE

Manitoba's economy is one of the most diversified in Canada. This diversity is an ongoing source of strength and stability. Over the past five years, Manitoba's real economic growth has been among the most stable among the provinces.

L'économie manitobaine est l'une des plus diversifiées du Canada. Cette diversité est une source permanente de force et de stabilité. Au cours des cinq dernières années, la croissance économique réelle du Manitoba a été l'une des plus stables des provinces canadiennes.

Strong growth in business investment combined with moderate increases in consumer and Government spending resulted in 3.0% growth in the Manitoba economy. The service-producing industries led the Manitoba economy in 2007 with retail trade, wholesale trade, professional services and financial and insurance leading the growth. The higher-valued Canadian dollar continued to place competitive pressure on Manitoba businesses by making U.S. goods and services less expensive relative to domestically produced goods and services. The U.S. accounts for 72% of Manitoba's foreign exports. The goods-producing sector increased by 1.6%, led by construction.

Grâce à l'accroissement important des dépenses de consommation et à l'augmentation modeste des investissements commerciaux et des dépenses gouvernementales, l'économie manitobaine a connu une croissance de 3,0 %. L'industrie la plus forte de l'économie manitobaine en 2007 était celle des services. Le commerce de détail, le commerce de gros, les services professionnels, les services financiers et les services d'assurance ont connu la plus forte croissance. L'appréciation du dollar canadien a continué d'exercer une pression concurrentielle sur les entreprises manitobaines en rendant les biens et les services américains moins chers par rapport aux biens et aux services produits localement. Les États-Unis absorbent 72 % des exportations du Manitoba. L'industrie de la production de biens a connu une croissance de 1,6 %, la croissance la plus forte étant observée dans le secteur de la construction.

Manitoba's largest industry is manufacturing which accounts for 12% of provincial Gross Domestic Product (GDP). Relative to most other provinces, Manitoba's service sector is large, a factor which contributes to the stability of the Manitoba economy. The major components of the service sector are health care, transportation, retail and wholesale trade, real estate, finance and insurance, and education. Service industries accounted for 72% of the Manitoba economy in 2007, significantly higher than the national average. The service sector accounted for 76% of Manitoba employment.

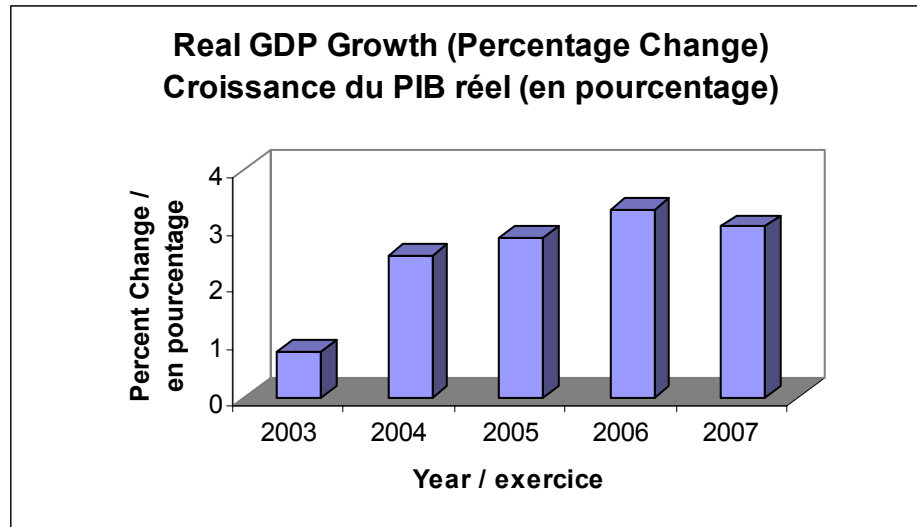
Le secteur industriel le plus important du Manitoba est celui de la fabrication, qui représente 12 % du produit intérieur brut (PIB) provincial. Par rapport à la plupart des autres provinces, au Manitoba, le secteur des services est vaste, ce qui contribue à la stabilité de l'économie provinciale. Les principales composantes du secteur des services sont les soins de santé, le transport, le commerce de gros et de détail, l'immobilier, les finances et l'assurance, et l'éducation. L'industrie des services représentait 72 % de l'économie du Manitoba en 2007, soit un niveau nettement supérieur à la moyenne nationale. Par ailleurs, 76 % des emplois au Manitoba étaient situés dans le secteur des services.

Gross Domestic Product

According to the Manitoba Bureau of Statistics, Manitoba's real GDP grew by 3.0% in 2007, down from the 3.3% growth recorded in 2006. Nominal GDP grew by 7.1% to \$47.8 billion.

Produit intérieur brut

D'après le Bureau des statistiques du Manitoba, le PIB réel de la province a augmenté de 3,0 % en 2007, contre 3,3 % en 2006. Le PIB nominal a progressé de 7,1 %, pour passer à 47,8 milliards de dollars.



Population

Manitoba's population was 1,186, 679 as of July 1, 2007. This is Manitoba's "official" population for the year. The population growth from the previous year was 8,187 or 0.69%.

On a calendar year basis Manitoba's population grew by 13,087 in 2007 with total net in-migration of 9,179 combined with natural population growth (births minus deaths) of 3,908.

Labour Force and Incomes

Manitoba's employment increased 1.6% in 2007 with full-time employment growth of 2.2% and a decrease of 0.7% in part-time employment. Total employment reached a record 596,500, an increase of 9,500. The goods-producing sector employment increased 5.0%, led by construction and manufacturing. Employment in the service sector increased 0.6% with strong growth occurring in the professional, scientific and technical services. All of the new jobs in 2007 were created in the private sector.

Population

Au 1^{er} juillet 2007, le Manitoba comptait 1 186 679 habitants. Il s'agit de la population « officielle » de la province pour cette année. Entre 2006 et 2007, la population a augmenté de 8 187 personnes, soit une croissance de 0,69 %.

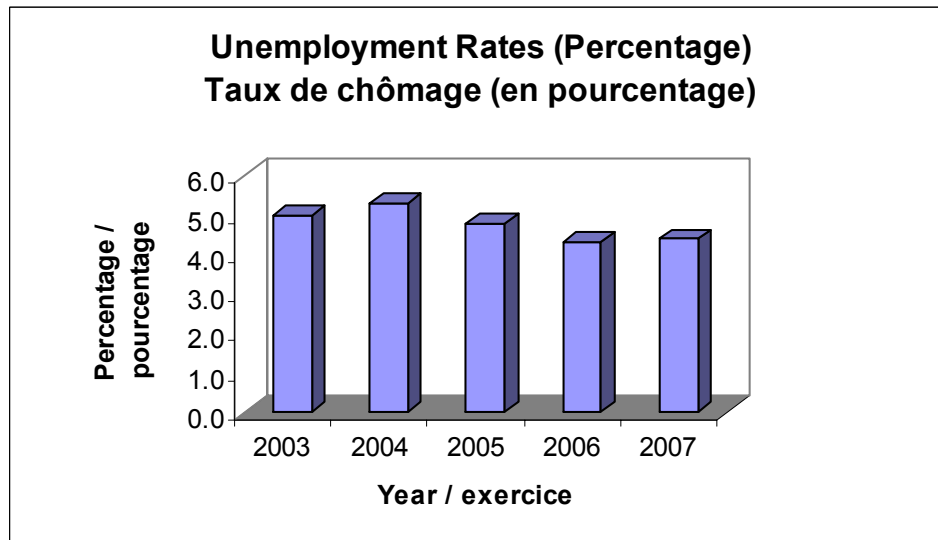
Sur l'année civile, la population manitobaine a augmenté de 13 087 personnes en 2007, soit une immigration nette de 9 179 personnes plus une croissance démographique naturelle (naissances moins décès) de 3 908 personnes.

Main-d'œuvre et revenus

Le nombre d'emplois au Manitoba a augmenté de 1,6 % en 2007. La croissance du nombre d'emplois à plein temps a été de 2,2 %, alors que le nombre d'emplois à temps partiel a diminué de 0,7 %. L'emploi total a atteint le chiffre record de 596 500, soit une augmentation de 9 500. Dans le secteur de la production de biens, l'emploi était en hausse de 5,0 %, la construction et la fabrication arrivant en tête. Dans le secteur des services, le nombre d'emplois a augmenté de 0,6 %. La croissance était particulièrement forte dans les services professionnels, scientifiques et techniques. Tous les nouveaux emplois créés en 2007 l'ont été dans le secteur privé.

The unemployment rate increased in 2007 to 4.4% from 4.3% in 2006. This rate was the fourth lowest in Canada and well below the national rate of 6.0%. Manitoba's youth unemployment rate increased to 9.0% in 2007, the fourth lowest rate among provinces and well below the Canadian average of 11.2%. The Provincial participation rate, the ratio of the number of persons working or looking for work relative to the total labour force, increased to a record 69.4% in 2007. This rate is the third-highest rate among provinces.

Le taux de chômage a augmenté, passant de 4,3 % en 2006 à 4,4 % en 2007. Ce taux était largement inférieur à la moyenne nationale de 6,0 %, et le Manitoba se plaçait au quatrième rang en ce qui concerne le plus bas taux de chômage au Canada. Le taux de chômage des jeunes au Manitoba a augmenté en 2007, atteignant 9,0 %, un chiffre bien inférieur à la moyenne canadienne de 11,2 % et qui plaçait le Manitoba au quatrième rang des provinces en ce qui concerne le taux de chômage des jeunes le plus bas. En 2007, le taux d'activité de la province, soit le pourcentage de personnes dans la population active travaillant ou cherchant un emploi, a augmenté jusqu'à atteindre le chiffre record de 69,4 %, ce qui classe le Manitoba au troisième rang provincial à cet égard.

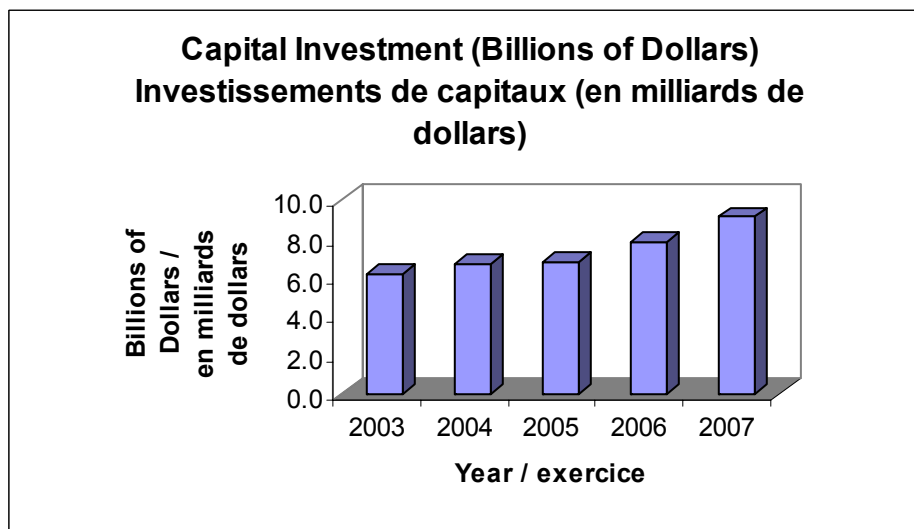


Investment

Total capital investment increased 16.8% in 2007 according to Statistics Canada's Survey of Private and Public Investment. This was above the national increase of 5.6% and the highest growth rate among provinces. Private capital investment increased 9.5% in 2007 above the national increase of 3.2%. Manitoba is the only province to have increases in private capital investment in each of the last 16 years. Private investment accounts for 70% of total capital investment in Manitoba. Public capital investment increased 37.5% in 2007, higher than the national growth of 17.1%.

Investissements

Le total des investissements de capitaux au Manitoba a augmenté de 16,8 % en 2007, selon l'étude sur les investissements privés et publics de Statistique Canada. Ce chiffre, le plus élevé de toutes les provinces, était supérieur à la moyenne nationale de 5,6 %. Les investissements de capitaux privés ont augmenté de 9,5 % en 2007, un chiffre supérieur à la moyenne nationale de 3,2 %. Le Manitoba est la seule province où les investissements de capitaux privés ont augmenté tous les ans depuis 16 ans. Les investissements privés représentaient 70 % de tous les investissements de capitaux au Manitoba. Les investissements de capitaux publics ont augmenté de 37,5 % en 2007, alors que la moyenne nationale était de 17,1 %.

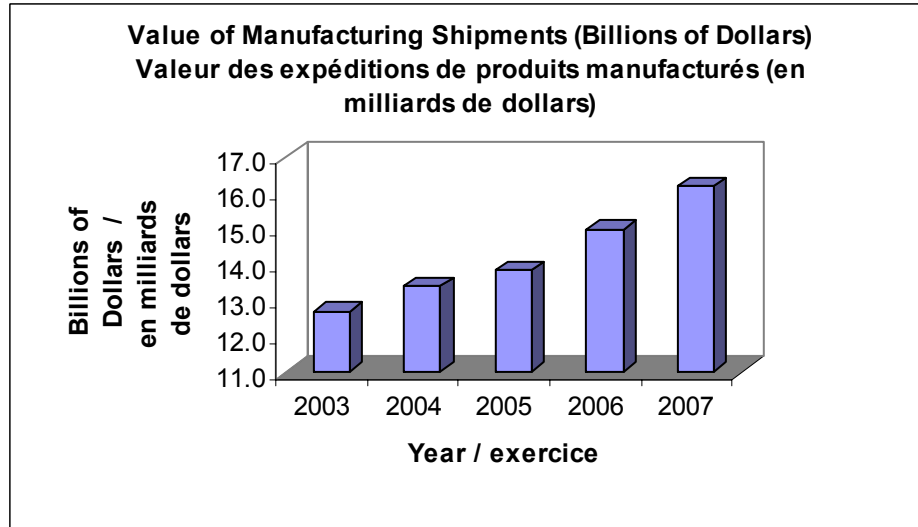


Sectoral Developments

Manitoba manufacturing shipments rose 8.1% to \$16.2 billion, while nationally shipments increased 0.4%. Eight of the Province's fifteen manufacturing industries posted gains in 2007. The majority of Manitoba's manufactured goods are exported to other provinces or countries. In 2007, manufactured goods accounted for 70.7% of total foreign exports.

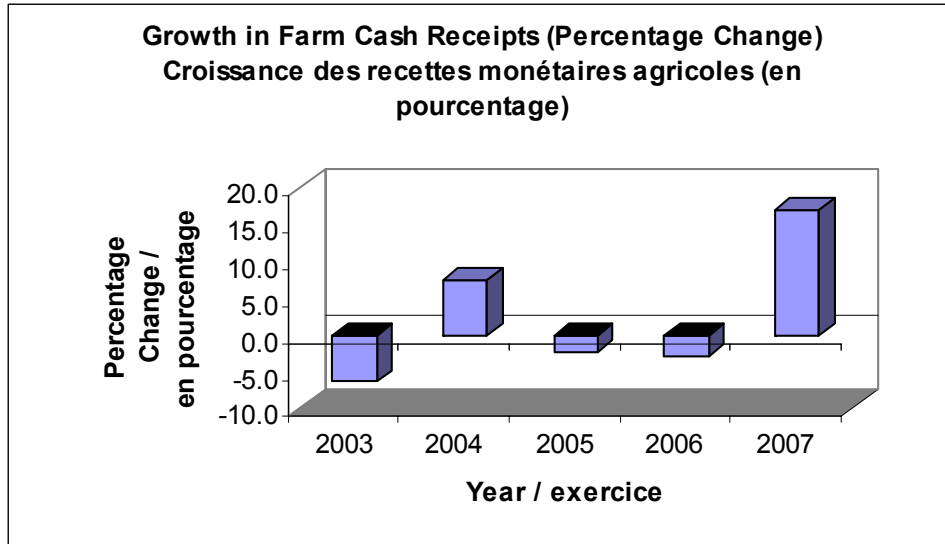
Développements sectoriels

Les livraisons manufacturières manitobaines ont augmenté de 8,1 % pour atteindre 16,2 milliards de dollars, alors que les livraisons nationales ont augmenté de 0,4 %. Huit des 15 industries manufacturières de la province ont affiché des profits en 2007. La majeure partie des biens manufacturés au Manitoba est exportée vers d'autres provinces ou d'autres pays. En 2007, les biens fabriqués représentaient 70,7 % du total des exportations vers l'étranger.



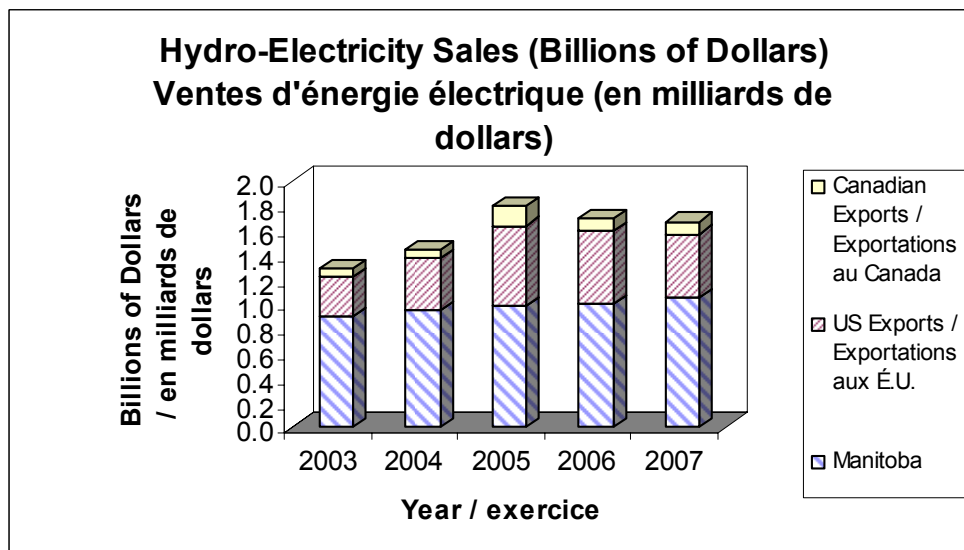
Manitoba farm cash receipts increased 17.1% to \$4.3 billion in 2007. Crop cash receipts increased 69.9% to the highest level on record exceeding \$2.0 billion. Livestock receipts decreased 3.2% due to a 8.8% decline in cattle receipts and a 3.4% decline in hog receipts. Direct payments decreased 34.1% in 2007. Overall market receipts increased 27.6%.

En 2007, les recettes monétaires agricoles du Manitoba ont augmenté de 17,1 % pour s'établir à 4,3 milliards de dollars. Les recettes des productions végétales ont augmenté de 69,9 % et ont atteint un niveau record dépassant les 2,0 milliards de dollars. Les recettes tirées de la vente du bétail ont reculé de 3,2 % à cause d'une diminution de 8,8 % des recettes des bovins et d'une baisse de 3,4 % des recettes du porc. Les paiements directs ont baissé de 34,1 % en 2007. Les recettes monétaires globales tirées du marché ont augmenté de 27,6 %.



The total value of hydro-electricity sales decreased in 2007 by 1.8% to \$1.7 billion, as U.S. exports decreased 14.4% to \$515 million. Hydro export sales to the U.S. and other provinces accounted for 36.8% of hydro sales in 2007. Sales within Manitoba increased 5.8%.

La valeur totale des ventes d'hydroélectricité a diminué de 1,8 % et atteint 1,7 milliard de dollars en 2007, les exportations vers les États-Unis ayant baissé de 14,4 % et atteint 515 millions de dollars. Les exportations d'hydroélectricité vers les États-Unis et les autres provinces représentaient 36,8 % des ventes d'hydroélectricité en 2007. Les ventes au Manitoba ont augmenté de 5,8 %.



Strong population growth and low mortgage rates contributed to the 14.1% increase in housing starts. The 5,738 starts in 2007 was the highest level since 1987. Single-family starts increased 8.6% to 3,857 the highest level since 1987. Multiple starts increased 27.4% to 1,881 units the highest level since 1987. The value of building permits issued in 2007 increased 7.3% to a record level of \$1.5 billion. Residential permits increased 16.5% to a record level of \$966 million, while non-residential permits declined 6.5%.

La forte croissance démographique et les faibles taux d'intérêt hypothécaires ont contribué à l'augmentation de 14,1 % des mises en chantier. En 2007, le nombre de mises en chantier, soit 5 738, était le plus élevé depuis 1987. Les mises en chantier d'habitations individuelles ont augmenté de 8,6 % pour atteindre 3 857, soit le meilleur chiffre après celui de 1987. Les mises en chantier d'habitations à logements multiples ont augmenté de 27,4 % pour atteindre 1 881 unités, le chiffre le plus élevé depuis 1987. La valeur des permis de construire délivrés en 2007 a augmenté de 7,3 % pour atteindre un chiffre record de 1,5 milliard de dollars. Celle des permis de construire résidentiels a progressé de 16,5 % pour atteindre le chiffre record de 966 millions de dollars, tandis que celle des permis non résidentiels a diminué de 6,5 %.

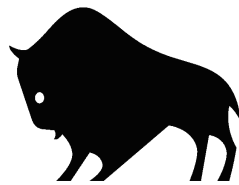
Manitoba retail sales increased 8.8% to \$14.0 billion. All retail categories increased with particular strength in the gasoline; furniture, appliance and electronic; and hardware, garden and building supply outlets.

Les ventes au détail au Manitoba ont augmenté de 8,8 % et atteint 14,0 milliards de dollars. Les ventes au détail ont augmenté dans toutes les catégories mais elles étaient particulièrement vigoureuses dans les secteurs de l'essence; de l'ameublement, de l'électroménager et de l'électronique; ainsi que dans les points de vente de matériaux de construction et d'articles de quincaillerie et de jardinage.

Manitoba mineral production increased 17.2% to a record \$3.1 billion as strong market conditions for metals continued to prevail in 2007. Petroleum output increased 8.7% to a record \$576 million.

La production minérale a augmenté de 17,2 % au Manitoba pour atteindre 3,1 milliards de dollars, grâce à une conjoncture très favorable pour les métaux qui s'est maintenue en 2007. La production pétrolière a augmenté de 8,7 % pour atteindre un chiffre record de 576 millions de dollars.

**PUBLIC ACCOUNTS
VOLUME 1
FOR THE YEAR ENDED
MARCH 31, 2008**



**VOLUME 1
DES COMPTES PUBLICS
POUR L'EXERCICE TERMINÉ
LE 31 MARS 2008**

INTRODUCTION TO THE PUBLIC ACCOUNTS OF MANITOBA/ INTRODUCTION AUX COMPTES PUBLICS DU 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 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, agencies, Crown organizations (Crowns) and Government Business Enterprises (GBEs).

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 consists of the following volumes:

Volume 1 presents the Financial Statement Discussion and Analysis as well as the audited Summary Financial Statements of the Government and the audited Operating and Special Fund Financial Statements;

Volume 2 presents the audited Schedule of Public Sector Compensation Payments of \$50,000 or more and the Operating Fund and Special Operating Agencies payments in excess of \$5,000 that do not require an audit; and

Volume 3 presents Supplementary Schedules and other statutory reporting requirements.

Nature des comptes publics

Les Comptes publics du Manitoba sont préparés tous les ans par obligation légale, conformément au paragraphe 65(1) de la *Loi sur la gestion des finances publiques*, chapitre F55 de la *Codification permanente des lois du Manitoba*. Les comptes publics présentent la situation financière du gouvernement et les résultats de ses activités pour l'exercice financier du gouvernement, qui se termine le 31 mars.

Les renseignements fournis dans le rapport proviennent de deux sources :

- le résumé de l'information financière présentée dans les comptes du Manitoba, qui sont tenus par le contrôleur de la province;
- les registres détaillés, qui sont tenus par les ministères, les organismes, les sociétés de la Couronne et les entreprises publiques.

Chacun des ministères et des organismes du secteur public est responsable du rapprochement de ses comptes et des comptes collectifs tenus par le contrôleur de la province, et de la tenue de registres détaillés de leurs opérations comptables.

Composition des Comptes publics du Manitoba

Les Comptes publics du Manitoba comprennent les volumes suivants :

Le **volume 1** présente une analyse de la situation financière, ainsi que les états financiers sommaires vérifiés du gouvernement et les états financiers vérifiés du fonds de fonctionnement et des fonds spéciaux.

Le **volume 2** présente la liste vérifiée des paiements de rémunération du secteur public totalisant 50 000 \$ ou plus, ainsi que les paiements totalisant plus de 5 000 \$ qui n'exigent pas de vérification et qui sont versés à même le fonds de fonctionnement ou par les organismes de services spéciaux.

Le **volume 3** présente les annexes supplémentaires et les autres documents qui satisfont aux exigences législatives en matière de rapports.

Volume 4 is provided as a compendium of the audited financial statements of funds, Crowns, agencies and GBEs included in the Government Reporting Entity (GRE), but is not considered to be part of the Public Accounts of Manitoba.

Le **volume 4** est un recueil des états financiers vérifiés des fonds, des organisations de la Couronne, des organismes publics et des entreprises publiques inclus dans le périmètre comptable du gouvernement, mais il n'est pas considéré comme faisant partie des comptes publics du Manitoba.

Volume 1: Annual Report for the Year ended March 31, 2008 - this volume contains the following specific information:

Volume 1 : Rapport annuel pour l'exercice terminé le 31 mars 2008 - ce volume contient l'information financière suivante :

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 information contained in the Financial Statement Discussion and Analysis section is taken from the March 31, 2008 summary financial statements on pages 63–112.

Analyse des états financiers - cette section fournit un exposé écrit des états financiers sommaires, ainsi que des renseignements complémentaires sur la performance financière et économique du gouvernement du Manitoba. Les renseignements contenus dans l'analyse des états financiers sont tirés des états financiers sommaires pour l'exercice terminé le 31 mars 2008 (pages 63 à 112).

Summary Financial Statements - these audited statements 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 over 123 different agencies the Government uses to deliver its goods and services. The GRE includes core Government, Crown organizations, government business enterprises and public sector organizations such as regional health authorities, public school divisions, universities and colleges. The departments and entities comprising the GRE are disclosed in Schedule 9 of the summary financial statements.

États financiers sommaires - les états financiers sommaires sont des états vérifiés qui précisent l'incidence financière des activités du gouvernement. Seuls les états financiers sommaires du gouvernement fournissent des renseignements clés sur les activités financières de tout le gouvernement. Ces états comprennent les résultats financiers des quelque 123 organismes différents dont se sert le gouvernement pour fournir des biens et des services. Le périmètre comptable du gouvernement inclut les opérations fondamentales du gouvernement, les organisations de la Couronne, les entreprises publiques et les organismes du secteur public tels les offices régionaux de la santé, les divisions scolaires publiques, les universités et les collèges. Les ministères et les organismes compris dans le périmètre comptable du gouvernement figurent à l'annexe 9 des états financiers sommaires.

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

Les états financiers sommaires contiennent les renseignements financiers clés suivants :

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

- la situation financière du gouvernement au 31 mars chaque année;
- les résultats des activités de l'exercice;
- le total des recettes et des dépenses (c'est-à-dire, l'excédent ou le déficit annuel);
- les sommes empruntées, remboursées ou refinancées;
- les sommes obtenues et la façon dont elles ont été utilisées.

Volume 2: Supplementary Information - this volume contains the following specific information:

Schedule of the Public Sector Compensation - this audited schedule contains payments of \$50,000 or more as paid through the Consolidated Fund as well as those paid by Special Operating Agencies, as required by *The Public Sector Compensation Disclosure Act*, and

Statement of Payments in Excess of \$5,000 to Corporations, Firms, Individuals, Other Governments and Government Agencies - Included are details of Consolidated Fund and Special Operating Agencies' payments in excess of \$5,000 to corporations, firms, individuals, other governments and government agencies.

Volume 3: Supplementary Schedules and Other Statutory Reporting Requirements - this volume contains unaudited statements, schedules and other information, as well as the following audited statements:

- the Report of Amounts Paid to Members of the Assembly; and
- the Northern Affairs Fund

Volume 4: This includes a compendium of audited financial statements of funds, organizations, agencies and enterprises.

The Public Accounts of Manitoba are available on the Internet at:

www.fin.gov.mb.ca

Volume 2 : Supplément d'information - ce volume contient l'information suivante :

Liste de la rémunération dans le secteur public - cette liste vérifiée présente les paiements totalisant 50 000 \$ ou plus, qu'il s'agisse des paiements versés à même le fonds de fonctionnement ou de ceux versés par les organismes de service spécial, conformément aux exigences de la *Loi sur la divulgation de la rémunération dans le secteur public*.

État des paiements de plus de 5 000 \$ versés à des sociétés, à des entreprises, à des particuliers, à d'autres administrations publiques et à des organismes publics - cet état contient la liste des paiements de plus de 5 000 \$ versés à même le fonds de fonctionnement ou par les organismes de service spécial à des sociétés, à des entreprises, à des particuliers, à d'autres administrations publiques et à des organismes publics.

Volume 3 : Annexes supplémentaires et autres rapports prévus par la loi - ce volume contient des états, des annexes et d'autres renseignements non vérifiés, à l'exception des deux états suivants :

- le rapport des sommes versées aux membres de l'Assemblée législative;
- le Fonds des Affaires du Nord.

Volume 4 : Ce volume comprend un recueil d'états financiers vérifiés de fonds, d'organisations, d'organismes et d'entreprises.

Les Comptes publics du Manitoba peuvent être consultés sur Internet à l'adresse suivante :

www.fin.gov.mb.ca

**FINANCIAL STATEMENT DISCUSSION AND ANALYSIS REPORT/
Rapport d'analyse des états financiers**

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2007/08 FINANCIAL HIGHLIGHTS

The highlights section provides a summary of the key events affecting the summary financial statements for the 2007/08 fiscal year with comparisons to results for the previous fiscal year, as applicable.

- The Summary Financial Statements of the Province of Manitoba fully comply with Canadian generally accepted accounting principles for the public sector and received an unqualified audit opinion from the Auditor General of Manitoba.
- The Government achieved a net income of \$576 million, marking the fourth consecutive year the Government has recorded a net income in the summary financial statements.
- The net income was \$401 million higher than stated in Budget 2007. It resulted from the difference between higher revenues than budget of \$628 million and higher expenses than budget of \$227 million.
- The net income was \$247 million higher than forecast in the Third Quarter Financial Report.
- The accumulated deficit (the difference between total liabilities and financial and non-financial assets) stood at \$4,193 million as at March 31, 2008, a decline of \$911 million from March 31, 2007. The accumulated deficit-to-GDP (gross domestic product) ratio was 8.8%, down from 11.4% as at March 31, 2007.
- Net debt position (the difference between total liabilities and financial assets) was at \$10,188 million at the end of 2007/08, down \$277 million from its balance as at March 31, 2007. The ratio of net debt to total revenues has declined to 81.9% from 91.9% at March 31, 2007. The decrease resulted from a combination of a declining net debt and increasing revenues. Net debt to GDP declined to 21.3% from 23.4% at March 31, 2007.
- The net income achieved in 2007/08 included revenue of \$12,437 million that sustained program expenses of \$11,046 million and public debt charges of \$815 million.

FAITS SAILLANTS 2007-2008

Les faits saillants résument les éléments clés des états financiers sommaires pour l'exercice financier 2007-2008 et les comparent aux résultats de l'exercice financier précédent, s'il y a lieu.

- Les états financiers sommaires de la Province du Manitoba sont entièrement conformes aux principes comptables généralement reconnus au Canada pour le secteur public, et le vérificateur général du Manitoba a émis à leur sujet une opinion de vérification sans réserve.
- Le gouvernement a réalisé des recettes nettes de 576 millions de dollars. Ses états financiers sommaires affichent donc un solde positif pour un quatrième exercice consécutif.
- Les recettes nettes ont dépassé de 401 millions de dollars la somme prévue dans le Budget de 2007. En effet, le dépassement des dépenses prévues de 227 millions de dollars a été plus que compensé par des recettes supplémentaires de 628 millions de dollars.
- Les recettes nettes ont été supérieures de 247 millions de dollars aux prévisions du Rapport financier du troisième trimestre.
- Le déficit accumulé (le total des passifs moins les actifs financiers et non financiers) s'établissait à 4 193 millions de dollars au 31 mars 2008, en baisse de 911 millions de dollars par rapport au 31 mars 2007. Le ratio entre le déficit accumulé et le PIB (produit intérieur brut) a reculé pour se situer à 8,8 %, contre 11,4 % au 31 mars 2007.
- La dette nette (le total des passifs moins les actifs financiers) s'élevait à 10 188 millions de dollars à la fin de 2007-2008, après un recul de 277 millions de dollars sur le solde du 31 mars 2007. La diminution de la dette et la hausse des recettes ont fait reculer le ratio entre la dette nette et les recettes totales, qui s'est établi à 81,9 % au 31 mars 2008, contre 91,9 % à la même date un an plus tôt. Le ratio entre la dette nette et le PIB s'est fixé à 21,3 %, contre 23,4 % au 31 mars 2007.
- Le solde positif obtenu en 2007-2008 provenait de recettes de 12 437 millions de dollars, qui ont servi à couvrir des dépenses de programmes de l'ordre de 11 046 millions de dollars et à assumer des frais de la dette publique établis à 815 millions de dollars.

- Total expense to GDP for 2007/08 is 24.8%, and the expense ratio (total expenses as a percentage of total revenues) is 95.4% compared to 95.7% for 2006/07.
- Overall public debt charges as a percentage of revenue remained relatively constant at 6.6%.
- The Province continued to experience strong economic growth with a GDP of \$47,832 million in 2007/08 (2006/07 - \$44,671 million).
- The Province invested \$1,022 million on new tangible capital assets during the year.
- Le ratio entre les dépenses totales et le PIB pour 2007-2008 est de 24,8 %, et le ratio des dépenses (dépenses totales en pourcentage des recettes totales) est de 95,4 %, contre 95,7 % pour 2006-2007.
- Les frais globaux de la dette publique en pourcentage des recettes totales sont demeurés constants, à 6,6 %.
- Le Manitoba a continué de connaître une forte croissance économique, réalisant un PIB de 47 832 millions de dollars en 2007-2008 (contre 44 671 millions de dollars en 2006-2007).
- La Province a investi 1 022 millions de dollars en nouvelles immobilisations corporelles au cours de l'exercice.

Note to Readers: The financial results for 2006/07 have been restated to include the results of public school divisions which were consolidated in the summary financial statements for the first time in 2007/08. The information utilized for financial indicators have not been adjusted to reflect the inclusion of public school divisions for 2003/04 through 2005/06, as this information is not available. Readers are advised to use discretion when comparing indicators from 2003/04 through 2005/06 to the current or prior years' results.

Avis aux lecteurs : Les résultats financiers pour 2006-2007 ont été ajustés pour tenir compte des résultats des divisions scolaires publiques, consolidés dans les états financiers sommaires pour la première fois en 2007-2008. Pour les exercices 2003-2004 à 2005-2006, il n'a pas été possible d'ajuster les chiffres des indicateurs financiers en fonction de l'inclusion des divisions scolaires publiques. Veuillez en tenir compte en comparant les indicateurs de 2003-2004 à 2005-2006 aux résultats du présent exercice ou d'exercices antérieurs.

FINANCIAL CONDITION OF THE GOVERNMENT

The Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), through a proposed 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 analysis of 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 international

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 2007/08 Financial Condition

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

LA SITUATION FINANCIÈRE DU GOUVERNEMENT

Le Conseil sur la comptabilité dans le secteur public de l'Institut canadien des comptables agréés (ICCA) publie un projet d'énoncé de pratiques recommandées dans lequel il suggère divers indicateurs financiers utiles à l'évaluation de la situation financière des gouvernements. Les indicateurs proposés ne sont pas associés à des valeurs de référence pour le secteur public. Ils correspondent plutôt à des ratios ou à des indicateurs de tendance qui dressent le portrait de la situation pendant un nombre donné d'exercices, pour faciliter les comparaisons et aider à l'analyse de l'évaluation de la santé financière du gouvernement dans la conjoncture économique et financière courante. Les indicateurs recommandés sont regroupés dans trois catégories :

- (1) La **viabilité** - mesure la capacité d'un gouvernement de maintenir ses programmes sans avoir à accroître ses emprunts.
- (2) La **souplesse** - mesure la capacité d'un gouvernement de faire face à des engagements financiers grandissants en accroissant ses recettes ou en s'endettant davantage.
- (3) La **vulnérabilité** - mesure le degré de dépendance d'un gouvernement de sources de recettes qui échappent à son pouvoir direct ou à son influence, tant sur le plan national qu'international.

Les sources de données et leurs limites

Les indicateurs financiers présentés dans le présent rapport se fondent sur des données financières clés contenues dans les états financiers sommaires vérifiés. Les données économiques proviennent de Statistique Canada et du Bureau des statistiques du Manitoba. Les données comparatives présentées ne sont pas ajustées en fonction de l'inflation. Par contre, les résultats comparatifs sont ajustés pour tenir compte de la méthode comptable ou de la présentation adoptée au cours de l'exercice financier. Les indicateurs financiers de la présente section montrent les résultats dans le même format que celui des Comptes publics du Manitoba.

La situation financière du gouvernement en 2007-2008

La présente section décrit la santé financière du gouvernement à l'aide de trois catégories de l'ICCA, soit la viabilité, la souplesse et la vulnérabilité. Elle décrit également chacune des catégories et les indicateurs qui y sont associés. Pour chacun des indicateurs, on fournit des données et on souligne les principales tendances de la province.

Sustainability

As noted above, 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
- *Accumulated Deficit-to-Provincial GDP:* the extent to which past and current deficits and surpluses influence the Government's ability to manage its indebtedness and operational challenges
- *Annual Net Income (Loss):* the extent to which Government is living within its means
- *Annual Net Income (Loss)-to-Provincial GDP:* the extent to which current period results influence net debt

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 (net debt-to-GDP ratio) 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

Viabilité

Comme nous l'avons indiqué plus tôt, les ratios de viabilité mesurent la capacité d'un gouvernement d'assumer les engagements pris dans le cadre de ses programmes et de répondre aux exigences de ses créanciers sans avoir à accroître ses emprunts ou le fardeau fiscal.

L'observation des tendances qui se dégagent des cinq indicateurs suivants permet de se faire une idée concrète de la viabilité des pratiques du gouvernement en matière de dépenses et de production de recettes :

- *la dette nette en pourcentage du PIB provincial :* la relation entre la dette nette d'un gouvernement et les résultats de l'économie;
- *la dette nette en pourcentage des recettes annuelles totales :* la mesure dans laquelle les recettes à venir serviront à payer des opérations ou des événements passés;
- *le déficit accumulé en pourcentage du PIB provincial :* la mesure dans laquelle les déficits passés et actuels et les excédents influent sur la capacité d'un gouvernement de gérer son endettement et les difficultés dans ses activités;
- *les recettes nettes (pertes nettes) annuelles :* la mesure dans laquelle le gouvernement vit selon ses moyens.
- *les recettes nettes (pertes nettes) annuelles en pourcentage du PIB provincial :* la mesure dans laquelle les résultats de la période courante influent sur la dette nette.

La dette nette en pourcentage du PIB provincial

Le gouvernement adapte ses pratiques en matière de dépenses et de production de recettes en fonction de l'économie de la province. Le ratio entre la dette nette et le PIB provincial donne un aperçu des résultats de ces pratiques.

La dette nette, à savoir, le total des passifs du gouvernement moins le total de ses actifs financiers, indique les recettes qui devront être utilisées pour assumer financièrement des opérations ou des événements antérieurs. La dette nette en pourcentage du PIB provincial (ratio entre la dette nette et le PIB) exprime le niveau d'obligations financières que devra assumer l'économie en raison des pratiques cumulatives

much debt a government is carrying relative to the province's annual economic output.

If the economy grows and debt levels grow at a lower rate, the ratio declines in terms of how much it represents as a percent of economic output that generates revenue. Higher ratios mean the government will be required to generate increased future revenue to repay the debt. Higher ratios, among other factors, may also impact the interest rate at which a government can borrow (i.e., credit ratings).

Investment in capital improvements and replacement of deteriorating tangible capital assets, such as transportation infrastructure, also result in increased net debt. As the tangible capital investments are acquired, debt is incurred and then 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 within the province's approach to balanced budgets. The percentage of net debt attributable to tangible capital investment has increased from 33.3% in 2003/04 to 58.1%, reflecting increased priority placed on renewing publicly funded capital assets and the inclusion of the public school divisions (7.2%).

A declining or stable net debt-to-provincial GDP ratio means that the cost of Government programs and tangible capital investment are not outpacing Government net revenue and growth of the provincial economy.

The Government's net debt has improved from \$11,052 million in 2003/04 to \$10,188 million in 2007/08. The downward trend of net debt as a percentage of provincial GDP indicates that the province's economy is outperforming the resources being allocated to debt.

Graph 1 shows the net debt-to-GDP ratio at March 31, 2008 was 21.3%, down from a ratio of 23.4% in the previous year. A decrease in the net debt per capita is an indication of a decreasing debt burden on a per person basis. From 2004 to 2008, the net debt burden decreased approximately 7.8% or by \$864 million.

en matière de dépenses et de production de recettes. Le pourcentage représente l'ampleur de la dette du gouvernement par rapport aux résultats économiques annuels de la province.

Lorsque l'économie est en expansion et que les niveaux d'endettement reculent, l'importance de la dette en pourcentage des résultats économiques générateurs de recettes diminue. Un ratio élevé signifie que le gouvernement devra produire à l'avenir davantage de recettes pour rembourser sa dette. De plus, un ratio élevé est un des facteurs susceptibles de jouer sur le taux d'intérêt auquel un gouvernement peut emprunter (cotes de crédit).

Des investissements dans l'amélioration des immobilisations et dans le renouvellement des immobilisations corporelles sujettes à l'usure, comme les infrastructures de transport, peuvent également accroître la dette nette. Au fur et à mesure que la province acquiert des immobilisations corporelles, elle contracte une dette, et le coût des nouvelles immobilisations est ensuite amorti sur leur vie utile, essentiellement en le passant en charges sur la période pendant laquelle les immobilisations seront utilisées et sur la période pendant laquelle elles produiront des recettes conformément à l'approche de budgets équilibrés adoptée par la Province. Le pourcentage de la dette nette attribuable à l'investissement en immobilisations corporelles est passé de 33,3 % en 2003-2004 à 58,1 %, un pourcentage qui traduit la priorité du gouvernement de renouveler les immobilisations publiques, ainsi que l'inclusion des divisions scolaires publiques (7,2 %).

Un ratio entre la dette nette et le PIB provincial stable ou à la baisse signifie que le coût des programmes du gouvernement et des investissements en immobilisations corporelles ne dépasse pas les recettes nettes du gouvernement et la croissance de l'économie provinciale.

La dette nette du gouvernement diminue, et elle est passée de 11 052 millions de dollars en 2003-2004 à 10 188 millions de dollars en 2007-2008. La tendance à la baisse de la dette nette en pourcentage du PIB provincial indique que la vigueur de l'économie de la province est supérieure à la progression des ressources consacrées à la dette.

Le diagramme 1 montre que le ratio entre la dette nette et le PIB au 31 mars 2008 était de 21,3 %, contre 23,4 % à la fin de l'exercice antérieur. Une diminution de la dette nette par habitant indique une décroissance de l'endettement par personne. De 2004 à 2008, le fardeau de la dette nette a reculé d'environ 7,8 %, soit 864 millions de dollars.

Growth in GDP per capita 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 \$37,354 million in 2003/04 to \$47,832 million in 2007/08 or by 28.1% during the five year period. During this period the annual Consumer Price Index fluctuated between 1.9% and 2.7%.

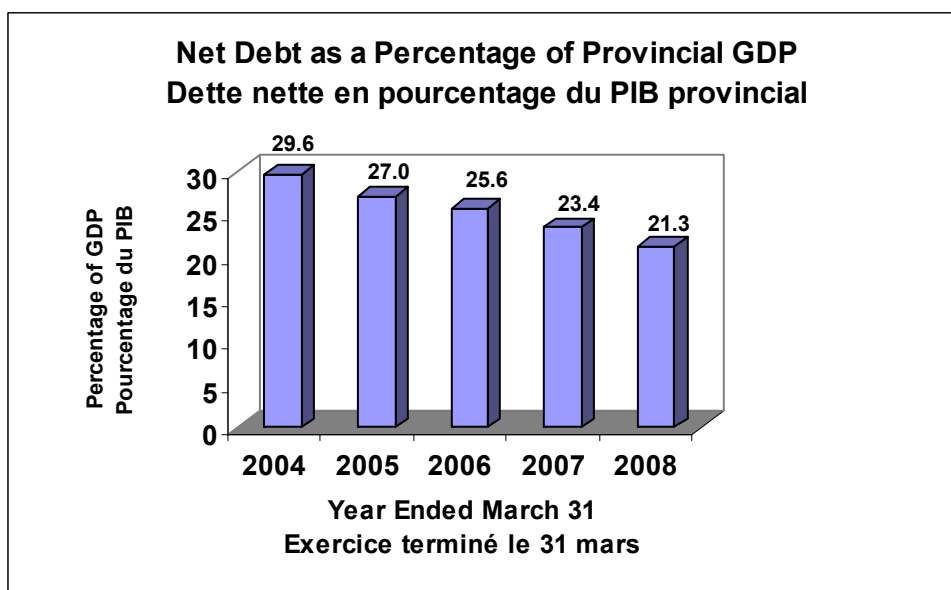
La croissance du PIB par habitant doit être prise en compte pour déterminer la capacité d'endettement. Le PIB est une mesure de la valeur des biens et des services produits dans la province au cours d'une année donnée. Il indique la taille de l'économie provinciale. L'économie provinciale a progressé de façon constante, passant de 37 354 millions de dollars en 2003-2004 à 47 832 millions de dollars en 2007-2008, ce qui représente une croissance de 28,1 % sur la période de cinq ans. Pendant cette période, l'indice annuel des prix à la consommation a oscillé entre 1,9 % et 2,7 %.

See page 57 for further analytical discussion on net debt.

Voir la page 57 pour une analyse complémentaire des questions entourant la dette nette.

Graph 1

Diagramme 1



Net Debt-to-Total Annual Revenue

La dette nette en pourcentage des recettes annuelles totales

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 and annual amortization or to continue to carry as debt. It results when a government's total liabilities exceed its total financial assets. A ratio of increasing net debt-to-total annual revenue would indicate that an increasing amount of time will be needed to eliminate net debt.

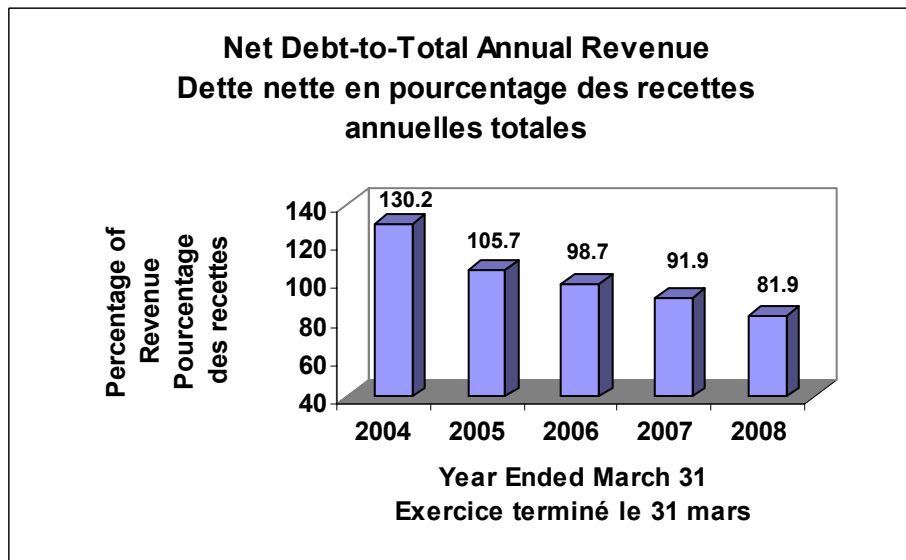
La dette nette correspond à la somme des pertes et des investissements en immobilisations corporelles accumulées d'exercice en exercice par les générations actuelles et passées. Cette somme est une dette que les générations futures doivent continuer à reporter ou financer à même les recettes nettes annuelles et les amortissements annuels. On obtient une dette nette lorsque le total des passifs d'un gouvernement excède le total de ses actifs financiers. Un ratio croissant entre la dette nette et les recettes annuelles totales signifierait que plus de temps serait nécessaire à l'élimination de la dette nette.

Graph 2 shows a fairly stable trend in the Government's ability to eliminate net debt. The decreases in the ratio of net debt-to-total annual revenue have resulted from a combination of a declining net debt (see "Net debt and Accumulated Deficit" section on page 57 for annual changes) and increasing revenues (see "Revenue" on pages 48 - 50 for annual changes).

Le diagramme 2 indique une tendance plutôt stable dans la capacité du gouvernement d'éliminer la dette nette. Le recul du ratio entre la dette nette et les recettes annuelles totales est le résultat cumulé d'une diminution de la dette nette (voir « Dette nette et déficit accumulé » à la page 57 pour connaître les variations annuelles) et de l'augmentation des recettes (voir « Recettes » aux pages 48 - 50 pour connaître les variations annuelles).

Graph 2

Diagramme 2



Accumulated Deficit-to-Provincial GDP

Le déficit accumulé en pourcentage du PIB provincial

The accumulated deficit is the sum of all annual surpluses and deficits incurred to date, calculated according to current accounting policies. The accumulated deficit includes other comprehensive income, which is excluded from the calculation of the annual net income or loss. Other comprehensive income represents certain unrealized gains and losses on financial instruments reported by GBEs as a result of their early implementation of a new accounting standard in 2006/07. In accordance with recommendations of the Public Sector Accounting Standards Board (PSAB), other comprehensive income is not included in the Government's annual net operating results, but is instead recorded directly to the Province's statement of accumulated deficit. Other comprehensive income for 2007/08 is \$358 million (2006/07 - \$56 million).

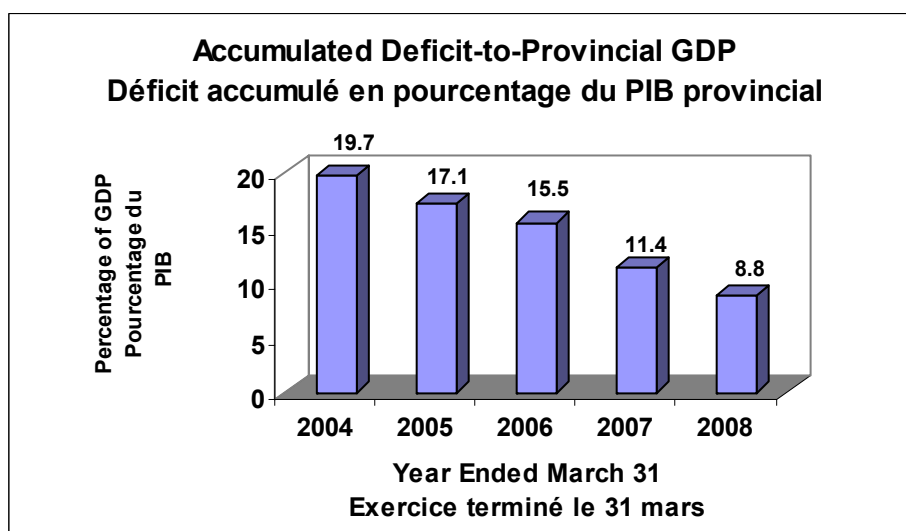
Le déficit accumulé est la somme de tous les excédents et déficits accumulés d'exercice en exercice jusqu'à ce jour, obtenue d'après des calculs conformes aux méthodes comptables en vigueur. Le déficit accumulé comprend les autres éléments du résultat étendu, qui sont exclus du calcul des recettes nettes ou des pertes nettes de l'exercice. Les autres éléments du résultat étendu représentent des gains ou des pertes non réalisés sur les instruments financiers enregistrés par les entreprises publiques à la suite de l'adoption de nouvelles normes comptables en 2006-2007. Conformément aux recommandations du Conseil sur la comptabilité dans le secteur public (CCSP), les autres éléments du résultat étendu ne sont pas compris dans les résultats nets des activités de l'exercice, mais sont plutôt inscrits directement dans l'état du déficit accumulé de la province. Les autres éléments du résultat étendu en 2007-2008 représentent 358 millions de dollars (contre 56 millions de dollars en 2006-2007).

Graph 3 shows that the accumulated deficit-to-Provincial GDP ratio is on a consistent downward trend resulting from a combination of declining accumulated deficits and increasing GDP. The accumulated deficit as at March 31, 2008 decreased \$3,175 million from 2003/04. Part of this reduction results from the inclusion of additional entities into the GRE, primarily the net assets of public school divisions in 2008 (\$753 million). This declining trend is an indication that losses and net debt are decreasing thus freeing up more funds currently absorbed by interest costs for more productive uses, while at the same time allowing the Province to maintain existing operations. The net debt reduction was influenced heavily by the requirement for balanced budgets coupled with progressive economic growth during the reported period.

Le graphique 3 montre que le ratio entre le déficit accumulé et le PIB suit une tendance constante à la baisse, grâce au recul du déficit accumulé et à la hausse du PIB. Le déficit accumulé au 31 mars 2008 enregistrait une baisse de 3 175 millions de dollars par rapport à 2003-2004. Cette baisse découle en partie de l'inclusion d'autres entités dans le périmètre comptable du gouvernement, et notamment de l'inclusion des actifs nets des divisions scolaires publiques en 2008 (753 millions de dollars). La tendance à la baisse indique que les pertes et les dettes nettes diminuent, ce qui permet à la Province de consacrer à des usages productifs des fonds actuellement absorbés par les frais d'intérêt, tout en maintenant ses activités en cours. La réduction de la dette nette a été fortement influencée par l'équilibre budgétaire obligatoire et la croissance économique régulière au cours de la période présentée.

Graph 3

Diagramme 3



Annual Net Income (Loss)

Les recettes nettes (pertes nettes) annuelles

The annual net income or loss shows the extent to which a government generates revenues more or less than its operating expenses in one fiscal year.

Les recettes nettes ou les pertes nettes annuelles montrent la mesure dans laquelle le gouvernement génère plus ou moins de recettes que ses dépenses de fonctionnement pendant un exercice financier.

Annual net income helps the Government maintain its services and provides an opportunity to lessen its borrowing needs. The annual net income for the year ended March 31, 2008 was \$576 million, which is \$91 million more than the previous year.

Un solde positif pour l'exercice aide le gouvernement à maintenir ses services et à réduire ses besoins en matière d'emprunts. Les recettes nettes de l'exercice qui s'est terminé le 31 mars 2008 s'élevaient à 576 millions de dollars, soit 91 millions de dollars de plus qu'à la fin de l'exercice précédent.

Graph 4 shows that in the last five years, the Government has had four consecutive years of annual net income, and had one year of net loss of \$579 million in 2003/04. The Government has lived within its means for the last four years (that is, the Government raised more revenue than it spent in the year). The 2003/04 deficit resulted primarily from two unusual conditions. The first condition related to a Manitoba Hydro loss of \$436 million which resulted from unusual weather and climate conditions. The second was the higher than average and unanticipated expenditures required for fire suppression activities, which were also influenced by weather conditions.

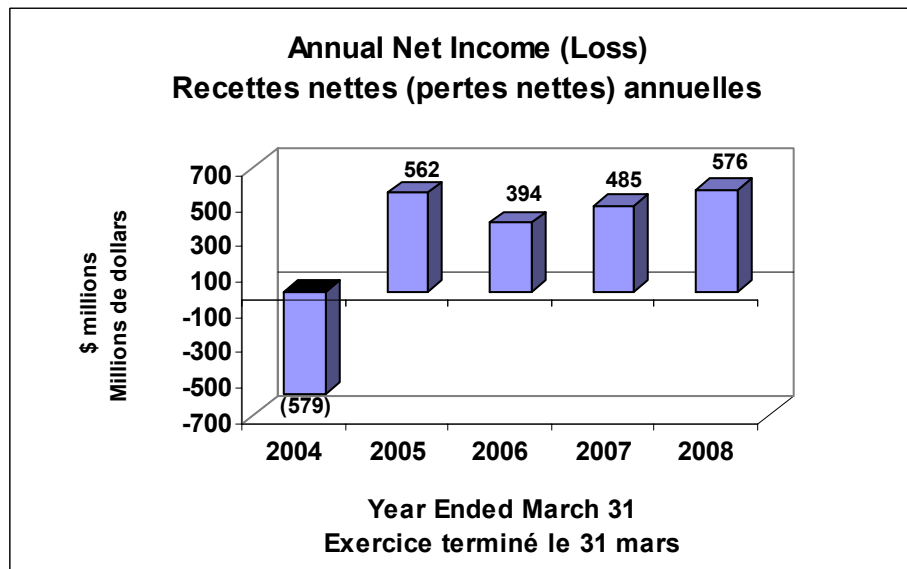
Le diagramme 4 montre qu'au cours des cinq derniers exercices, le gouvernement a réalisé des recettes nettes annuelles pendant quatre exercices consécutifs et enregistré un résultat déficitaire de 579 millions de dollars en 2003-2004. Le gouvernement a vécu selon ses moyens les quatre derniers exercices (c'est-à-dire, il a produit plus de recettes qu'il en a dépensé pendant l'exercice). Le déficit de 2003-2004 a résulté essentiellement de deux circonstances inhabituelles. La première circonstance était liée aux pertes de 436 millions de dollars d'Hydro-Manitoba, qui ont été causées par des conditions météorologiques et climatiques inhabituelles. La deuxième circonstance correspondait aux dépenses supérieures à la moyenne et imprévues qui ont découlé des activités de lutte contre les incendies de forêt, des activités également liées aux conditions météorologiques.

See pages 48 - 50 for further analytical discussion on revenues.

Voir les pages 48 - 50 pour une analyse complémentaire des données sur les recettes.

Graph 4

Diagramme 4



Annual Net Income (Loss)-to-Provincial GDP

Les recettes nettes (pertes nettes) en pourcentage du PIB provincial

The ratio of net income (loss)-to-Provincial GDP measures the difference between revenues and expenses expressed as a percentage of GDP.

Le ratio entre les recettes nettes (pertes nettes) et le PIB provincial indique la différence entre les recettes et les dépenses en pourcentage du PIB.

Graph 5 shows a consistent positive trend after 2003/04. As stated in the previous measurement, the 2003/04 loss resulted primarily from two unusual

Le diagramme 5 montre une tendance positive homogène après 2003-2004. Comme nous l'avons indiqué précédemment, les pertes de 2003-2004 ont

conditions. The first condition related to a Manitoba Hydro's loss of \$436 million which resulted from unusual weather and climate conditions. The second was the unanticipated expenditures required for fire suppression activities, also resulting from dry weather conditions. The positive trend since 2003/04 indicates that the Government has the ability to meet financial obligations. An increasing positive trend indicates that the Government can maintain existing operations and reduce the debt or invest in infrastructure without having a negative impact on the economy. The average of this ratio over the past five years is +0.6%.

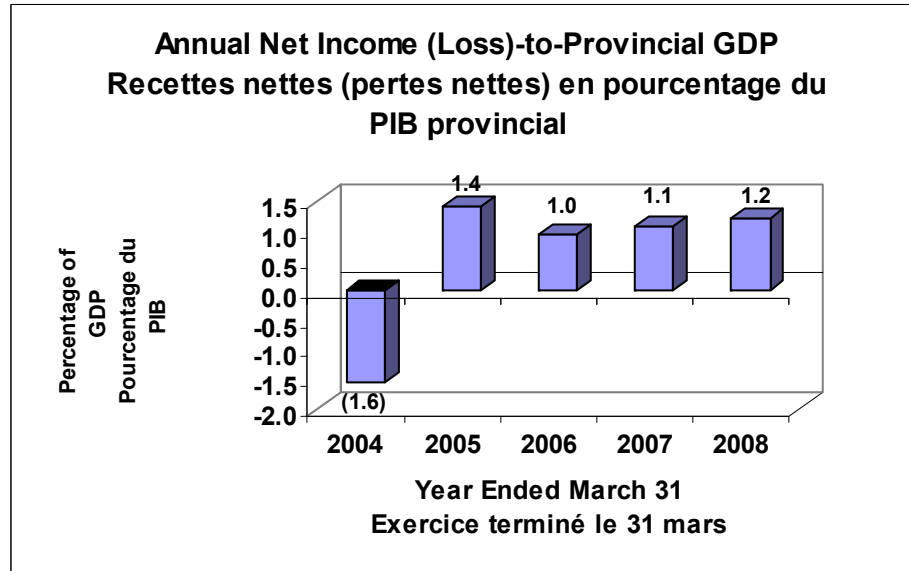
découlé essentiellement des deux circonstances inhabituelles. La première circonstance était liée aux pertes de 436 millions de dollars d'Hydro-Manitoba, qui ont été causées par des conditions météorologiques et climatiques inhabituelles. La deuxième circonstance correspondait aux dépenses imprévues qui ont découlé des activités de lutte contre les incendies de forêt, des activités également liées à des conditions inhabituelles de sécheresse. La tendance positive qui se dégage depuis 2003-2004 indique que le gouvernement a la capacité d'assumer ses obligations financières. Une tendance positive à la hausse indique que le gouvernement est en mesure de maintenir ses activités et de réduire la dette ou d'investir dans l'infrastructure sans qu'il y ait de répercussions négatives sur l'économie. La moyenne de ce ratio au cours des cinq derniers exercices est de +0,6 %.

See pages 46 and 47 for further analytical discussion on surplus.

Voir les pages 46 et 47 pour une analyse complémentaire des données sur les excédents.

Graph 5

Diagramme 5



Flexibility

Flexibility measures 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.

Souplesse

La souplesse mesure la capacité d'un gouvernement d'augmenter ses ressources financières pour faire face à des engagements en accroissant ses recettes ou en augmentant sa dette nette.

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,
- *Annual change to Net Book Value of Tangible Capital Assets*: the extent to which net changes in tangible capital assets affect future service potential; and
- *Net Book Value of Tangible Capital Assets-to-Cost of Tangible Capital Assets*: the extent to which the estimated useful lives of the government's tangible capital assets are available to provide its products and services.

Public Debt Charges to Total Revenue

The amount of public debt charges (interest costs) 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 6 illustrates a downward trend.

Graph 6 shows that in 2003/04, the Government used 9.4 cents of every dollar of its revenue to pay interest. In 2007/08, 6.6 cents of every dollar of revenue was used. Reductions in interest costs relative to increases in revenue have given the Government more resources to provide services without having to increase its revenue.

Le Conseil sur la comptabilité dans le secteur public recommande l'usage de divers indicateurs financiers pour juger de la souplesse du gouvernement. Parmi ceux-ci, on considère que les indicateurs suivants aident à apprécier la souplesse du gouvernement du Manitoba:

- *les frais de la dette publique en pourcentage des recettes totales* : mesure dans laquelle les décisions en matière d'emprunts restreignent la capacité d'un gouvernement de faire face à ses engagements financiers et d'assurer la prestation des services prévus;
- *les recettes autonomes en pourcentage du PIB provincial* : mesure dans laquelle le gouvernement prélève des revenus dans l'économie sous forme d'impôts et de droits d'utilisation;
- *la variation annuelle de la valeur comptable nette des immobilisations corporelles* : mesure dans laquelle la variation nette des immobilisations corporelles touche le potentiel futur de services;
- *la valeur comptable nette des immobilisations corporelles en pourcentage de leur coût* : mesure dans laquelle la vie utile estimative des immobilisations corporelles d'un gouvernement lui permet de fournir des produits et des services.

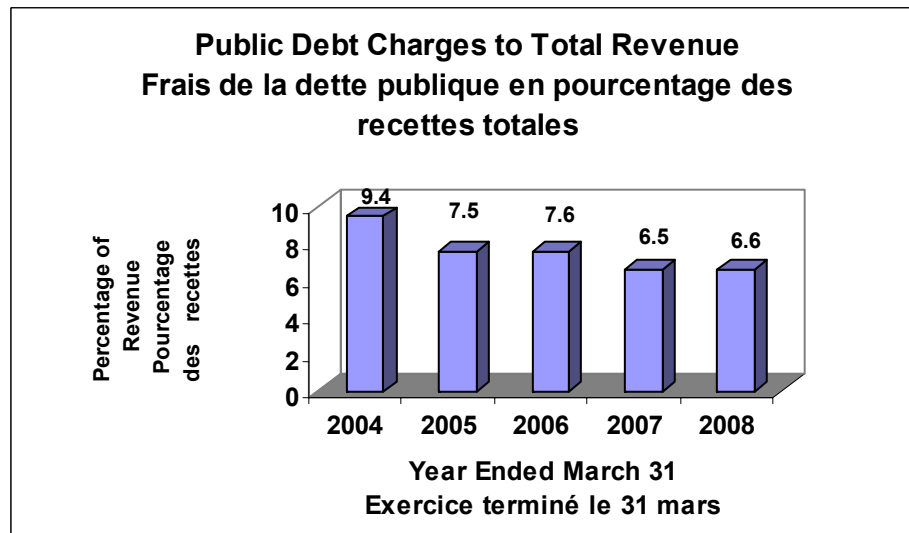
Les frais de la dette publique en pourcentage des recettes totales

La somme des frais de la dette publique (frais d'intérêt) en pourcentage des recettes totales montre la mesure dans laquelle un gouvernement doit utiliser des recettes pour payer des frais d'intérêt plutôt que des services. Le ratio montre la proportion par dollar de recettes du gouvernement qui sert à payer les intérêts. Un faible ratio entre les frais d'intérêt et les recettes indique que le gouvernement consacre une faible part de ses recettes aux frais d'intérêt. Le diagramme 6 montre une tendance à la baisse.

Au diagramme 6, on observe qu'en 2003-2004, le gouvernement utilisait 9,4 cents par dollar de recettes pour assumer les frais d'intérêt. En 2007-2008, il a utilisé 6,6 cents par dollar de recettes pour la même fin. La réduction des frais d'intérêt relative à l'augmentation des recettes a fait en sorte que le gouvernement dispose de plus de ressources qu'avant pour la prestation de services, sans avoir à accroître ses recettes.

Graph 6

Diagramme 6



Own-source Revenue to Provincial GDP

A government's own-source revenue as a percentage of provincial GDP shows how much revenue from the provincial economy a government can raise through taxation and user fees. High ratios or increases in ratios mean a government is placing higher demands on its provincial economy - or more directly put, its demands are outpacing growth in the economy.

From 2003/04, the pace of increases in the Government's own-source revenue (i.e., revenue raised from within the Province) has been increasing at varying rates (0.6%, 9.0%, 5.7%, 11.6% and 6.1% from 2003/04 - 2007/08 respectively) to reflect the modest increases in the size of the provincial economy (2.3%, 6.2%, 4.3%, 8.0% and 7.1% from 2003/04 - 2007/08 respectively). Overall, the Government has not significantly changed its demands on the provincial economy over this time period.

The own-source revenue total does not include the net incomes from GBEs as these entities operate outside of the core Government operations, given the semi-autonomous nature of their operations. Their revenues are not derived from taxation or user fees, but from the supply of product or services.

Les recettes autonomes en pourcentage du PIB provincial

Les recettes autonomes en pourcentage du PIB provincial montrent la part de recettes que le gouvernement prélève de l'économie provinciale sous forme d'impôts et de droits d'utilisation. Des ratios élevés ou à la hausse indiquent que le gouvernement augmente les pressions qui s'exercent sur l'économie provinciale, autrement dit, ses besoins dépassent la croissance de l'économie.

Depuis 2003-2004, le rythme de l'augmentation des recettes autonomes du gouvernement (les recettes provenant de la province même) a varié (il était de 0,6 %, de 9,0 %, de 5,7 %, de 11,6 % et de 6,1 %, respectivement, de 2003-2004 à 2007-2008), traduisant les modestes expansions dans la taille de l'économie provinciale (2,3 %, 6,2 %, 4,3 %, 8,0 % et 7,1 %, respectivement, de 2003-2004 à 2007-2008). Dans l'ensemble, le gouvernement n'a pas modifié de façon importante ses pressions sur l'économie provinciale pendant la période.

Les recettes autonomes totales ne comprennent pas les bénéfices nets des entreprises publiques étant donné leur nature semi-autonome et le fait que les opérations de ces entités sont exclues des opérations fondamentales du gouvernement. Leurs recettes ne proviennent pas d'impôts ou de droits d'utilisation, mais de l'offre de produits ou de services.

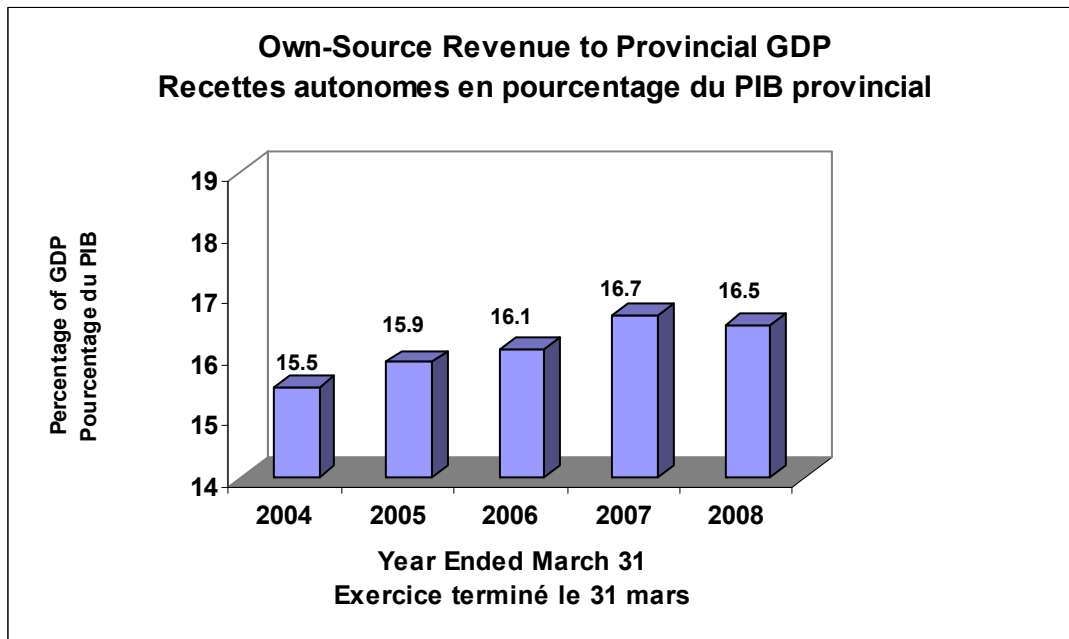
Graph 7 shows the relationship between the ratios of own-source revenue to Provincial GDP. GDP increased from \$37,354 million in 2003/04 to \$47,832 million in 2007/08 or 28.1%. The rate of own-source revenues remained stable in relation to the economy from 15.5% of GDP in 2003/04 to 16.5% in 2007/08. Own-source revenues increased by \$456 million or 6.1% from \$7,438 million in 2006/07 to \$7,894 million in 2007/08. The main contributors to the increase are as follows:

Le diagramme 7 montre la relation entre les ratios des recettes autonomes par rapport au PIB provincial. Le PIB est passé de 37 354 millions de dollars en 2003-2004 à 47 832 millions de dollars en 2007-2008, enregistrant un bond de 28,1 %. Le taux des recettes autonomes est demeuré stable par rapport à l'économie. Il est passé de 15,5 % du PIB en 2003-2004 à 16,5 % en 2007-2008. Les recettes autonomes ont augmenté de 456 millions de dollars ou 6,1 %, passant de 7 438 millions de dollars en 2006-2007 à 7 894 millions de dollars en 2007-2008. Les principaux facteurs de la hausse sont les suivants :

- Revenue from fees and other revenues increased by \$126 million, or 8.4%, due to economic and program activity
- Les droits perçus et autres recettes se sont accrus de 126 millions de dollars ou 8,4 %, en raison de l'activité de l'économie et des programmes.
- Despite tax rate reductions, economic growth resulted in revenue from taxes to increase by \$370 million, or 6.6%
- Malgré les baisses d'impôt, la croissance économique a fait en sorte que les recettes fiscales augmentent de 370 millions de dollars, soit une hausse de 6,6 %.

Graph 7

Diagramme 7



Annual Change to Net Book Value of Tangible Capital Assets

Tangible capital assets such as buildings, equipment, roads and dams are essential for the economy and for delivering government services.

The annual percentage change in the net book value of tangible capital assets measures the extent to which a government is maintaining or failing to maintain the tangible capital assets it needs to deliver its services. An increase means a government has spent more on these assets than it has reduced their value because of age and use (commonly called amortization or depreciation).

Continual decreases in the net book value of tangible capital assets may indicate that a government is not maintaining or enhancing its tangible capital asset base. Delays in investing in essential tangible capital assets may improve financial results in the short term but such delays may lead to higher future maintenance or replacement costs due to increased deterioration. As such, deferral of capital maintenance can result in poorer financial results in future periods, adversely affecting service delivery and lead to increased financial burdens on taxpayers in the future.

The Government held significant tangible capital assets with a net book value of over \$5,923 million at March 31, 2008. In 2007/08, \$1,022 million was invested on new tangible capital assets; \$40 million of existing tangible capital assets were either disposed of or written down to correctly reflect their value, and the net book value of all tangible capital assets was reduced by \$358 million to account for annual amortization.

The increases in the net book value of tangible assets suggest that, on an overall basis, the Government has maintained its existing capital assets.

Graph 8 shows that each year the Government's spending on its tangible capital assets has exceeded the amount by which assets are reduced because of their age and use. The large spike in 2006/07 results from the inclusion of the public school division assets of \$755 million.

La variation annuelle de la valeur comptable nette des immobilisations corporelles

Les immobilisations corporelles, comme les immeubles, l'équipement, les routes et les barrages, sont essentielles à l'économie et à la prestation des services publics.

La variation annuelle en pourcentage de la valeur comptable nette des immobilisations corporelles indique la mesure dans laquelle un gouvernement entretient ou omet d'entretenir les immobilisations corporelles dont il a besoin pour fournir ses services. Une hausse signifie que le gouvernement a investi plus dans ses actifs que la valeur perdue par ceux-ci en raison de l'âge et de l'usure (appelée communément amortissement ou dépréciation).

Une diminution continue de la valeur comptable nette des immobilisations corporelles peut indiquer que le gouvernement n'entretient pas ou n'améliore pas ses actifs corporels. Reporter l'investissement dans les immobilisations corporelles essentielles peut améliorer les résultats financiers à court terme, mais cela risque d'entraîner par la suite des coûts d'entretien ou de remplacement supérieurs, en raison d'une détérioration accrue. Comme tel, le report de l'entretien des immobilisations peut conduire à des résultats financiers médiocres dans des périodes à venir, nuire à la prestation de services et accroître le fardeau financier des contribuables.

Le gouvernement possède des immobilisations corporelles importantes dont la valeur comptable nette s'élevait à plus de 5 923 millions de dollars au 31 mars 2008. En 2007-2008, il a investi 1 022 millions de dollars en nouvelles immobilisations corporelles, des immobilisations corporelles existantes d'une valeur de 40 millions de dollars sont sorties du patrimoine ou se sont dépréciées, et la valeur comptable nette de l'ensemble des immobilisations corporelles a reculé de 358 millions de dollars en raison des amortissements annuels.

L'augmentation de la valeur comptable nette des immobilisations corporelles suggère que, dans l'ensemble, le gouvernement maintient ses actifs corporels qu'il possède.

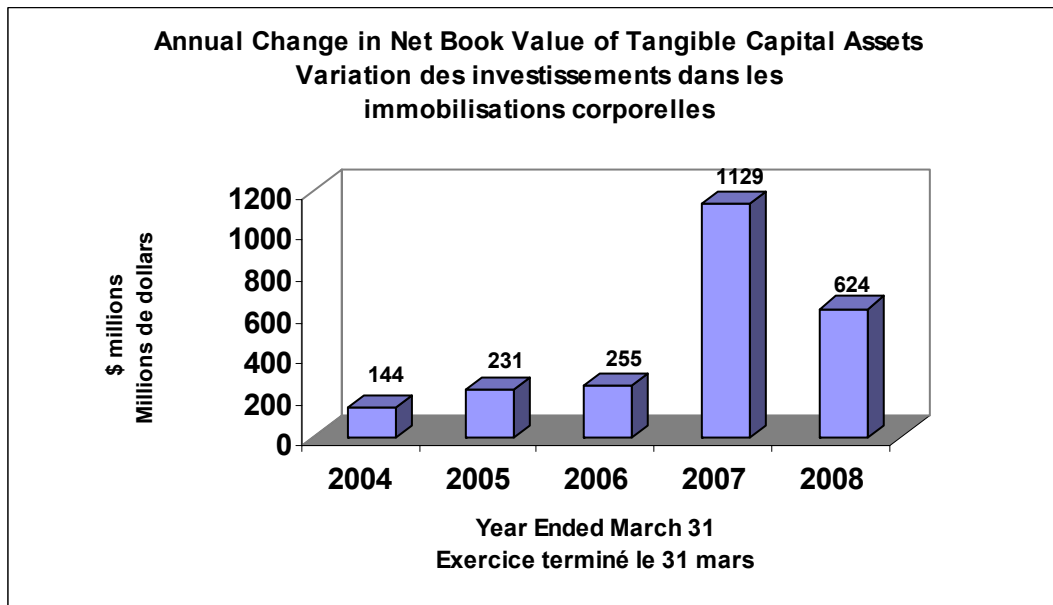
Le diagramme 8 montre que l'investissement du gouvernement par exercice dans ses immobilisations corporelles dépasse la valeur de leur dépréciation en raison de l'âge et de l'usure. La variation marquée en 2006-2007 est liée à l'inclusion de l'actif des divisions scolaires publiques, un actif qui représente 755 millions de dollars.

See pages 59 and 60 for further analytical discussion on tangible capital assets.

Voir les pages 59 et 60 pour une analyse complémentaire des données sur les immobilisations corporelles.

Graph 8

Diagramme 8



Net Book Value of Tangible Capital Assets-to-Cost of Tangible Capital Assets

La valeur comptable nette des immobilisations corporelles en pourcentage de leur coût

The ratio of the net book value of tangible capital assets-to-the cost of tangible capital assets is important because it illustrates the relationship of the estimated useful life of government assets that is available to provide future service.

Le ratio entre la valeur comptable nette des immobilisations corporelles et leur coût est très utile, car il est associé à la vie utile estimative des immobilisations corporelles dont le gouvernement disposera pour fournir des produits et des services.

Graph 9 shows that the Government has been consistent in its maintenance of capital to deliver services. The annual total tangible capital cost increased \$902 million from \$9,983 million in 2006/07 to \$10,885 million in 2007/08. The total cost of assets under construction, including infrastructure, as at March 31, 2008 is \$855 million (2006/07 - \$601 million). Assets under construction are not depreciated (amortized) until they are put into service. The \$855 million includes spending \$169 million on projects for the Regional Health Authorities, \$342 million on the Red River Floodway Expansion Project, and in excess of \$26 million on a number of bridge and structures projects.

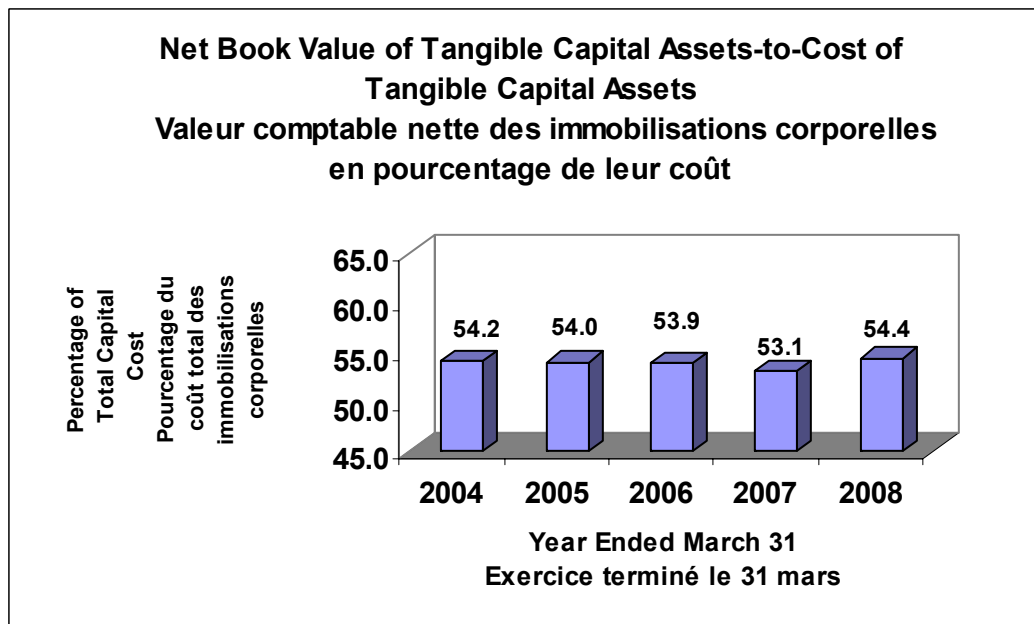
Le diagramme 9 montre que le gouvernement a maintenu de façon constante les immobilisations utiles à sa prestation de services. Le coût global annuel des immobilisations corporelles a grimpé de 902 millions de dollars, pour s'établir en 2007-2008 à 10 885 millions de dollars, contre 9 983 millions de dollars en 2006-2007. Le coût global des actifs en chantier, y compris les infrastructures, au 31 mars 2008, était de 855 millions de dollars (contre 601 millions de dollars en 2006-2007). Les immobilisations en chantier ne sont pas dépréciées (amorties) avant le début de leur utilisation. Les 855 millions de dollars comprennent des investissements de 169 millions de dollars dans des projets des régies régionales de la santé, des investissements de 342 millions de dollars dans les travaux d'agrandissement du canal de dérivation de la rivière Rouge et plus de 26 millions de dollars dans divers projets de pont et de structures.

(See pages 59 and 60 for further analysis and discussion on tangible capital assets.)

(Voir les pages 59 et 60 pour une analyse complémentaire des données sur les immobilisations corporelles.)

Graph 9

Diagramme 9



Vulnerability

Vulnerability is the degree to which a government becomes dependent upon, and thus, vulnerable to sources of revenue outside of its direct control or influence. This indicator measures the extent to which a government can manage its financial affairs without having to rely on others.

Recommended indicators for providing insight into the Government’s vulnerability, include:

- *Federal Transfers to Own-Source Revenue*
- *Federal Transfers to Total Revenues; and*
- *Foreign Currency Debt to Net Debt.*

Vulnérabilité

La vulnérabilité correspond au degré d’autonomie du gouvernement, et donc de vulnérabilité, par rapport aux sources de recettes qui ne dépendent pas directement de lui ni de son influence. La vulnérabilité indique la mesure dans laquelle le gouvernement est en mesure de gérer ses finances sans dépendre des autres.

Les indicateurs recommandés pour apprécier la vulnérabilité du gouvernement comprennent :

- *les transferts fédéraux en pourcentage des recettes autonomes;*
- *les transferts fédéraux en pourcentage des recettes totales;*
- *la dette en devises en pourcentage de la dette nette.*

Revenue from Federal Government Transfers

Transfers from the Federal Government are a significant source of revenue for the Provincial Government. As a result, fiscal policy decisions of the Federal Government can have a significant impact on the Province's fiscal position. Significant reductions in Federal transfers in the short run could impair the Provincial Government's ability to deliver services at the current level and quality.

Major Federal transfers include Equalization payments and support for health (Canada Health Transfer), and post-secondary education and social services (Canada Social Transfer).

Canada determines the amount of Equalization transfers to a province by comparing each province's ability to raise revenue (its fiscal capacity) against a national 10-province average or standard. To ensure stability and predictability, the calculation uses a weighted three-year rolling average of provincial fiscal capacity, lagged two years. For greater certainty and stability, payments are determined in advance of each payment year and are not subject to revision. The renewed Equalization program is legislated through 2013/14, providing security and long-term predictability.

In support of the 10-Year Plan to Strengthen Health Care, signed by First Ministers in 2004, Canada committed \$41 billion in new funding for provinces and territories over 10 years (2004/05 to 2013/14), paid through the Canada Health Transfer (CHT). An automatic escalator of 6% cent annually has been applied to the CHT cash base since 2006/07. A renewed and strengthened Canada Social Transfer (CST) was announced in the 2007 Federal budget. Under the renewal, the CST will be allocated on an equal per capita cash basis and an automatic 3% annual escalator will be applied to the funding base starting in 2009/10. Both the CHT and CST are set in legislation up to 2013/14, providing growing and sustainable funding to provinces and territories.

Les recettes provenant des transferts du gouvernement fédéral

Les transferts provenant du gouvernement fédéral sont une source importante de recettes pour le gouvernement provincial. Par conséquent, les décisions budgétaires du gouvernement fédéral peuvent avoir une grande incidence sur la situation financière provinciale. Des réductions marquées à court terme des transferts fédéraux sont susceptibles de réduire la capacité du gouvernement provincial d'assurer une prestation de services du niveau et de la qualité que l'on connaît en ce moment.

Les principaux transferts fédéraux comprennent les Transferts de péréquation, ainsi que les financements dans les domaines de la santé (Transfert canadien en matière de santé) et des services sociaux (Transfert canadien en matière de programmes sociaux).

Le gouvernement fédéral détermine le montant des transferts de péréquation par province en comparant la capacité de chacune des provinces de produire des recettes (sa capacité fiscale) à une norme ou moyenne nationale tenant compte des dix provinces. Pour assurer la stabilité et la prévisibilité, les calculs sont fondés sur une moyenne pondérée mobile de trois ans, décalée de deux ans, de la capacité fiscale provinciale. Les montants des paiements sont fixés à l'avance pour chacune des années de paiement et ne sont pas révisés, ce qui accroît la stabilité et la certitude des budgets. Le nouveau programme de péréquation est en vigueur jusqu'en 2013-2014, assurant ainsi des paiements stables, à long terme.

Dans le cadre du Plan décennal pour consolider les soins de santé adopté par les premiers ministres en 2004, le gouvernement fédéral s'est engagé à verser 41 milliards de dollars en nouveaux fonds aux provinces et aux territoires pendant une période de dix ans (de 2004-2005 à 2013-2014), au titre du Transfert canadien en matière de santé (TCS). Une clause d'indexation automatique de 6 % par année s'applique au nouveau montant de base du TCS depuis 2006-2007. De plus, un Transfert canadien en matière de programmes sociaux (TCPS) renouvelé et renforcé a été annoncé dans le budget fédéral de 2007. Le nouveau TCPS sera alloué selon un montant égal par habitant et une clause d'indexation automatique de 3 % par année s'appliquera au montant de base à partir de 2009-2010. Tant le TCS que le TCPS sont prévus dans la loi jusqu'à la fin de l'exercice 2013-2014, afin que les provinces et les territoires puissent compter sur un financement croissant et durable.

While the Province has no direct control over the amount it receives from the Federal Government each year, it does have some opportunity to influence the framework and direction of fiscal transfers through consultations with the Federal Government. Fiscal arrangements and intergovernmental collaboration are the instruments that form the background of fiscal relations between governments and it is considered unlikely that the Federal Government would make major unilateral changes to transfer programs.

Furthermore, Section 36(2) of *The Constitution Act (1982)* states “Parliament and the Government of Canada are committed to the principle of making equalization payments to ensure that provincial governments have sufficient revenues to provide reasonably comparable levels of public services at reasonably comparable levels of taxation.”

For the medium term, all three major Federal programs are set in legislation and determined on a fixed formula basis that is unlikely to change before 2013/14.

See page 48 for an analysis of Federal transfers from 2003/04 to 2007/08.

Federal Transfers to Own-Source Revenue

Federal transfers as a percentage of own-source revenue measures the extent to which the Province raises its own revenue from within the province as compared to the extent it receives money from the Federal Government. A high proportion may indicate a provincial government relies on Federal transfers to operate. However, where Federal funds are applied to capital projects, debt reduction, one-time programs or other non-operational purposes, reliance may not be substantially increased. An increase in the Province’s own-source revenue helps it to be less vulnerable to the impact of changes in Federal transfers; it also enhances its ability to fund provincial programs, invest in infrastructure, and often, to continue to fully fund programs initiated with Federal one-time transfers. Of course, even if Federal transfers do not vary from year to year, this ratio may change as own-source revenue increases or decreases.

Bien que le gouvernement provincial n’ait pas de pouvoir direct sur le montant qu’il reçoit du gouvernement fédéral tous les ans, il a tout de même des occasions d’influencer le cadre et l’orientation des transferts fédéraux lors des consultations du gouvernement fédéral. Les ententes fiscales et la collaboration intergouvernementale sont les instruments qui forment la base des relations fiscales entre les gouvernements, et il est peu probable que le gouvernement fédéral apporte des changements unilatéraux importants aux programmes de transfert.

De plus, le paragraphe 36(2) de la *Loi constitutionnelle de 1982* stipule que « le Parlement et le gouvernement du Canada prennent l’engagement de principe de faire des paiements de péréquation propres à donner aux gouvernements provinciaux des revenus suffisants pour les mettre en mesure d’assurer les services publics à un niveau de qualité et de fiscalité sensiblement comparables ».

À moyen terme, les trois principaux programmes fédéraux sont fixés par la loi et déterminés selon une formule établie qui ne devrait pas changer jusqu’en 2013-2014.

Voir la page 48 pour une analyse des transferts fédéraux de 2003-2004 à 2007-2008.

Les transferts fédéraux en pourcentage des recettes autonomes

Le ratio entre les transferts fédéraux et les recettes autonomes établit le rapport entre les fonds versés par le gouvernement fédéral et la mesure dans laquelle le gouvernement provincial génère ses propres recettes dans la province. Un ratio élevé peut indiquer que le gouvernement provincial compte beaucoup sur les transferts fédéraux pour son fonctionnement. Toutefois, lorsque les fonds fédéraux sont utilisés pour des projets d’immobilisations, la réduction de la dette, des programmes ponctuels ou d’autres usages non opérationnels, la dépendance n’augmente pas nécessairement de façon substantielle. Une hausse des recettes autonomes de la Province aide le gouvernement provincial à être moins vulnérable aux variations dans les transferts fédéraux. Cela renforce aussi sa capacité à financer les programmes provinciaux, à investir dans l’infrastructure et, souvent, à financer complètement les programmes mis en place avec l’aide des transferts fédéraux ponctuels. Bien entendu, même si les transferts fédéraux ne varient pas d’année en année, le ratio peut changer étant donné l’augmentation ou la diminution des recettes autonomes.

Graph 10 shows the relationship of annual Federal transfers to the Province's own-source revenue. The proportion of the Province's revenues received from Canada varied slightly over the last five years. Transfers increased in 2007/08 by \$277 million, of which \$117 million was from Equalization, \$12 million in Canada Health and Social Transfers and \$148 million from shared cost agreements. Shared cost agreements included \$74 million related to the Red River Floodway Expansion and new program funding, such as the Eco-Trust Fund of \$54 million. In 2005, the Province received additional Health funding specifically for the purpose of wait time reduction programming and other health related programming. While accounting standards required that this revenue be recognized in the year in which it was received, the programming that will be funded through these funds will occur over a number of years.

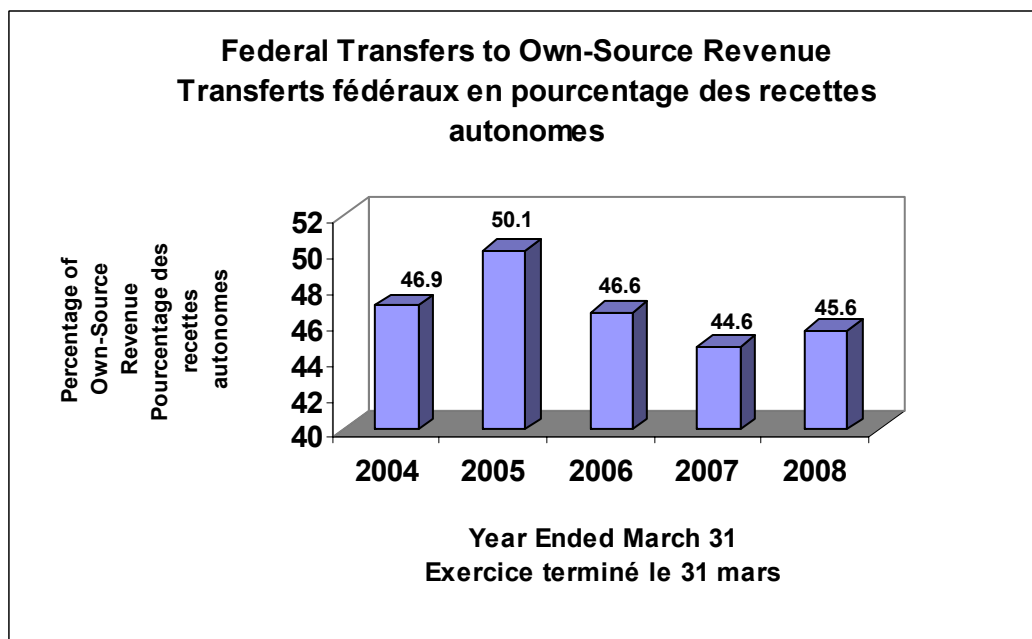
Le diagramme 10 montre la relation entre les transferts fédéraux annuels et les recettes autonomes de la province. La proportion des recettes de la province en provenance du gouvernement fédéral a peu varié au cours des cinq derniers exercices. En 2007-2008, les transferts ont augmenté de 277 millions de dollars répartis comme suit : 117 millions de dollars en Transferts de péréquation, 12 millions de dollars pour le Transfert canadien en matière de santé et le Transfert canadien en matière de programmes sociaux et 148 millions de dollars pour des ententes de partage des coûts. Les ententes de partage des coûts prévoyaient 74 millions de dollars pour l'agrandissement du canal de dérivation de la rivière Rouge et de nouveaux fonds pour des programmes, notamment 54 millions de dollars dans le cadre de l'Écofiducie. En 2005, le Manitoba a reçu des fonds pour la santé destinés spécialement aux programmes de réduction des délais d'attente et à d'autres programmes connexes. Même si les normes comptables exigent que les recettes soient comptabilisées au cours de l'exercice où elles sont reçues, les programmes financés à même ces fonds durent divers exercices.

See pages 48 - 50 for an analysis of own-source revenues.

Voir les pages 48 - 50 pour une analyse complémentaire des données sur les recettes autonomes.

Graph 10

Diagramme 10



Federal Transfers to Total Revenues

The ratio of Federal transfers to total revenue indicates the vulnerability of provinces to changes in transfers from Canada.

Graph 11 shows that from 2003/04 to 2007/08, there was a fairly steady proportion of Federal transfers to total revenues indicating that the Province was not increasingly dependent on Canada in the last five years.

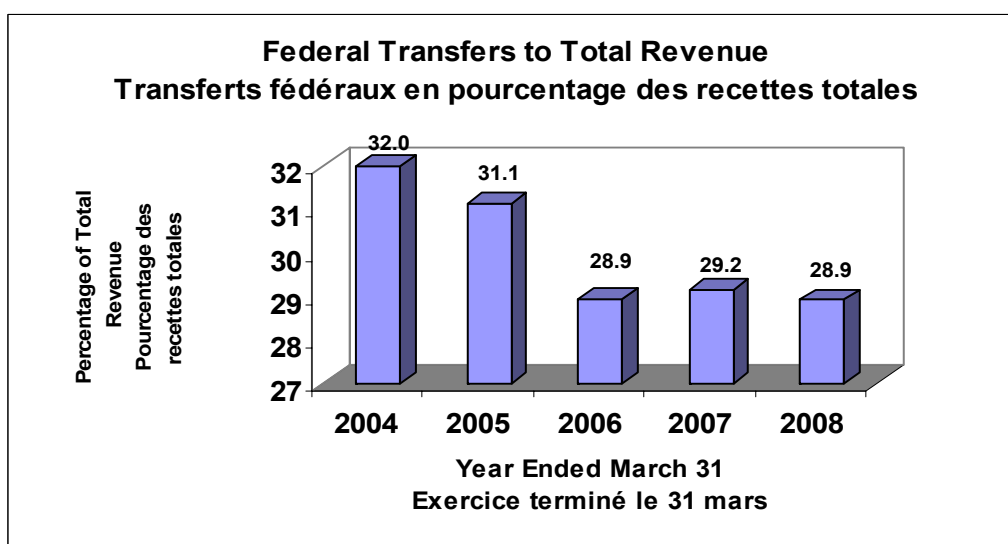
Graph 11

Les transferts fédéraux en pourcentage des recettes totales

Le ratio entre les transferts fédéraux et les recettes totales indique la vulnérabilité des provinces aux variations dans les transferts en provenance du gouvernement fédéral.

Le diagramme 11 montre que de 2003-2004 à 2007-2008 la proportion des transferts fédéraux par rapport aux recettes totales était plutôt stable, ce qui indique que la Province n'a pas accru son degré de dépendance à l'égard du gouvernement fédéral au cours des cinq derniers exercices.

Diagramme 11



Foreign Currency Debt-to-Net Debt

The ratio of foreign currency debt-to-net debt for 2007/08 is zero because the foreign exchange risk is considered to be fully hedged through the use of derivative instruments such as swaps, forward foreign exchange contracts, as well as, future US dollar revenue streams and US dollar sinking funds. In 1999, foreign currency exposure was approximately 19% of the core Government debt. The amount of foreign currency debt outstanding at March 31, 2008 is \$5,890 million (2007 - \$6,286 million), both of which were fully hedged. Decreasing the ratio of foreign currency debt-to-net Government debt through hedging activities mitigates the risk of debt servicing costs rising due to changes in foreign currency rates and improves the Province's financial position.

La dette en devises en pourcentage de la dette nette

Le ratio entre la dette en devises et la dette nette pour 2007-2008 est fixé à zéro, car le risque de change est considéré comme entièrement couvert par l'usage d'instruments dérivés, comme les swaps, les contrats de change à terme, ainsi que par les flux de rentrées de dollars US à venir et les fonds d'amortissement en dollars US. En 1999, le risque de change représentait environ 19 % de la dette générale du gouvernement. Le montant de la dette en devises au 31 mars 2008 était de 5 890 millions de dollars, contre 6 286 millions de dollars en 2007, et le risque était complètement couvert les deux exercices. La diminution du ratio entre la dette en devises et la dette nette du gouvernement grâce aux activités de couverture atténue le risque d'une hausse des frais de service de la dette en raison des variations dans le cours de monnaies et améliore la situation financière de la province.

RISKS AND UNCERTAINTIES

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

- economic factors such as commodity prices, personal income, retail sales, and population growth
- unexpected events such as forest fires, wide-spread flooding or West Nile infection
- outcomes from litigation, arbitration and negotiations with third parties
- changes in Federal transfers
- utilization rates for Government services such as health care, children and family services, or employment assistance
- exposure to interest rate fluctuations, foreign exchange rates and credit risk
- changes in Canadian and International accounting standards
- identification and quantification of environmental liabilities
- adverse or unusual weather patterns that can influence results to those GRE entities whose results are susceptible to these factors
- volatility of results including amounts consolidated from other reporting entities

LES RISQUES ET LES INCERTITUDES

La principale exposition du gouvernement aux risques et aux incertitudes résulte de variables qui ne dépendent pas directement de lui. Ces variables sont entre autres :

- des facteurs économiques, comme le cours des matières premières, le revenu des particuliers, les ventes au détail et l'expansion de la population;
- les situations imprévues, comme les incendies de forêt, les inondations majeures ou les risques liés au virus du Nil occidental;
- les résultats de procès, d'arbitrages ou de négociations avec des tiers;
- les modifications des transferts fédéraux;
- les taux d'utilisation des services du gouvernement, comme les soins de santé, les services à l'enfant et à la famille et l'aide à l'emploi;
- l'exposition aux fluctuations des taux d'intérêt, aux taux de change et au risque de crédit;
- les modifications des principes comptables au Canada et à l'échelle internationale;
- la détermination et la quantification du passif environnemental;
- des régimes climatiques défavorables ou inhabituels susceptibles d'influencer les entreprises publiques dont les résultats sont sensibles à ces facteurs;
- la volatilité des résultats, y compris les résultats consolidés d'autres entités comptables.

**VARIANCE ANALYSIS AND ASSESSMENT OF SIGNIFICANT TRENDS/
ANALYSE DES ÉCARTS ET DES PRINCIPALES TENDANCES**

*Summary Net Income/
Recettes nettes sommaires*

(\$ millions)/ (en millions de dollars)	2007/08 Budget/ Budget de 2007-2008	2007/08 Actual/ Chiffres réels de 2007- 2008	2006/07 Actual/ Chiffres réels de 2006-2007	Variance/Écart	
				2007/08 Actual to Budget/ Chiffres réels et budget de 2007-2008	2007/08 vs. 2006/07/ Chiffres réels de 2007-2008 et de 2006- 2007
Revenue and Expense Items/ Éléments des recettes et des dépenses	\$	\$	\$	\$	\$
Revenue/Recettes					
Income Taxes/Impôts.....	2,438	2,652	2,441	214	211
Other Taxes/Autres taxes.....	3,249	3,288	3,129	39	159
Fees and Other Revenue/Droits et autres recettes.....	1,215	1,619	1,493	404	126
Sinking Funds and Other Earnings/ Fonds d'amortissement et autres revenus.....	534	335	375	(199)	(40)
Total Own-Source Revenue/Total des recettes autonomes.....	7,436	7,894	7,438	458	456
Government Business Enterprises/ Entreprises publiques.....	686	946	627	260	319
Federal Government Transfers/ Transferts fédéraux.....	3,687	3,597	3,320	(90)	277
Total Revenue/ Recettes totales.....	11,809	12,437	11,385	628	1,052
Expenses/Dépenses					
Health/Santé.....	4,091	4,224	3,956	133	268
Education/Éducation.....	3,104	3,218	2,948	114	270
Family Services and Housing/ Services à la famille et Logement.....	1,251	1,224	1,142	(27)	82
Community, Economic and Resource Development/ Développement des communautés, de l'économie et des ressources.....	1,385	1,406	1,280	21	126
Justice and Other Government/ Justice et autres dépenses.....	943	974	829	31	145
Debt Servicing/Service de la dette...	860	815	745	(45)	70
Total expenses/ Dépenses totales.....	11,634	11,861	10,900	227	961
Summary Net Income/Recettes nettes sommaires.....	175	576	485	401	91

The summary net income is the net financial result of the year's operations. The Province ended the year with a net income or surplus of \$576 million, which is \$91 million higher than the previous fiscal year and \$401 million higher than budget. In 2007/08, total revenues were \$12,437 million and total expenses were \$11,861 million. The total revenues were higher than budget by \$628 million or an increase of 5.3%, and total expenses were higher than budget by \$227 million or 2.0%.

Les recettes nettes sommaires sont le résultat financier net des opérations de l'exercice. À la fin de l'exercice, la Province affichait un solde positif ou excédent de 576 millions de dollars, soit 91 millions de dollars plus qu'à la fin de l'exercice financier précédent et 401 millions de dollars de plus que prévu dans le budget. En 2007-2008, les recettes totales ont atteint 12 437 millions de dollars, et les dépenses totales se sont élevées à 11 861 millions de dollars. Les recettes totales sont supérieures de 628 millions de dollars aux prévisions budgétaires, ce qui représente une augmentation de l'ordre de 5,3 %, et les dépenses ont totalisé 227 millions de dollars de plus que celles qui étaient prévues dans le budget, soit une hausse de 2,0 %.

The most significant factors that impacted changes in summary net income to budget were:

- an increase of \$260 million in the net income from GBEs from budget primarily due to significantly better than budgeted results achieved by Manitoba Hydro because of high water conditions,
- increased income taxes of \$214 million primarily resulting from a strong provincial economy,
- increases in fees and other revenue of \$404 million resulting from a re-categorization of revenue previously netted against expenses,
- decreased sinking fund and other investment earnings of \$199 million, resulting partially from a correction in presentation between investment earnings and debt servicing costs, and
- expenses in general are up due to increasing demand on resources.

Les principaux facteurs de l'écart entre les recettes nettes sommaires et les prévisions sont les suivants :

- une hausse de 260 millions de dollars du bénéfice net des entreprises publiques par rapport aux prévisions, essentiellement attribuable aux résultats d'Hydro-Manitoba de beaucoup supérieurs aux résultats prévus, en raison du niveau élevé des eaux;
- une hausse des recettes d'impôts de 214 millions de dollars, étant donné la grande vigueur de l'économie provinciale;
- une hausse de droits et autres recettes de 404 millions de dollars, à la suite d'un reclassement de recettes qui étaient auparavant affectées aux dépenses;
- une réduction du fonds d'amortissement et d'autres revenus de placement de 199 millions de dollars, notamment en raison d'une correction de la présentation des revenus de placement et des frais de service de la dette;
- une hausse des dépenses en général étant donné la demande accrue de ressources.

Additional variance analysis on the changes in revenues and expenses between 2007/08 and 2006/07 is included in later sections of this report.

D'autres analyses des écarts concernant la variation des recettes et des dépenses de 2007-2008 et de 2006-2007 sont présentées plus loin dans le présent rapport.

Revenue

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.

Recettes

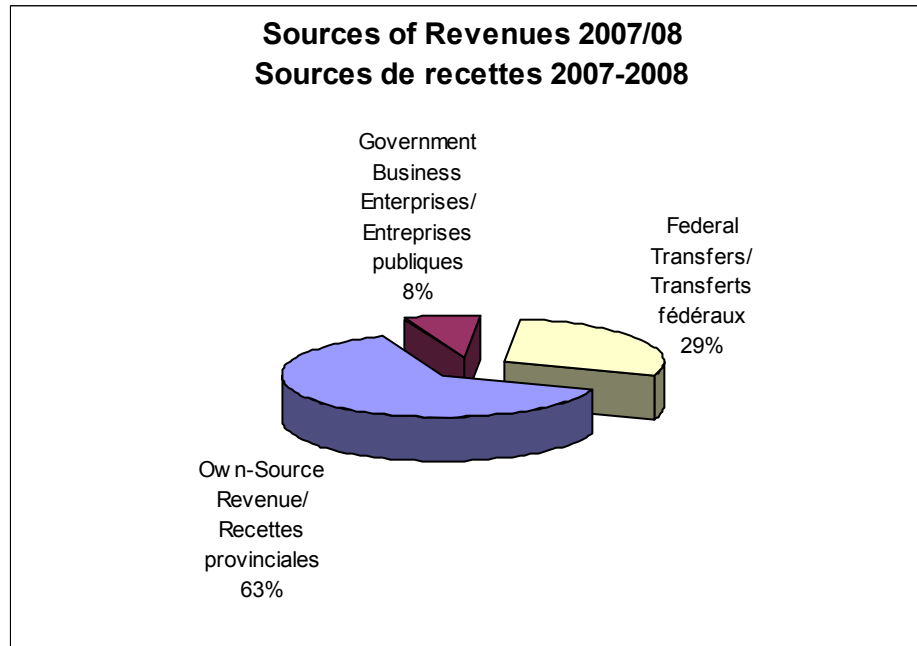
L'analyse de la tendance des recettes renseigne les lecteurs sur les principales variations dans les recettes selon les exercices et les sources, et leur permet d'évaluer la performance passée et les possibles implications dans l'avenir.

(in \$ millions)/
(en millions de dollars)

Revenue Source/ Source de recettes	2007/08 Actual/ Chiffres réels de 2007-2008	2006/07 Actual/ Chiffres réels de 2006-2007	2005/06 Actual/ Chiffres réels de 2005-2006	2004/05 Actual/ Chiffres réels de 2004-2005	2003/04 Actual/ Chiffres réels de 2003-2004
	\$	\$	\$	\$	\$
Income taxes/Impôts.....	2,652	2,441	2,322	2,244	2,009
Retail sales tax/ Taxe sur les ventes au détail.....	1,391	1,277	1,198	1,125	1,064
Education property tax/ Impôts fonciers en matière d'éducation.....	646	643			
Mining and other taxes/ Taxe minière et autres taxes.....	662	650	548	572	502
Levy for health and education/Impôt destiné à l'enseignement et aux services de santé.....	341	318	303	287	268
Fuel taxes/Taxes sur les carburants.....	248	241	236	235	233
Fees and other revenue/Droits et autres recettes.....	1,619	1,493	1,701	1,431	1,285
Sinking fund and other investment earnings/Fonds d'amortissement et autres revenus de placement.....	335	375	356	411	425
Net income from government business enterprises/Recettes nettes des entreprises publiques.....	946	627	958	679	(11)
Federal transfers/ Transferts fédéraux.....	3,597	3,320	3,103	3,156	2,716
Total Revenue/ Recettes totales.....	12,437	11,385	10,725	10,140	8,491

The Government's main revenue sources for 2007/08 are identified in the chart below. Overall, while there were annual variations by revenue source year over year, revenues have been increasing each year.

Les principales sources de recettes du gouvernement pour 2007-2008 figurent dans le diagramme ci-dessous. Dans l'ensemble, bien qu'il y ait des variations annuelles dans les sources des recettes d'un exercice à l'autre, les recettes augmentent d'exercice en exercice.



Total revenue in 2007/08 was \$12,437 million, an increase of 9.2% from 2006/07, as a result of the following:

Les recettes totales en 2007-2008 ont atteint 12 437 millions de dollars, ce qui représente un bond de 9,2 % par rapport à 2006-2007. Ce bond est attribuable aux faits suivants :

- Income taxes were \$211 million (8.6%) higher due to an increase in in-year entitlements resulting from a strong economy.
- Retail sales tax was \$114 million (8.9%) higher due to continued economic growth and strength in the construction sector.
- Fees and other revenue increased by \$126 million (8.4%) due to increased economic activity.
- Sinking fund and other investment earnings declined by \$40 million (10.7%) as a result of a declining sinking fund balance which has been utilized for debt repayment, and also due to weakening market conditions that have an impact on the valuation of pension assets, which are reflected at fair value.
- Le gouvernement a recueilli 211 millions de dollars de plus en impôt ou 8,6 %, en raison d'une hausse des contributions en cours d'année, résultat d'une économie vigoureuse.
- Les taxes de vente au détail ont bondi de 114 millions de dollars ou 8,9 %, grâce à une expansion continue de l'économie et à la vigueur du secteur de la construction.
- Les droits et autres recettes ont grimpé de 126 millions de dollars ou 8,4 %, étant donné l'augmentation de l'activité économique.
- Le fonds d'amortissement et les autres revenus de placement ont reculé de 40 millions de dollars ou 10,7 %, un recul qui s'explique par la diminution du solde du fonds d'amortissement, dont les ressources ont servi au remboursement de la dette, et par le ralentissement de la conjoncture économique, ce qui a une incidence sur la valeur de l'actif des régimes de retraite, un actif comptabilisé à la juste valeur.

- GBE income increased by \$319 million (50.9%) primarily resulting from better than expected water conditions resulting in increased revenue in Manitoba Hydro.
- Les recettes des entreprises publiques ont augmenté de 319 millions de dollars ou 50,9 %, principalement en raison de l'état des eaux plus favorable que prévu, qui a fait bondir les recettes d'Hydro-Manitoba.
- Federal transfers were \$277 million (8.3%) higher. Increases resulted from projected increases in Equalization (\$81 million) and Canada Health Transfers (\$33 million), as well as one time program funding for Eco-Trust, patient wait time guarantee and others.
- Les transferts fédéraux comptaient 277 millions de dollars de plus ou 8,3 %. La hausse s'expliquait par les augmentations prévues du Transfert de péréquation (81 millions de dollars) et du Transfert canadien en matière de santé (33 millions de dollars), ainsi que par les fonds ponctuels alloués à l'Écofiducie, aux garanties de délais d'attente dans le domaine de la santé et à d'autres programmes.

The revenue to GDP ratio was 26.0% up 0.5% from the ratio of 25.5% as at March 31, 2007.

Le ratio entre les recettes et le PIB s'est fixé à 26,0 %, en hausse de 0,5 % par rapport au ratio de 25,5 % établi au 31 mars 2007.

Expenses

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

Dépenses

L'analyse des dépenses aide les lecteurs à comprendre l'incidence des dépenses du gouvernement sur l'économie, la répartition de l'ensemble de ses recettes et l'usage des ressources, ainsi que le coût des programmes du gouvernement.

Expense by Function

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

Dépenses par fonction

Les dépenses par fonction présentent le sommaire des principaux secteurs de dépenses du gouvernement et l'évolution dans les dépenses au fil des ans.

(\$ millions)/
(en millions de dollars)

	2007/08 Actual/ Chiffres réels de 2007-2008	2006/07 Actual/ Chiffres réels de 2006-2007	2005/06 Actual/ Chiffres réels de 2005-2006	2004/05 Actual/ Chiffres réels de 2004- 2005	2003/04 Actual/ Chiffres réels de 2003- 2004
Expense by Function/ Dépenses par fonction					
	\$	\$	\$	\$	\$
Health/Santé.....	4,224	3,956	3,809	3,560	3,408
Education/Éducation.....	3,218	2,948	2,291	2,309	2,168
Family Services and Housing/Services à la famille et Logement.....	1,224	1,142	1,075	1,020	961
Community, Economic and Resource Development/Développement des communautés, de l'économie et des ressources.....	1,406	1,280	1,526	1,169	979
Justice and Other Expenditures/Justice et autres dépenses.....	974	829	820	755	755
Debt servicing/ Service de la dette.....	815	745	810	765	799
Total Expenses by Function/Dépenses totales.....	11,861	10,900	10,331	9,578	9,070

The sources of expenses have remained consistent with the prior year, with the health and education sectors making up 62.7% of total expenses (63.3% in 2006/07).

Les sources des dépenses étaient semblables à celles de l'exercice antérieur. Les secteurs de la santé et de l'éducation ont absorbé 62,7 % des dépenses totales (contre 63,3 % en 2006-2007).

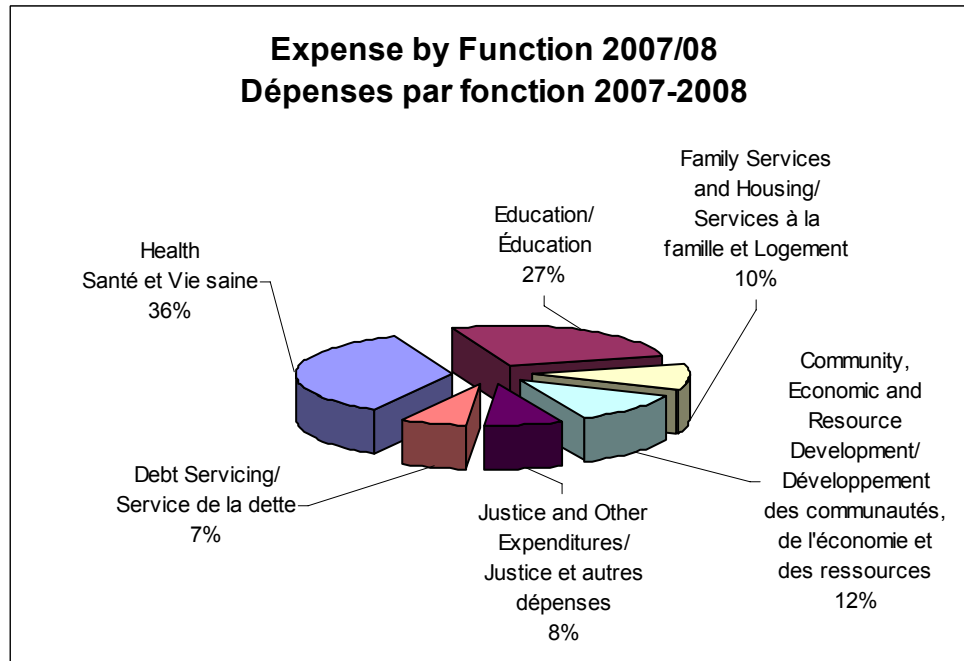
Total expenses in 2007/08 were \$11,861 million, an increase of 8.8% from 2006/07, as a result of the following:

Les dépenses totales en 2007-2008 ont atteint 11 861 millions de dollars, réalisant un bond de 8,8 % par rapport à 2006-2007, et ce, en raison des facteurs suivants :

- Health expenses increased 6.8% resulting from budgeted increases primarily related to base line funding to Regional Health Authorities.
 - Education expenses increased 9.2% due to budget increases and a \$58 million plan amendment to *The Teachers' Pensions Act*.
 - Family Services and Housing increased 7.2% primarily due to increases in child maintenance expenditures.
 - Community, Economic and Resource Development expenses increased 9.8% due to budgeted increase such as infrastructure programs.
 - Justice and Other Expenses increased 17.5% reflecting budgeted increases as well as a one-time capital grant of \$40 million for the Canadian Museum for Human Rights.
- Les dépenses en santé ont progressé de 6,8 %, une croissance due à des hausses prévues essentiellement liées au financement de base accordé aux offices régionaux de la santé.
 - Les dépenses en éducation ont fait un bond de 9,2 % en raison d'une augmentation des budgets et d'une modification à la *Loi sur la pension de retraite des enseignants* équivalant à 58 millions de dollars.
 - Les dépenses dans le secteur des services à la famille et du logement ont augmenté de 7,2 %, principalement en raison de l'accroissement des dépenses pour l'entretien des enfants.
 - Les dépenses pour le développement des communautés, de l'économie et des ressources ont grimpé de 9,8 % en raison d'une hausse prévue du budget des programmes d'infrastructure.
 - Les dépenses dans le secteur de la justice et les autres dépenses ont fait un bond de 17,5 %, compte tenu des hausses prévues au budget et de la subvention en capital unique de 40 millions de dollars pour le Musée canadien des droits de la personne.

The following chart shows the expense components of the Government's operating expenses:

Le diagramme suivant montre les éléments des dépenses de fonctionnement du gouvernement.



The Health, Education, and Family Services and Housing components comprise 73% of the total operating expenses. Total expenses in 2007/08 amounted to \$11,861 million, an increase of 8.8% over the 2006/07 fiscal year. Total expenses consist of program expenses and public debt charges. Program expenses, which represent total expenses less the cost of servicing debt, increased 8.8% from 2006/07. In 2007/08, total expenses to Gross Domestic Product (GDP) amounted to 24.8% (2006/07 - 22.8%) while program expenses to GDP amounted to 23.1% (2006/07 - 21.2%) of GDP.

Les éléments relatifs à la santé, à l'éducation, aux services à la famille et au logement ont représenté 73 % des dépenses totales de fonctionnement. Les dépenses totales en 2007-2008 se sont établies à 11 861 millions de dollars, soit une hausse de 8,8 % par rapport à l'exercice 2006-2007. Les dépenses totales comprennent les dépenses de programmes et les frais de la dette publique. Les dépenses de programmes, soit les dépenses totales moins les frais de service de la dette, ont augmenté de 8,8 % depuis 2006-2007. En 2007-2008, les dépenses totales en pourcentage du produit intérieur brut (PIB) correspondaient à 24,8 % (contre 22,8 % en 2006-2007), et les dépenses de programmes représentaient 23,1 % du PIB (contre 21,2 % en 2006-2007).

The expense ratio (total expenses as a percentage of total revenues) stood at 95.4% in 2007/08. An expense ratio of less than 100 means that revenues have exceeded expenses, resulting in a surplus. In 2003/04, the ratio was 106.8% compared to 94.5% in 2004/05, 96.3% in 2005/06 and 95.7% in 2006/07.

Le ratio des dépenses (dépenses totales en pourcentage des recettes totales) était de 95,4 % en 2007-2008. Un ratio des dépenses inférieur à 100 signifie que les recettes sont supérieures aux dépenses, et qu'on obtient un excédent. En 2003-2004, le ratio était de 106,8 %, contre 94,5 % en 2004-2005, 96,3 % en 2005-2006 et 95,7 % en 2006-2007.

The total of program expenses was higher than the 2007/08 budget by \$272 million, or 2.5%. Health expenses were \$133 million, or 3.3%, higher than budget and education expenses were \$114 million, or 3.7%, higher than budget.

Le total des dépenses de programmes a dépassé le budget de 2007-2008 de 272 millions de dollars, soit 2,5 % de plus que prévu. Les dépenses en santé ont excédé le budget de 133 millions de dollars, soit un dépassement de 3,3 %, et les dépenses en éducation l'ont dépassé de 114 millions de dollars, ce qui représente un dépassement de 3,7 %.

Expense by Type

Dépenses par catégorie

Expense by type provides a summary of the major types of Government spending, and changes in spending over time.

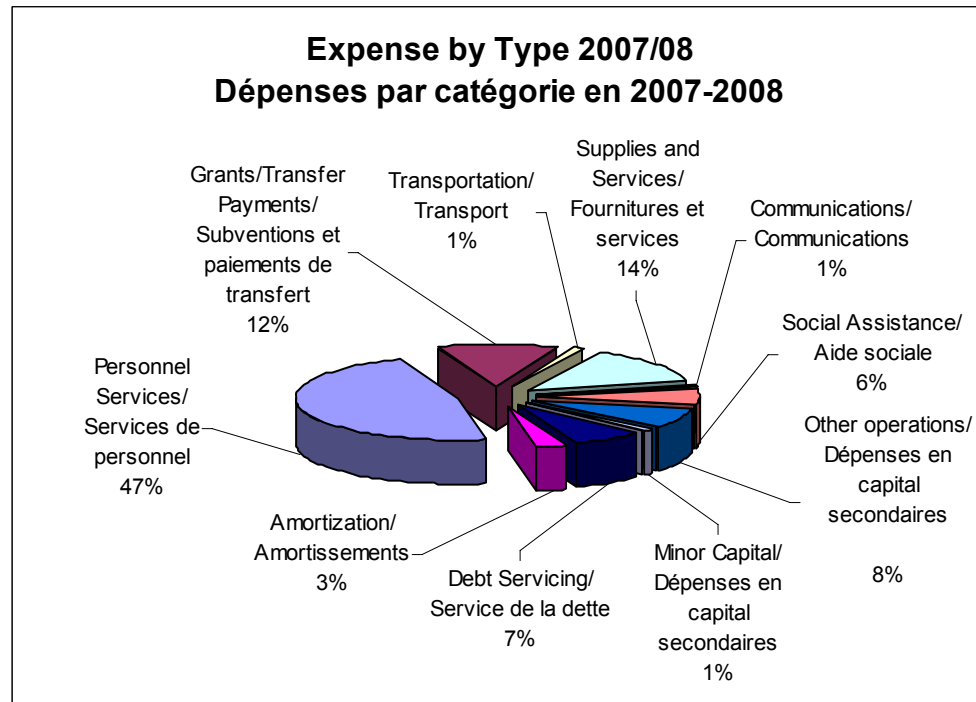
Les dépenses par catégorie présentent le sommaire des catégories principales de dépenses du gouvernement et de l'évolution dans les dépenses au fil des ans.

**(\$ millions)/
(en millions de dollars)**

	2007/08 Actual/ Chiffres réels de 2007- 2008 \$	2006/07 Actual/ Chiffres réels de 2006- 2007 \$	2005/06 Actual/ Chiffres réels de 2005- 2006 \$	2004/05 Actual/ Chiffres réels de 2004- 2005 \$	2003/04 Actual/ Chiffres réels de 2003- 2004 \$
Expense by Type/ Dépenses par catégorie					
Personnel Services/Services de personnel.....	5,621	5,165	3,705	3,546	3,294
Grants/Transfer Payment/ Subventions et paiements de transfert.....	1,427	1,091	2,696	2,499	2,497
Transportation/Transport.....	131	124	101	96	105
Communications/Communications....	74	70	53	55	66
Supplies and Services/Fournitures et services.....	1,628	1,356	1,077	899	858
Social Assistance Related/Dépenses relatives à l'aide sociale.....	796	744	709	680	647
Other Operating/Autres dépenses de fonctionnement.....	920	1,190	853	742	547
Debt servicing/ Service de la dette.....	815	745	810	765	799
Minor Capital/Dépenses en capital secondaires.....	91	73	61	42	14
Amortization/Amortissement des immobilisations.....	358	342	266	254	243
Total Expenses by Type/ Dépenses totales	11,861	10,900	10,331	9,578	9,070

Expense types by percentage are shown in the following chart:

Le diagramme suivant montre les catégories de dépense en pourcentage.



The Government's 2007/08 major expenses were on personnel services at 47% (2006/07 - 47%), supplies and services at 14% (2006/07 - 12%) and on grants/transfer payments of 12% (2006/07 - 10%).

En 2007-2008, les services de personnel ont représenté les principales dépenses du gouvernement, soit 47 % des dépenses (contre 47 % aussi en 2006-2007), les fournitures et services ont représenté 14 % (contre 12 % en 2006-2007) et les subventions et paiements de transfert équivalaient à 12 % des dépenses (contre 10 % en 2006-2007).

Financial Assets

Analysis of financial assets provides users with information regarding the amount of resources available to the Government that can be converted to cash if required to discharge existing liabilities or to finance future operations.

Actifs financiers

L'analyse des actifs financiers renseigne les lecteurs sur le montant de ressources du gouvernement pouvant être converti en liquidités au besoin pour s'acquitter de ses présentes obligations ou financer des activités futures.

(\$ millions)/

(en millions de dollars)

	2007/08 Actual/ Chiffres réels de 2007- 2008	2006/07 Actual/ Chiffres réels de 2006- 2007	2005/06 Actual/ Chiffres réels de 2005- 2006	2004/05 Actual/ Chiffres réels de 2004- 2005	2003/04 Actual/ Chiffres réels de 2003- 2004
Financial Assets/ Actifs financiers	\$	\$	\$	\$	\$
Cash, cash equivalents, short term investments/Espèces, quasi-espèces, placements à court terme.....	1,994	2,458	1,264	1,360	1,011
Temporary investments/Placements temporaires.....	569	246	323	267	207
Accounts receivable and advances/Créances et avances.....	1,170	1,103	878	900	765
Inventories/Stocks.....	10	11	40	36	38
Portfolio investments/Placements de portefeuille.....	3,470	2,504	2,605	2,472	2,406
Loan and advances/ Prêts et avances.....	565	574	585	626	642
Equity in government business enterprises/Valeur des entreprises publiques.....	2,698	1,933	1,740	1,224	949
Other long-term investments/Autres placements à long terme.....	7	7	4	4	7
Total Financial Assets/Total des actifs financiers.....	10,483	8,836	7,439	6,889	6,025

Financial assets increased by \$1,647 million or 18.6% from 2006/07. Cash, cash equivalents and short-term investments decreased by \$464 million or 18.9% from 2006/07 due to cash accumulated and borrowed in the last half of 2006/07 being utilized in 2007/08. Portfolio investments increased by \$966 million or 38.6% from 2006/07 primarily the result of \$1,500 million being transferred into the Pension Assets Fund. Some of these funds came from previously held portfolio investments and the balance from new borrowings. Equity in GBEs represents 25.7% of 2007/08 financial assets; an increase of \$765 million or 39.6% from 2006/07. This increase results from strong earnings achieved in the GBEs and increases in equity due to the accounting for other comprehensive income adjustments recorded by the GBEs as a result of the application of new accounting standards. Portfolio investments earned

Les actifs financiers ont augmenté de 1 647 millions de dollars ou 18,6 % depuis 2006-2007. Les espèces, les quasi-espèces et les placements à court terme ont reculé de 464 millions de dollars ou 18,9 % par rapport à 2006-2007, étant donné l'utilisation en 2007-2008 de sommes accumulées et empruntées au cours du deuxième semestre de 2006-2007. Les placements de portefeuille ont monté de 966 millions de dollars, soit une hausse de 38,6 %, par rapport à 2006-2007, principalement en raison de la somme de 1 500 millions de dollars transférée dans le Fonds d'amortissement des régimes de retraite. Une partie de cette somme provenait d'anciens placements de portefeuille et du solde de nouveaux emprunts. La valeur des entreprises publiques représentait 25,7 % des actifs financiers en 2007-2008, en hausse de 765 millions de dollars ou 39,6 % par rapport à 2006-2007. Cette hausse

\$171 million, (2006/07 - \$268 million). The decrease of \$97 million was due to a reduction in the investment values of assets held in the Pension Asset Fund which are reflected at market value.

résulte des revenus importants réalisés par les entreprises publiques et de l'augmentation de leur valeur en raison de la prise en compte d'ajustements des autres éléments de leur résultat étendu, conformément à l'application des nouvelles normes comptables. Les placements de portefeuille ont rapporté 171 millions de dollars (contre 268 millions de dollars en 2006-2007). La baisse de 97 millions de dollars était attribuable à la réduction de la valeur des actifs placés du Fonds d'amortissement des régimes de retraite, des placements évalués selon leur valeur marchande.

Liabilities

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

Passifs

Une analyse des passifs permet aux lecteurs de comprendre et d'évaluer les pressions qui s'exercent sur les actifs financiers. Les passifs sont les dettes et les obligations à assumer au moyen de liquidités ou d'autres actifs.

(\$ millions)/

(en millions de dollars)

	2007/08 Actual/ Chiffres réels de 2007- 2008	2006/07 Actual/ Chiffres réels de 2006- 2007	2005/06 Actual/ Chiffres réels de 2005- 2006	2004/05 Actual/ Chiffres réels de 2004- 2005	2003/04 Actual/ Chiffres réels de 2003- 2004
Liabilities/ Passifs					
	\$	\$	\$	\$	\$
Borrowings/Emprunts	13,437	12,378	11,645	11,512	11,452
Accounts payable and accrued liabilities/ Créditeurs et charges à payer.....	2,367	2,329	2,021	1,990	1,688
Deferred revenues/ Recettes différées.....	395	384	340	331	346
Pension liability/ Obligation découlant des régimes de retraite.....	4,451	4,190	3,998	3,761	3,571
Other liabilities/Autres obligations....	21	20	20	18	20
Total Liabilities/ Total des passifs	20,671	19,301	18,024	17,612	17,077

The 2007/08 total liabilities increased \$1,370 million or 7.1% from 2006/07. Borrowings have increased \$1,059 million or 8.6% from 2006/07, primarily as the result of borrowing additional funds to transfer an additional \$1,502 million into the Pension Assets Fund. The pension liability balance increased by \$261 million or 6.2% from 2006/07, partially due to a \$58 million plan

Le total des passifs de 2007-2008 s'est accru de 1 370 millions de dollars par rapport à 2006-2007, ce qui représente une croissance de 7,1 %. Les emprunts ont augmenté de 1 059 millions de dollars ou 8,6 %, principalement en raison de l'emprunt de sommes additionnelles pour transférer 1 502 millions de dollars de plus dans le Fonds d'amortissement des régimes de

amendment to the Teachers' Pension Plan. Note 3, page 82 of the 2007/08 summary financial statements discloses that the fair value of investments set aside for the future retirement of the pension liability is \$2,151 million (2006/07 - \$699 million). In addition, for 2007/08, an additional \$91 million in pension assets was being held as cash pending a transfer to the Pension Plans. Restricted inflows, recorded as deferred revenues, increased by \$11 million or 2.9%, and accounts payable and accrued liabilities increased by \$38 million or 1.6% from 2006/07.

retraite. Le solde de l'obligation découlant des régimes de retraite a augmenté de 261 millions de dollars ou 6,2 % par rapport à 2006-2007, notamment à cause d'une modification du Régime de retraite des enseignants correspondant à la somme de 58 millions de dollars. La note 3, à la page 82 des états financiers sommaires de 2007-2008, indique que la juste valeur des placements prévus pour le futur remboursement de l'obligation découlant des régimes de retraite s'élève à 2 151 millions de dollars (contre 699 millions de dollars en 2006-2007). De plus, pour 2007-2008, une somme additionnelle de 91 millions de dollars en actifs destinés aux régimes de retraite a été conservée en espèces en attendant d'être transférée aux régimes. Les rentrées soumises à restrictions, inscrites comme des recettes reportées, ont progressé de 11 millions de dollars ou 2,9 %, et les comptes fournisseurs et les charges à payer ont augmenté de 38 millions de dollars depuis 2006-2007, soit une hausse de 1,6 %.

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 or 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. As at March 31, 2008, net debt was \$10,188 million, \$277 million or 2.6% lower than the prior year.

The Government reduced the accumulated deficit by \$911 million or 17.8% from the prior year and by \$3,175 million or 43.1% over the last five years, as a result of the growing economy, prudent fiscal management, the impact of the inclusion of public school divisions, and the changes in accounting policies affecting the equity in the GBEs.

Dette nette et déficit accumulé

La dette nette est la différence entre les passifs de la Province et ses actifs financiers. Elle représente la somme des passifs à financer à même les recettes et les impôts à venir. Les pertes résultant des activités ainsi que les investissements dans les immobilisations corporelles et les autres biens non financiers s'ajoutent tous à la dette nette. La dette nette diminue en fonction des revenus nets provenant des activités ou des baisses de la valeur des immobilisations corporelles nettes et d'autres actifs non financiers. Au 31 mars 2008, la dette nette s'élevait à 10 188 millions de dollars, soit 277 millions de dollars ou 2,6 % de moins qu'à la fin de l'exercice antérieur.

Le gouvernement a réduit le déficit accumulé de 911 millions de dollars ou 17,8 % par rapport à l'exercice antérieur et de 3 175 millions de dollars ou 43,1 % au cours des cinq derniers exercices, grâce au dynamisme de l'économie, à une gestion financière prudente, à l'incidence de l'inclusion des divisions scolaires et aux modifications des conventions comptables touchant la valeur des entreprises publiques.

(\$ millions)/ (en millions de dollars)	2007/08 Actual/ Chiffres réels de 2007-2008	2006/07 Actual/ Chiffres réels de 2006- 2007	2005/06 Actual/ Chiffres réels de 2005- 2006	2004/05 Actual/ Chiffres réels de 2004-2005	2003/04 Actual/ Chiffres réels de 2003- 2004
Net Debt and Accumulated Deficit/ Dette nette et déficit accumulés					
	\$	\$	\$	\$	\$
Financial assets/ Actifs financiers.....	10,483	8,836	7,439	6,889	6,025
Less: liabilities/ Moins : les passifs.....	(20,671)	(19,301)	(18,024)	(17,612)	(17,077)
Total Net Debt/Dette nette.....	(10,188)	(10,465)	(10,585)	(10,723)	(11,052)
Non-financial assets/Actifs non financiers.....	5,995	5,361	4,192	3,934	3,684
Total Accumulated Deficit/ Total du déficit accumulé.....	(4,193)	(5,104)	(6,393)	(6,789)	(7,368)

Non-financial 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.

Actifs non financiers

Une analyse des actifs non financiers permet aux lecteurs d'apprécier l'évolution des infrastructures et des actifs non financiers à long terme du gouvernement.

(\$ millions)/ (en millions de dollars)	2007/08 Actual/ Chiffres réels de 2007- 2008	2006/07 Actual/ Chiffres réels de 2006- 2007	2005/06 Actual/ Chiffres réels de 2005- 2006	2004/05 Actual/ Chiffres réels de 2004- 2005	2003/04 Actual/ Chiffres réels de 2003-2004
Non-financial Assets/ Actifs non financiers					
	\$	\$	\$	\$	\$
Tangible capital assets/Immobilisations corporelles.....	5,923	5,299	4,170	3,915	3,684
Prepaid expenses/Charges payées d'avance.....	36	31	22	19	-
Inventories/Stocks.....	36	31	-	-	-
Total Non-financial Assets/Total des actifs non financiers.....	5,995	5,361	4,192	3,934	3,684

Non-financial assets typically represent resources that the 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.

Les actifs non financiers, comme les immobilisations corporelles, sont généralement des ressources que le gouvernement peut utiliser dans l'avenir pour fournir des services. La gestion des actifs non financiers a des répercussions directes sur le niveau et la qualité de services qu'un gouvernement est en mesure de fournir à sa population.

At March 31, 2008, non-financial assets were \$624 million or 11.8% higher, than 2006/07. The majority of the Government's non-financial assets represent expenditures for tangible capital assets. New acquisitions of tangible capital assets totaled \$1,022 million for 2007/08, an increase of \$251 million over 2006/07. These capital acquisitions include investments in the post-secondary education, health facilities and transportation sectors.

En date du 31 mars 2008, les actifs non financiers présentaient une hausse de 624 millions de dollars, soit 11,8 %, par rapport à ceux de 2006-2007. La plus grande partie des actifs non financiers du gouvernement provient de dépenses en immobilisations corporelles. Les nouvelles acquisitions d'immobilisations corporelles ont totalisé 1 022 millions de dollars en 2007-2008, soit 251 millions de dollars de plus qu'en 2006-2007. Ces acquisitions d'immobilisations comprennent des investissements dans les secteurs de l'enseignement postsecondaire, dans les établissements de santé et dans les transports.

Tangible Capital Assets

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

Immobilisations corporelles

Une analyse des immobilisations corporelles aide les lecteurs à connaître la capacité du gouvernement de fournir des services au cours de périodes à venir.

(\$ millions)/ (en millions de dollars)	2007/08	2006/07	2005/06	2004/05	2003/04
	Actual/ Chiffres réels de	Actual/ Chiffres réels de	Actual/ Chiffres réels de	Actual/ Chiffres réels de	Actual/ Chiffres réels de
	2007- 2008	2006- 2007	2005- 2006	2004- 2005	2003- 2004
Tangible Capital Assets/ Immobilisations corporelles					
Land/Terrains.....	\$ 191	\$ 154	\$ 79	\$ 74	\$ 71
Building and leasehold improvements/Améliorations des immeubles et améliorations locatives.....	2,682	2,529	1,871	1,711	1,629
Vehicle and equipment/Véhicules et équipement.....	579	525	450	432	393
Computer hardware and software/Matériel informatique et logiciels.....	221	230	214	208	204
Assets under construction/Actifs en chantier.....	430	361	345	304	212
Infrastructure/Infrastructure.....	1,820	1,500	1,211	1,213	1,175
Total Tangible Capital Assets/Total des immobilisations corporelles.....	5,923	5,299	4,170	3,915	3,684

Commencing in 2006/07, the Government's policy is to capitalize the gross cost of its tangible capital assets. Recoveries related to capital projects from outside sources are recognized as revenue in the year a tangible capital asset is purchased. The 2005/06 balances have not been restated on a comparable basis. In accordance with the recommendations of PSAB, the value of Crown land transferred to the Province is not reported as tangible capital assets.

Depuis 2006-2007, la politique du gouvernement consiste à inscrire au bilan le coût brut de ses immobilisations corporelles. Les sommes récupérées liées aux projets d'immobilisations et provenant de sources externes sont inscrites comme des recettes au cours de l'exercice où les immobilisations corporelles sont achetées. Les soldes de 2005-2006 n'ont pas été ajustés sur une base comparable. Conformément aux recommandations du Conseil de la comptabilité dans le

secteur public, la valeur des terres de la Couronne transférées à la Province n'est pas comprise dans les immobilisations corporelles.

The net book value (cost less accumulated amortization) of tangible capital assets is a major asset of the Province, totaling \$5,923 million at the end of 2007/08 (2006/07 - \$5,299 million). The buildings and leasehold improvements asset class includes a large portion of tangible capital assets pertaining to provincially owned schools, health facilities, and public service buildings. Infrastructure assets include roads, water control structures and parks.

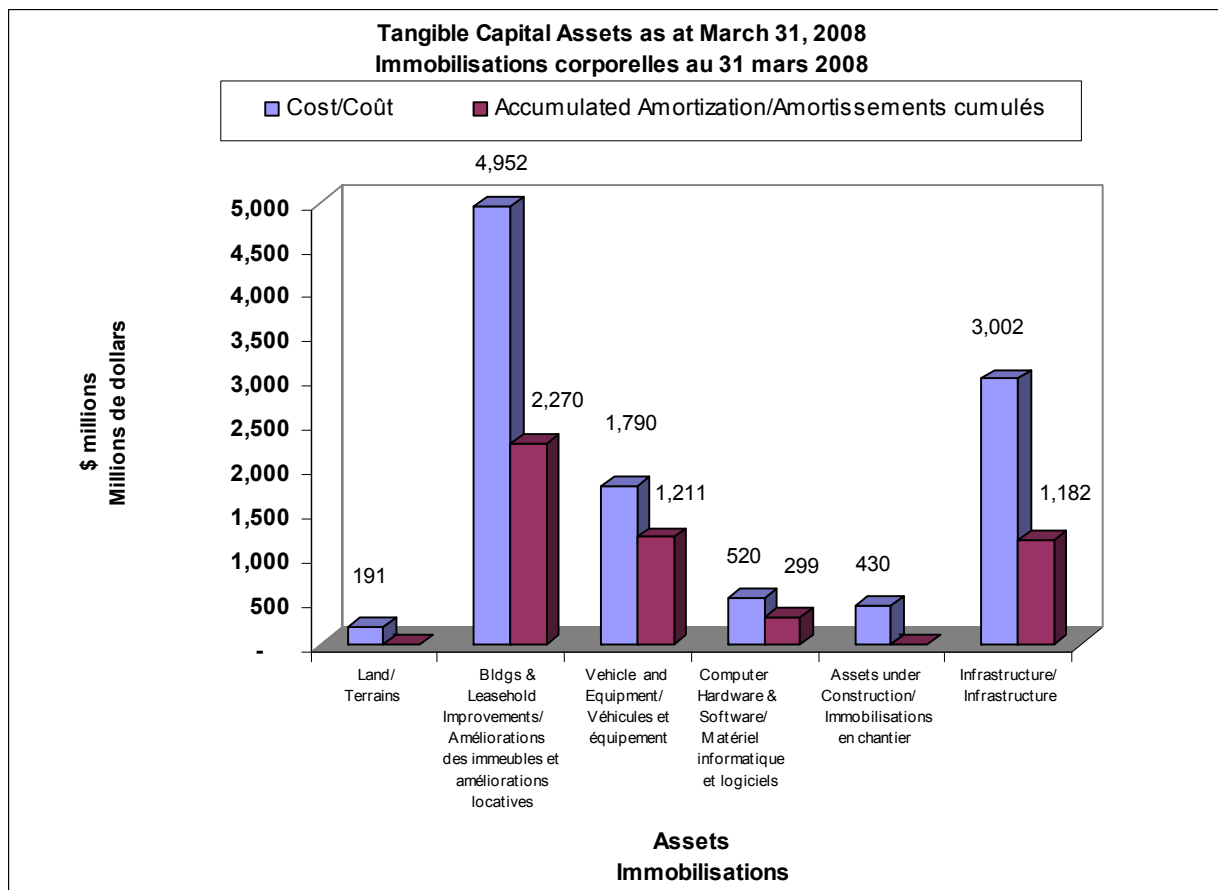
La valeur comptable nette (coût moins les amortissements cumulés) des immobilisations corporelles constitue un des principaux actifs de la Province et représentait 5 923 millions de dollars à la fin de 2007-2008 (5 299 millions de dollars en 2006-2007). La catégorie Améliorations des immeubles et améliorations locatives est formée en grande partie par les immobilisations corporelles des écoles, des établissements de santé et des immeubles de services publics qui appartiennent à la Province. La catégorie Infrastructure comprend les routes, les ouvrages de régularisation des eaux et les parcs.

The investment in tangible capital assets in total has remained reasonably consistent with the prior year. The net annual investment increased by \$624 million in 2007/08 (2006/07 - \$364 million). In 2007/08, the Government invested \$268 million in buildings and leasehold improvements, \$133 million for vehicles and equipment, and \$213 million for infrastructure projects, that includes \$140 million in transportation-related projects such as road grading and surfacing, and \$254 million in assets under construction, such as costs relating to the construction of the Red River Floodway Expansion including bridges and structures.

Dans l'ensemble, l'investissement en immobilisations corporelles est relativement semblable à celui de l'exercice précédent. L'investissement annuel net s'est accru de 624 millions de dollars en 2007-2008 (contre 364 millions de dollars en 2006-2007). En 2007-2008, le gouvernement a investi 268 millions de dollars en améliorations des immeubles et en améliorations locatives, 133 millions de dollars en véhicules et en équipement, 213 millions de dollars en projets d'infrastructure, dont 140 millions de dollars pour des travaux dans le secteur des transports, comme le nivellement et le surfacage des routes, 254 millions de dollars dans des actifs en chantier, notamment dans des éléments liés aux travaux d'agrandissement du canal de dérivation de la rivière Rouge, y compris des ponts et des structures.

The total cost of tangible capital assets has also increased steadily, from \$6,803 million in 2003/04 to \$10,885 million in 2007/08, demonstrating the value of tangible capital assets that are available to provide services in future periods. The following chart of tangible capital assets shows these assets by class and their related accumulated amortization as at March 31, 2008.

Les immobilisations corporelles s'accroissent également de façon constante. Elles sont passées de 6 803 millions en 2003-2004 à 10 885 millions en 2007-2008, ce qui témoigne de la valeur des immobilisations corporelles utiles à la prestation de services aux cours de périodes à venir. Le diagramme suivant présente les immobilisations corporelles par catégorie et leurs amortissements cumulés respectifs au 31 mars 2008.



Total Provincial Borrowings and Obligations

Total des emprunts et des obligations de la province

An analysis of total provincial borrowings and obligations helps users to assess the extent of long-term liabilities and a government's ability to meet future borrowing obligations.

Une analyse des emprunts et des obligations de la province permet aux lecteurs d'évaluer l'ampleur des obligations à long terme du gouvernement et sa capacité d'assumer de futures obligations relatives à des emprunts.

(\$millions/ (en millions de dollars)	2007/08	2006/07	2005/06	2004/05	2003/04
	Actual/ Chiffres réels de 2007- 2008	Actual/ Chiffres réels de 2006- 2007	Actual/ Chiffres réels de 2005- 2006	Actual/ Chiffres réels de 2004- 2005	Actual/ Chiffres réels de 2003- 2004
Borrowings and Obligations/ Emprunts et obligations					
Borrowings, net/Emprunts nets.....	\$ 13,437	\$ 12,378	\$ 11,645	\$ 11,512	\$ 11,452
Less: Sinking Fund assets/Moins : Fonds d'amortissement.....	(1,718)	(2,516)	(2,153)	(2,150)	(2,342)
Third party guarantees and non- guarantee debt/Garanties fournies par un tiers et dette non garantie.....	94	87	83	83	86
Total Provincial Borrowings and Obligations/Total des obligations et des emprunts de la province.....	11,813	9,949	9,575	9,445	9,196

When reporting to rating agencies, the Government adds to its financial statement borrowings all guarantees, and the borrowing and obligations directly incurred by self-supported Crown organizations, reduced by sinking fund assets. This balance is referred to as the total provincial borrowings and obligations.

Total 2007/08 net provincial borrowings are \$1,059 million, or 8.6% higher than 2006/07.

Debt servicing costs reached \$815 million (2006/07 - \$745 million) as at March 31, 2008, an increase of 10.4%. This increase was expected due to increased borrowings of \$1,502 million transferred into the Pension Assets Fund to reduce the unfunded pension liability. As explained on page 91, the gross amount of debt servicing costs reached a level of \$1,267 million, (2006/07 - \$1,264 million) when GBEs' adjustments are included.

Lorsqu'il rend compte aux agences d'évaluation du crédit, le gouvernement ajoute à ses états financiers les emprunts, toutes les garanties, ainsi que les emprunts et les obligations directement contractés par les organisations de la Couronne autonomes, et retranche le fonds d'amortissement. Le solde correspond au total des obligations et des emprunts de la province.

Le total des emprunts nets de la province pour 2007-2008 est de 1 059 millions de dollars, soit 8,6 % de plus qu'en 2006-2007.

Les frais de service de la dette ont atteint 815 millions de dollars au 31 mars 2008, contre 745 millions de dollars en 2006-2007, ce qui représente une hausse de 10 %. Cette hausse était prévue étant donné le nouvel emprunt de 1 502 millions de dollars versé dans le Fonds d'amortissement des régimes de retraite pour réduire l'obligation non capitalisée qui en découle. Comme nous l'avons expliqué à la page 91, le montant brut des frais de service de la dette a atteint 1 267 millions de dollars (contre 1 264 millions de dollars), après les ajustements relatifs aux entreprises publiques.

SUMMARY FINANCIAL STATEMENTS

FOR THE YEAR ENDED

March 31, 2008

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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 condition of the Government reporting entity at the fiscal year end and the results of its operations for the year then ended in accordance with Canadian generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

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. Her report, stating the scope of her 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

Betty-Anne Pratt, CA
Provincial Comptroller

September 17, 2008



AUDITOR'S REPORT
On the Summary Financial Statements for the Government Reporting Entity
Province of Manitoba

To the Legislative Assembly of the Province of Manitoba

I have audited the summary statement of financial position of the Province of Manitoba as at March 31, 2008 and the summary statements of revenue and expense, accumulated deficit, change in net debt and cash flow for the year then ended. These financial statements are the responsibility of the Government of Manitoba. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these Summary Financial Statements for the Government Reporting Entity present fairly, in all material respects, the financial position of the Province of Manitoba as at March 31, 2008 and the results of its operations and its cash flow for the year then ended, in accordance with Canadian generally accepted accounting principles.

Winnipeg, Manitoba
September 17, 2008

Carol Bellringer, FCA, MBA
Auditor General

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at March 31, 2008

		(\$ millions)	
SCHEDULE		2008	2007
	FINANCIAL ASSETS		
	Cash and cash equivalents (Note 2).....	1,994	2,458
	Temporary investments (Note 2).....	569	246
1	Amounts receivable.....	1,170	1,103
	Inventories for resale.....	10	11
	Portfolio investments (Note 3).....	3,470	2,504
2	Loans and advances.....	565	574
3	Equity in government business enterprises (Note 4).....	2,698	1,933
4	Other long-term investments.....	<u>7</u>	<u>7</u>
	Total Financial Assets	<u>10,483</u>	<u>8,836</u>
	LIABILITIES		
5	Borrowings.....	13,437	12,378
6	Accounts payable, accrued charges, provisions and unearned revenue.....	2,783	2,733
7	Pension liability (Note 5).....	<u>4,451</u>	<u>4,190</u>
	Total Liabilities	<u>20,671</u>	<u>19,301</u>
	NET DEBT	<u>(10,188)</u>	<u>(10,465)</u>
	NON-FINANCIAL ASSETS (Note 1D.vi)		
	Inventories.....	36	31
	Prepaid expense.....	36	31
8	Tangible capital assets.....	<u>5,923</u>	<u>5,299</u>
		<u>5,995</u>	<u>5,361</u>
	ACCUMULATED DEFICIT	<u>(4,193)</u>	<u>(5,104)</u>
	Contingencies (Note 6)		
	Contractual Obligations (Note 7)		

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, 2008

	(\$ millions)		
	2008 Budget	2008 Actual	2007 Actual
REVENUE			
Income taxes:			
Corporation income tax.....	279	367	311
Individual income tax.....	2,159	2,285	2,130
Other taxes			
Retail sales tax.....	1,326	1,391	1,277
Fuel taxes.....	232	248	241
Levy for health and education.....	329	341	318
Mining tax.....	107	100	96
Education property tax.....	697	646	643
Other taxes.....	558	562	554
Fees and other revenue.....	1,215	1,619	1,493
Federal transfers:			
Equalization.....	1,826	1,826	1,709
Canada Health and Canada Social Transfers.....	1,341	1,210	1,198
Shared cost and other.....	520	561	413
Net income from government business enterprises (Schedule 3).....	686	946	627
Sinking funds and other investment earnings.....	534	335	375
TOTAL REVENUE (Schedules 10 and 11).....	11,809	12,437	11,385
EXPENSES			
Health and Healthy Living.....	4,091	4,224	3,956
Education	3,104	3,218	2,948
Family Services and Housing.....	1,251	1,224	1,142
Community, Economic and Resource Development.....	1,385	1,406	1,280
Justice and Other Expenditures.....	943	974	829
Debt Servicing (Note 8).....	860	815	745
TOTAL EXPENSES (Schedules 10 and 11).....	11,634	11,861	10,900
NET INCOME FOR THE YEAR	175	576	485

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

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF ACCUMULATED DEFICIT
For the Year Ended March 31, 2008

	(\$ millions)		
	2008 Budget	2008 Actual	2007 Actual
Opening accumulated deficit, as previously reported.....	(5,842)	(5,842)	(6,328)
Restatements (Note 9)			
Inclusion of Public School Divisions.....	-	753	708
Plan Amendment to Teachers' Retirement Allowances Fund.....	-	(31)	(31)
Correction on presentation of unearned revenue.....	-	58	47
Recognition of income tax credits.....	-	(34)	(34)
Other.....	-	(8)	(7)
Opening accumulated deficit, as restated.....	(5,842)	(5,104)	(5,645)
Adoption of Accounting policy on Financial Instruments (Note 9D).....	-	(23)	-
Other Comprehensive Income (Schedule 3).....	68	358	56
Net Income for the year.....	<u>175</u>	<u>576</u>	<u>485</u>
Closing accumulated deficit, as restated.....	<u>(5,599)</u>	<u>(4,193)</u>	<u>(5,104)</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, 2008

	(\$ millions)		
	2008 Budget	2008 Actual	2007 Actual
Net Income for the year	175	576	485
Tangible Capital Assets			
Acquisition of tangible capital assets.....	(663)	(1,022)	(771)
Amortization of tangible capital assets.....	-	358	342
Disposal of tangible capital assets.....	-	40	6
Net Acquisition of Tangible Capital Assets.....	<u>(663)</u>	<u>(624)</u>	<u>(423)</u>
Other Non-Financial Assets			
Increase in inventory held for use.....	-	(5)	1
Increase in prepaid expense.....	-	(5)	(5)
Net Acquisition of Other non-Financial Assets	<u>-</u>	<u>(10)</u>	<u>(4)</u>
Adoption of Accounting policy on Financial Instruments (Note 9D).....	-	(23)	-
Other Comprehensive Income (Schedule 3).....	<u>68</u>	<u>358</u>	<u>56</u>
(Increase) Decrease in Net Debt	(420)	277	114
Net Debt, beginning of year, as restated.....	<u>(10,403)</u>	<u>(10,465)</u>	<u>(10,579)</u>
Net Debt, end of year	<u><u>(10,823)</u></u>	<u><u>(10,188)</u></u>	<u><u>(10,465)</u></u>

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, 2008

	(\$ millions)	
	2008	2007
Cash and cash equivalents provided by (used in)		
Operating Activities		
Net Income for the year.....	576	485
Changes in non-cash items:		
Temporary investments.....	(323)	98
Amounts receivable.....	(61)	(55)
Valuation allowance.....	(2)	(2)
Inventories.....	(4)	-
Prepays.....	(5)	(5)
Accounts payable, accrued charges, provisions and deferrals.....	50	204
Pension liability.....	261	192
Amortization of foreign currency fluctuation.....	6	6
Amortization of debt discount.....	(6)	6
Amortization of investment discounts and premiums.....	2	1
Loss (gain) on disposal of tangible capital assets.....	40	6
Amortization of tangible capital assets.....	358	342
	<u>892</u>	<u>1,278</u>
Adoption of Accounting policy on Financial Instruments.....	(23)	-
Other Comprehensive Income.....	358	56
Changes in equity in government business enterprises.....	(765)	(193)
Cash provided by operating activities	<u>462</u>	<u>1,141</u>
Capital Activities		
Acquisition of tangible capital assets.....	(1,022)	(771)
Cash used in capital activities	<u>(1,022)</u>	<u>(771)</u>
Investing Activities		
Investments purchased.....	(2,346)	(1,171)
Investments sold or matured.....	602	1,650
Cash provided by investing activities	<u>(1,744)</u>	<u>479</u>
Financing Activities		
Debt issued.....	3,661	2,641
Debt redeemed.....	(1,821)	(2,290)
Cash provided by financing activities	<u>1,840</u>	<u>351</u>
Increase in cash and cash equivalents	(464)	1,200
Cash and cash equivalents, beginning of year.....	<u>2,458</u>	<u>1,258</u>
Cash and cash equivalents, end of year.....	<u>1,994</u>	<u>2,458</u>

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, 2008**

1. SIGNIFICANT ACCOUNTING POLICIES

A. General Basis of Accounting

The summary financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for senior governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA).

B. The Government Reporting Entity

Various funds, Crown organizations (Crowns) and government business enterprises (GBEs) comprising the Government Reporting Entity (GRE) are listed in Schedule 9.

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

C. Basis of Consolidation

Crowns are consolidated after adjusting their accounting policies to a basis consistent with the accounting policies of the GRE. Inter-entity accounts and transactions are eliminated upon consolidation, except for retail sales tax and the levy for health and education. Where the fiscal year-end dates of Crowns 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 earnings/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.

D. Basis of Specific Accounting Policies

(i) Gross Accounting Concept

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

- (1) Refunds of revenue are treated as reductions of current year revenue.
- (2) Decreases in valuation allowances previously provided are treated as reductions to expense.
- (3) Recoveries of the debt servicing costs on self-sustaining debt of GBEs are recorded as a reduction of debt servicing expense.

(ii) Revenues

(1) Government transfers

Transfer payments from the Government of Canada include all accruals determined before June 15 each year 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.

(2) Individual and corporation income tax

The Government's share of individual and corporation income tax is recorded based upon cash receipts to March 31 plus an accrual of adjustments determined before June 15 each year.

(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 during which the transaction is authorized and any eligibility criteria are met and that can be reasonably estimated.

(iv) Financial Assets

(1) Loans, advances and long-term investments

Loans, advances and long-term investments 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 or when the value of the investment is impaired. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized monthly to debt servicing expense over the term of the related debt issue.

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 year end investment translation adjustments reflecting the foreign currency fluctuation between year ends are amortized monthly over the remaining life of the investment and 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 foreign currency are translated at the exchange rate in effect on the transaction date.

(2) Inventories for resale

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

(v) **Liabilities**

(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 converted at the exchange rate in effect at March 31 adjusted for any forward foreign exchange contract entered 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.

The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account and 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 conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call and these gains and losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.

(2) Pension liability

The amount of the accrued benefit obligation is based on actuarial calculations. When actual experience varies from actuarial estimates, the adjustments needed are amortized over the expected average remaining service life of the employee groups.

(3) Other future employee benefit obligations

The amount of the liabilities for severance, Long Term Disability Income Plan liability 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 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.

(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. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries.

(5) Environmental liabilities

Effective for the 2005/06 fiscal year, the Government adopted an accounting policy regarding the recognition and measurement of environmental liabilities. An environmental liability for contaminated sites is recorded when contamination is identified, and when the Government is obligated, or likely to become obligated, to incur remediation costs due to reasons of public health and safety, contractual arrangements, or compliance with environmental standards which are set out in any act or regulation (federal, provincial, municipal) recognized by the Government. The liability is based upon remediation costs determined on a site-by-site basis, measured as incremental direct costs, reduced by estimated recoveries from third parties, and discounted where possible to reflect the time value of money.

For past liabilities arising from contaminations or obligating events on or before March 31, 2005, there is a transition period (April 1, 2006 to March 31, 2009) to identify and record such liabilities. These liabilities will be recorded as an increase to the accumulated deficit until March 31, 2009. Subsequent to that, any past liability not previously recorded or sufficiently provided for will be

recorded as an expense.

For liabilities arising from contaminations or obligating events after March 31, 2005, the amounts are recorded as an expense when identified.

(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 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 sale 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.

(3) Prepaid expenses

Prepaid expenses are payments for goods or services which 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, as well as 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 cost associated with the development and construction of tangible capital assets is included for projects whose cost exceeds \$20 million.

A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as deferred revenue which is amortized to revenue on the same basis as the asset is amortized.

Where the acquisition cost of a tangible capital asset is shared with other governments under a shared cost agreement, such contributions are recorded as revenue.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

Intangible assets and items inherited by right of the Crown, such as Crown lands, forests, water and other mineral resources are not recognized in Government financial statements.

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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	5 years
Aircraft and vessels	5 to 24 years
Machinery, equipment and furniture	3 to 20 years
Maintenance and road construction equipment	15 years
Computer hardware, software licences	4 to 15 years

Infrastructure Assets:

Land	Indefinite
Land Improvements	30 years
Transportation	
Bridges and Structures	40 years
Provincial Highways, Roads and Airstrips	10 to 40 years
Dams and Water Management Structures	40 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.

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 possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate income taxes, Canada Health Transfer and Canada Social Transfer entitlements, accruals for pension obligations, accruals for environmental obligations, allowances for doubtful loans 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 Federal Government 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. The 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. The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Government's responsibility to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful loans and advances is based upon actual collectibility and changes in economic conditions.

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future conditions in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

2. CASH, CASH EQUIVALENTS AND TEMPORARY INVESTMENTS

	(\$ millions)	
	2008	2007
Cash and cash equivalents	1,428	1,660
Uninvested portion of sinking funds held in cash and cash equivalents	475	798
Uninvested portion of pension assets held in cash and cash equivalents	91	-
	1,994	2,458
Temporary investments	569	246

Cash and cash equivalents include cash and short term investments that can be converted to cash. Cash and cash equivalents are recorded at cost, which approximates market value. All cash equivalents have terms to maturity of less than 90 days. Investment revenue earned on cash equivalents during the year was \$76 million (2007 - \$69 million).

Temporary investments are recorded at the lower of cost and market value. Market value is determined using quoted market prices. Temporary investments consist of investments with financial institutions, primarily Government bonds. All of the securities had terms to maturity of less than one year. Investment revenue earned on the temporary investment funds during the year was \$20 million (2007 - \$17 million).

3. PORTFOLIO INVESTMENTS

	(\$ millions)	
	2008	2007
Pension assets	2,151	699
Sinking funds	1,243	1,718
Other investments	76	87
	3,470	2,504

Portfolio investments are recorded at the lower of cost and net realizable value with the exception of amounts invested with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund, which are recognized at fair value. As at March 31, 2008, the market value of portfolio investments was \$3,534 million (2007 - \$2,537 million). Portfolio investments earned \$171 million during the year (2007 - \$268 million).

A. Pension Assets

Pension assets are primarily represented by investments in the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. These pooled investments are set aside for the future retirement of the pension liability. These investments earn the respective Fund's annual rate of return and reflect both the realized gains or losses on sale of investments and unrealized market gain or loss for the year. Investment income earned for the year was \$3 million (2007 - \$67 million). The following represent the Government's proportionate share of the pooled investments:

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	(\$ millions)	
	2008	2007
Equity investments	1,070	364
Bonds	546	90
Real Estate investments	248	73
Mortgages and debentures	154	31
Fixed-Income Securities	118	127
Petroleum and natural gas	13	12
Venture capital	2	2
Pension assets held in portfolio investments	2,151	699

An additional \$91 million (2007 – nil) in pension assets was held in cash and cash equivalents pending transfer to the Pension Plans.

B. 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:

	(\$ millions)			
	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
Government of Canada, direct and guaranteed	276	282	511	514
Provincial, direct and guaranteed	563	599	770	782
Municipal	200	213	217	229
Corporate	204	213	220	226
	1,243	1,307	1,718	1,751

Sinking funds are recorded at the lower of cost and market value. Investment revenue earned on the sinking funds during the year was \$166 million (2007 - \$196 million).

The Manitoba Hydro-Electric Board (Hydro) is required by *The Manitoba Hydro Act* to provide, prior to its fiscal year end in each year, amounts for sinking funds which are not less than the sum of (i) 1% of the principal amount of Hydro's outstanding debt on the preceding March 31 and, (ii) 4% of the balance of cash and book value of securities in the sinking fund at such date. Interest earned on money and securities in the sinking fund is paid to Hydro (Schedule 3).

The sinking funds are allocated as follows:

	(\$ millions)	
	2008	2007
Core Government	1,706	2,504
Crown Organizations	12	12
Total sinking funds	1,718	2,516
Less: Uninvested portion of sinking funds held in cash and cash equivalents	(475)	(798)
Total sinking funds held in portfolio investments	1,243	1,718

4. EQUITY IN GOVERNMENT BUSINESS ENTERPRISES

The GBEs that are included in the summary financial statements are listed in Schedule 9 and are classified as follows:

Category	Definition
Utility	An enterprise which provides public utility services for a fee.
Insurance	An enterprise which provides insurance coverage services to the public for a fee.
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.
Resource Development	Enterprises charged with the development of various industries and/or the delivery of various goods and services which will assist the provincial economy.

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)	
	2008	2007
Restricted Equity in Government Business Enterprises:		
Manitoba Hydro-Electric Board	2,127	1,407
Manitoba Public Insurance Corporation	298	264
Workers Compensation Board	258	247
	2,683	1,918
Unrestricted Equity in Government Business Enterprises:		
Manitoba Lotteries Corporation	5	5
Manitoba Product Stewardship Corporation	2	2
Manitoba Public Insurance Corporation	8	8
	15	15
Equity in Government Business Enterprises	2,698	1,933

The operating results and financial position of each GBE category are reported in Schedule 3.

5. PENSION PLANS

The Government supports various separate pension plans. The three main plans are the Civil Service Plan, Teachers' Plan and Healthcare Employees Pension Plan. Post-Secondary plans include the University of Manitoba Pension Plans, the University of Winnipeg Pension Plan and the Brandon University Retirement Plan. Public School 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 and Retirement Plan for Employees of Frontier School Division. Other plans 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.

As at March 31, 2008, the Government's pension liability was \$4,451 million (2007 - \$4,190 million). An analysis of this pension liability is provided in Schedule 7.

The Government is required, under the amended provisions of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, to set aside funds beginning in 2000/01, to address the Government's unfunded pension liability. The minimum annual contribution must be sufficient to equal the contributions made by employees and teachers hired on or after April 1, 2000. While the minimum contribution for the year ended March 31, 2008 was \$31 million (2007 - \$26 million), the Government set aside \$85 million (2007 - \$85 million) in pension assets. To further increase the funding of the pension liability, the Government also allocated \$1,502 million to pension assets during the year.

The majority of these funds is separately invested and maintained in trust accounts with Civil Service Superannuation Fund (CSSF) and Teachers' Retirement Allowances Fund (TRAF) for the Government and is increased by the rate of return of the funds. Portfolio investments held in CSSF and TRAF amount to \$2,151 million at March 31, 2008 (2007 - \$699 million) as reported under Note 3A, and these investments are not included in Schedule 7. The balance of the pension assets of \$91 million (2007 - nil) is held in cash and cash equivalents pending transfer to CSSF and TRAF. These pension assets represent funds that the Government has set aside for the future retirement of its pension liability. As at March 31, 2008, these pension assets represent 50% (2007-17%) of the pension liability.

A. Civil Service 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% 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 that employees contribute 6.0% of pensionable earnings up to the CPP maximum earnings, and 7.0% of pensionable earnings above the maximum. 89.8% of contributions are used to fund basic benefits and 10.2% of contributions are allocated for indexing benefits.

Indexing benefits are not guaranteed and are paid only to the extent that the indexing adjustment account in CSSF can finance one-half of 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.

B. Teachers' 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% of a member's average salary of the best 5 of the final 12 years of service (best 7 prior to July 1, 1980) multiplied by pensionable 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% of the average annual salary used above.

The TPA requires that teachers contribute 6.8% of pensionable earnings up to the CPP maximum earnings, and 8.4% of pensionable earnings above the maximum. 83.4% of contributions are used to fund basic benefits and 16.6% of contributions are allocated for indexing benefits.

Indexing benefits are not guaranteed and are paid only to the extent that one half of the pension adjustment does not result in an unfunded pension liability in the Pension Adjustment Account within the Teachers' Retirement Allowances Fund (TRAF).

C. Healthcare Employees Pension Plan - Manitoba

The Healthcare Employees Pension Plan - Manitoba (HEPP) was established in 1997 to meet the retirement needs of Manitoba's healthcare employees and their beneficiaries. Benefits accrued from January 1, 1997

are administered in accordance with the HEPP Plan Text and governing agreements. Benefits accrued up to and including December 31, 1996 are administered in accordance with previous plans. HEPP is governed by an independent, 12 member Board of Trustees representing both union and employer participants. The Trustees are responsible for the custody of the plan's assets and issuance of annual financial statements, which do not form part of the Province's Summary Financial Statements.

HEPP is a defined benefit pension plan. The lifetime pension calculation is based on an amount equal to 1.5% of a member's highest average earnings up to the Canada Pension Plan Yearly Maximum Pensionable Earnings (YMPE) and 2.0% of a member's highest average earnings over the YMPE, multiplied by a member's years of contributory service. The highest average earnings are determined by averaging the best five years of annualized pensionable earnings in the past eleven years prior to termination, retirement or death.

Ad hoc cost of living adjustments (COLAs) to pension benefits are reviewed every year. COLAs were not granted for the year ended December 31, 2007.

D. Education Pension Plans

(a) Post-Secondary

(i) University of Manitoba Pension Plan

The University of Manitoba administers the University of Manitoba Pension Plan (1970), 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, which do not form part of the Province's Summary Financial Statements.

The University of Manitoba Pension Plan (1970) and University of Manitoba Pension Plan (1993) are both money purchase plans with a defined benefit minimum. The funding for the plans requires a matching contribution from the University and the employees. The surplus from the plans, and the matching contribution, is adequate to fund the plans and the current level of funding satisfies the requirements of *The Manitoba Pensions Benefit Act*. The plans are not indexed.

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 and do not form part of the Province's Summary Financial Statements.

The University of Winnipeg Pension Plan (UWPP) was established as a contributory defined benefit pension plan at 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.

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 Plan

The 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, which do not form part of the Province's Summary Financial Statements.

The Brandon University Retirement Plan is a final average contributory defined benefit pension plan established 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. The surplus from the plan and the matching contribution is adequate to fund the plan and the current level of funding satisfies the requirements of *The Manitoba Pensions Benefit Act*.

(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 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 6.5% of pensionable salary and 7.8% of the earnings in excess of pensionable salary up to the YMPE, effective January 1, 2008. The percentages will change to 7.0% and 8.2% respectively, effective January 1, 2009. The Winnipeg School Division matches employee contributions and pays an additional 27.4% of employee contributions less the amount needed to finance the Disability Income Plan benefits (approximately 10%). As a result, employer contributions equal approximately 117.4% of employee contributions.

(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 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 twelve years of service.

Employee contributions equal 5.7% of CPP earnings and 7.3% 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 best average earnings are based upon a member's five years of highest earnings in the last ten years worked.

Employee contributions equal 6.0% 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.

E. Other 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% 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 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% 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.

(ii) Legislative Assembly Pension Plan

The Members' Retirement Benefits Regulation of *The Legislative Assembly Act* established a defined benefit plan, effective April 1, 2004 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% 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.

(iii) Judges' Supplemental Pension Plan

The supplemental pension benefit for judges was determined to be 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 5A.

The supplemental pension is generally based upon an accrual rate of 3% 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 Judges' Supplemental Pension and Civil Service Superannuation Pension is subject to a maximum of 70% of earnings.

(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 (WCFSP) applies to employees of the former Winnipeg Child and Family Services Agency who transferred to the Department of Family Services and Housing.

The lifetime pension calculation equals 2% of the member's highest average pensionable earnings in any three non-overlapping periods of 12 consecutive months, less 0.6% of the average CPP earnings for the same period multiplied by years of pensionable service.

Members are required to contribute 4.5% of pensionable earnings up to the CPP maximum and 6% on pensionable earnings over the maximum.

F. Government Business Enterprises

Manitoba Hydro-Electric Board, Manitoba Liquor Control Commission, Manitoba Public Insurance Corporation and Manitoba Lotteries Corporation are members of the CSSF. The pension assets and liabilities for these GBEs are disclosed in Schedule 3.

6. CONTINGENCIES

A. Contingent Liabilities

i) Legal Actions

The Government has been named in various legal actions. No provision has been made at March 31, 2008 in the accounts where the final results are uncertain.

ii) Northern Development Projects

The Government is contingently liable for legal claims associated with past Manitoba Hydro-Electric Board (Hydro) related northern development projects. The outcome of these claims is not determinable at this time.

Hydro is party to an agreement dated December 16, 1977, with Canada, the Province of Manitoba and the Northern Flood Committee Inc., representing the five First Nations in the communities of Cross Lake, Nelson House, Norway House, Split Lake and York Landing. This agreement, in part, provides for compensation and remedial measures necessary to ameliorate the impacts of the Churchill River diversion and the Lake Winnipeg Regulation projects. Comprehensive settlements have been reached with all communities except Cross Lake.

In recognition of all anticipated payments, Hydro has recorded a total liability of \$127 million (2007 - \$132 million). Reassessments of these liabilities will be made as settlements are achieved. There are other mitigation issues, the outcomes of which are not determinable at this time.

iii) Canadian Blood Services

The majority of provincial and territorial governments of Canada, including Manitoba, are members of, and provide funding to, Canadian Blood Services, which operates the Canadian blood system. The March 31, 2007 audited financial statements of Canadian Blood Services indicate that a wholly owned subsidiary, CBS Insurance Company Limited, provides for the contingent liabilities for risks related to operations of the blood system. The actuarially determined provisions for future insurance claims, reported and unreported, related to insured events that occurred prior to March 31, 2007 is \$200 million (2006 - \$198 million). The related assets as at March 31, 2007 total \$251 million (2006 - \$239 million). The subsidiary also had a re-insurance contract for additional coverage of \$750 million.

Based upon the above, the Government's share of the provision for future claims as at March 31, 2007 is offset with designated assets, which at that point exceed the provision. In addition, there is re-insurance to cover an additional \$750 million in claims of insured events occurring on or before March 31, 2007. March 31, 2008 figures are not available for comparison. The Government is not aware of any proceedings that could lead to a claim against it given the existing arrangement in place.

iv) Treaty Land Entitlement Obligations

To meet the Government's obligation under treaty land entitlement agreements, approximately 414,015

acres of provincial Crown lands have been transferred to the Federal Government for First Nations. The Government's obligations under the Treaty Land Entitlement Framework Agreement require the setting aside of 1,088,176 acres of Crown lands. To date, 947,233 acres have been selected by the Entitlement First Nations. The Crown lands will be transferred according to the Natural Resources Transfer Agreement, and the transfer will include mines and minerals and other interests normally reserved for the Government under *The Crown Land Act* or any other statute.

v) Disaster Financial Assistance

The Government pays for flood and other disaster-related expenses and subsequently recovers a certain amount of the expenses based on cost-shared agreements with the Federal Government. The amounts recoverable are uncertain at the date the summary financial statements were issued. A recovery provision of \$39 million (2007- \$65 million) has been set up based on past claims recovery experience.

vi) Environmental Issues

The Manitoba Hydro-Electric Board will incur future costs associated with the assessment and remediation of contaminated lands and for the phase-out and destruction of polychlorinated biphenyl contaminated mineral oil from electrical equipment. A reasonable estimate of the associated costs cannot be made at this time.

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:

	Authorized Limit	(\$ millions)	
		2008	2007
Canada Mortgage and Housing Corporation Mortgages	1	-	-
Manitoba Business Start Program	5	2	1
Manitoba Agricultural Services Corporation (Note 6B.a)	-	68	66
Manitoba Student Aid Program (Note 6B.b)	20	5	5
Manitoba Housing and Renewal Corporation (Note 6B.c)	-	6	5
Rural Entrepreneur Assistance Program (Note 6B.d)	16	7	4
Rural Municipality of Richot	1	1	1
		89	82
Manitoba Grow Bonds	-	5	5
Total guarantees outstanding		94	87

A provision for future losses on guarantees in the amount of \$21 million (2007 - \$20 million) has been recorded in the accounts. The provisions for losses on guaranteed loans are determined by a review of individual guarantees. The provision represents the best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees.

Manitoba HydroBonds Guarantees

The Government guarantees Manitoba HydroBonds. Outstanding bonds as at March 31, 2008 totalled \$345 million (2007 - \$670 million). The bonds carry fixed and variable coupon rates that range from 4.15% to 5.5%. Manitoba HydroBonds are redeemable at the option of the holder.

Note 6B.a) Manitoba Agricultural Services Corporation

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

Program	General Terms and Conditions
Guaranteed Operating Loan Program	Each participating lending institution is guaranteed 25% of the respective value of loans made under this program.
Manitoba Cattle Feeder Associations Loan Guarantees	Each association is guaranteed 25% of the loan to a maximum guarantee of \$1 million.
Diversification Loan Guarantee Program	Each participating lender is guaranteed 25% of the loan made for the diversification or farm value-added activities, to a maximum individual guaranteed loan allowable of \$3 million.
Enhanced Diversification Loan Guarantee Program	Eliminated lender pooling of guarantees and the maximum of \$3 million for qualifying loans.

Note 6B.b) Manitoba Student Aid Program

The Government guarantees three types of student loans issued in the past thirteen years as follows:

Loan type	Nature of loan
Guaranteed loans	Issued by the Canadian Imperial Bank of Commerce (CIBC) from April 1, 1993 to December 31, 1994. These loans are fully guaranteed if the loan is deemed to be in default.
Limited risk loans	Issued by the CIBC from January 2, 1995 to December 31, 1997 and issued by the Royal Bank from June 2, 1997 to July 31, 2000. The Government only guarantees those loans in default that have been issued to credit abusers, insolvent creditors and minors.
Non-risk loans	Issued by the Royal Bank from August 1, 2000 to July 31, 2001. The Government has agreed to guarantee and purchase any loan deemed to be in default.

Note 6B.c) Manitoba Housing and Renewal Corporation

The Government has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts.

Note 6B.d) Rural Entrepreneur Assistance Program

The Government provides guarantees on new and expanding small or home business loans, with a five-year term.

7. CONTRACTUAL OBLIGATIONS

The Government has entered into a number of contracts and agreements for the delivery of services and acquisition or construction of assets. The following represents the amounts required to satisfy the contractual obligations as at March 31:

PROVINCE OF MANITOBA
PUBLIC ACCOUNTS 2007/08

	(\$ millions)			2007
	2008		Total	
	Government Business Enterprises	* Others		
Operating obligations:				
Total rental of tangible capital assets	69	236	305	256
Approved loans, grants and maintenance of desktop equipment	-	69	69	87
	69	305	374	343
Capital obligations:				
Tangible capital assets and infrastructure:				
- long-term financing arrangements	204	232	436	479
- approved contracts in capital budget	-	88	88	76
- Red River Floodway expansion	-	332	332	324
	204	652	856	879
Approved mortgages	-	15	15	17
	204	667	871	896
Total	273	972	1,245	1,239

* Government departments, Crowns and Special Funds

The Government has undertaken to expand the Red River Floodway. Through the Manitoba Floodway Authority, the Government is a party to a funding agreement with the Government of Canada for a \$665 million expansion project and has agreed to provide \$333 million towards the project.

The Manitoba Hydro-Electric Board (Hydro) made a commitment towards the construction of an office building in downtown Winnipeg. Construction on this building is underway.

Purchase of Winnipeg Hydro

Hydro purchased the net assets of Winnipeg Hydro from the City of Winnipeg in 2002. Winnipeg Hydro was an electric utility with 94,000 customers and annual revenues of \$125 million. The purchase consideration principally consisted of annual payments by Hydro to the City of Winnipeg of \$25 million in years 2002 to 2006, \$20 million per annum in years 2007 to 2010, and \$16 million per annum in year 2011 and each year thereafter. The net assets and related financing obligations are reflected in Hydro's financial statements.

8. DEBT SERVICING

Debt servicing costs of \$815 million (2007 - \$745 million) are net of interest recoveries from GBEs of \$476 million (2007 - \$478 million) and include \$118 million (2007 - \$108 million) representing interest expense of Crown organizations. GBEs debt servicing costs of \$452 million (2007 - \$519 million) are reported in Schedule 3.

9. ADJUSTMENTS TO ACCUMULATED DEFICIT

In the March 31, 2008 fiscal year, restatements to the March 31, 2007 accumulated deficit and net income for the year were made in compliance with our accounting policies or for the correction of errors.

A. Inclusion of Public School Divisions in the GRE

Adjustments were made to the opening accumulated deficit for the March 31, 2007 fiscal year to account for the inclusion of the Public School Divisions in the GRE in accordance with changes to public sector accounting standards. The inclusion has resulted in a \$708 million decrease in the accumulated deficit and a \$45 million increase in net income in 2007.

B. Plan amendment to *The Teachers' Pensions Act*

An adjustment was made to reflect a 2005 plan amendment to *The Teachers' Pensions Act* resulting in a \$31 million increase in the pension liability and a corresponding increase in the 2007 opening accumulated deficit.

C. Correction on presentation of unearned revenue

An adjustment was made to correct the recognition of certain revenues treated as unearned revenue resulting in a \$47 million reduction in unearned revenue and a corresponding decrease in the 2007 opening accumulated deficit as well as an increase of \$11 million in net income in 2007.

D. Adoption of accounting policy on Financial Instruments

Adjustments were made to the 2008 accumulated deficit to reflect a revaluation of Manitoba Public Insurance Corporation's insurance liabilities as a result of the adoption of new accounting standards (\$23 million increase). Consistent with the adoption of these accounting standards, this adjustment was not applied retroactively.

E. Recognition of income tax credits

During the year, the Government corrected an accounting error related to an unrecognized liability for provincial income tax credits. This correction resulted in an increase in liabilities in the amount of \$34 million and a corresponding increase in the 2007 opening accumulated deficit.

F. Other

During the year, the Government corrected an accounting error related to the capitalization of certain tangible capital assets that should have been recorded as an expense when acquired. This error had resulted in an overstatement of tangible capital assets in the amount of \$7 million and a corresponding understatement of expense in prior years (\$7 million increase in the 2007 opening accumulated deficit). An adjustment was made to reflect a correction in opening equity upon the consolidation of the three Winnipeg based community hospitals with the Winnipeg Regional Health Authority (\$7 million increase). An adjustment was made to correct the presentation of investments held for incurred but not reported insurance claims (\$3 million increase). These investments had previously not been reflected in the summary financial statements, resulting in an understatement of portfolio investments and an overstatement of expense in prior years. An adjustment was made to reflect the capitalization of certain assets that were charged to expense resulting in an understatement of tangible capital assets and an overstatement of expense in prior years (\$9 million decrease).

The net effect of these adjustments is a \$7 million increase in the 2007 opening accumulated deficit and a reduction of \$1 million in net income in 2007.

10. AMOUNTS DUE TO THE GOVERNMENT OF CANADA

The March 31, 2003 financial statements disclosed that the net impact of the federal settlement related to the Federal accounting error for the period of 1997 to 1999 was a \$91 million loan payable owing to the Government over a ten-year period commencing in 2004/05. As at March 31, 2008, this loan payable has been reduced to \$55 million (2007 - \$64 million).

To offset negative adjustments to the 2004 Equalization payments, the Government of Canada provided to the Government a loan payable of \$38 million repayable over a ten-year period commencing in April 2006. As at March 31, 2008 this loan payable had been reduced to \$30 million (2007 - \$34 million). Similarly, to offset negative adjustments to the 2004 Canada Health and Social Transfer (CHST) entitlements, the Government of Canada provided to the Government a loan payable of \$9 million repayable over a ten-year period commencing in April 2006. As at March 31, 2008 this loan payable had been reduced to \$7 million (2007 - \$8 million). These loans are non-interest bearing.

Through the Manitoba Opportunities Fund Ltd., the Government holds and invests deposits made through the Federal Department of Citizenship and Immigration, Canada's Immigrant Investor Program. As at March 31, 2008, the Government has loans payable of \$156 million (2007 - \$97 million) to be repaid to the Government of Canada five years after receipt. The Government is charged an administrative fee for each loan.

11. AMOUNTS HELD IN TRUST

Amounts held in trust are assets over which the Legislature has no power of appropriation. The 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, 2008, amounts held in trust were as follows:

	(\$ millions)	
	2008	2007
Fiduciary Trusts	661	453
Custodial Trusts	186	108
Trust Funds for Administration	1	33
	848	594

Fiduciary Trusts

The Government holds certain interest bearing deposits as fiduciary trusts. These deposits are pooled with the Government's investments in order to earn a market rate of interest.

Custodial Trusts

The Government held custodial trust funds in the form of bonds and other securities as well as title to tangible capital assets.

Trust Funds for Administration

The Federal Government, through agreements with the Government, has agreed to transfer public transit funds and Federal gas tax revenues for the purpose of making a transformative difference in the sustainability and future prosperity of cities and communities in Manitoba. The Government administers these funds on behalf of the Federal Government and in accordance with the agreements. These funds are held in trust for administration.

12. 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. A variety of strategies are used, including the use of derivative financial instruments (derivatives).

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Government uses derivatives to hedge and to 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 US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of \$67 million (2007 - \$73 million). 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 current policy has hedged the foreign currency debt principal and interest payments through the use of derivatives in relation to general purpose debt.

Manitoba Hydro-Electric Board (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 and thermal fuel purchases. As a means to bridge temporary timing differences between inflows and outflows to future years' U.S. dollar requirements, Hydro utilizes derivative foreign exchange forward contracts.

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, the structure of the debt as at March 31, 2008 was 90% at fixed rates and 10% at floating rates (2007 – 90% at fixed rates and 10% at floating rates). A one percent (100 basis points) movement in interest rates for an entire year would increase/decrease debt servicing costs by \$11.0 million (2007 - \$12.5 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, 2008, the Government has a gross credit risk exposure of \$142 million (2007 - \$85 million) and a net liability of \$654 million (2007 - \$577 million) to counterparties.

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.

Derivative portfolio

The table below presents a maturity schedule of the Government's derivatives, by type, outstanding at March 31, 2008, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivatives	Derivative Portfolio Notional Value As at March 31, 2008				Contract Notional Amount (\$ millions)	
	Maturity in Fiscal Year				2008	2007
	2009	Next 2 – 5 Years	Next 6 – 10 Years	Over 10 Years		
Interest rate swaps	829	6,129	7,685	8,025	22,668	20,662
Cross currency swaps *	806	1,476	1,969	2,379	6,630	7,187
Forward foreign exchange contracts	105	-	208	-	313	339
	1,740	7,605	9,862	10,404	29,611	28,188

*Note: Includes any interest rate component of the cross currency swap.

13. 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:

A. Accounts Receivable

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

B. Borrowings

Borrowings include \$406 million (2007 - \$380 million) owed to Manitoba Public Insurance Corporation (MPIC) relating to the capital financing of school board and health care facilities, and \$nil (2007 - \$45 million) owed to Manitoba Liquor Control Commission. Borrowings also include debt in the amount of \$321 million (2007 - \$270 million) and \$109 million (2007 - \$83 million) owed to MPIC and Manitoba Hydro-Electric Board respectively, related to the financing of other government programs.

These borrowings are repayable over a term from 2009 to 2038 at varying interest rates ranging from 4.30% to 12.25%.

C. Water Power Rentals

Water power rental fees charged to the Manitoba Hydro-Electric Board (Hydro), in the amount of \$117 million (2007 - \$106 million), are included in the Statement of Revenue and Expense under the Manitoba Collections 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 Hydro's hydroelectric generating stations.

D. Fees and Government Guarantees

The Manitoba Hydro-Electric Board (Hydro) remitted \$73 million (2007 - \$71 million) to the Government based on the Hydro debt that is guaranteed by the Government. The fees are included in the Statement of Revenue and Expense under the sinking funds and other earnings category.

E. Driver Licensing Operations

The Government, by agreement, paid \$21 million (2007 - \$21 million) to Manitoba Public Insurance Corporation (MPIC) for the management and administration of driver licensing. MPIC, on behalf of the Government, collected driver licensing fees totalling \$22 million (2007 - \$17 million) and motor vehicle registration fees totalling \$103 million (2007 - \$100 million).

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

F. Other Revenue

Under *The Workplace Safety and Health Act of Manitoba*, the Workers Compensation Board supports the administrative expenses incurred by the Government's Department of Labour and Immigration for the Workplace Safety and Health program and the Worker Advisor Office. The amount for the year ended March 31, 2008 was \$8 million (2007 - \$7 million).

The Manitoba Lotteries Corporation provided \$3 million in funding for the year ended March 31, 2008 (2007-\$3 million) to the Addictions Foundation of Manitoba for problem gambling services programs.

Manitoba Hydro-Electric Board paid Corporation Capital Tax of \$41 million for the year ended March 31, 2008 (2007 - \$39 million).

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

14. COMPARATIVE FIGURES

Certain of the 2007 financial statement figures have been reclassified to be consistent with the 2008 presentation.

SCHEDULE 1

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF AMOUNTS RECEIVABLE
As at March 31, 2008

	(\$ millions)	
	2008	2007
TAXATION REVENUE:		
Corporation capital tax.....	6	5
Corporation income tax.....	53	51
Gasoline tax.....	14	13
Levy for health and education.....	30	31
Individual income tax.....	144	133
Insurance corporations tax.....	16	15
Motive fuel tax.....	11	9
Oil and natural gas tax.....	1	1
Retail sales tax.....	135	126
Tax administration and miscellaneous taxes.....	9	8
Tobacco tax.....	17	15
	<u>436</u>	<u>407</u>
GOVERNMENT OF CANADA AND OTHER GOVERNMENTS:		
Canada health and Canada social transfers.....	12	10
Municipal corporations.....	189	185
Government of Canada shared cost programs/agreements.....	182	151
Other.....	36	36
	<u>419</u>	<u>382</u>
INTEREST:		
Province of Manitoba sinking fund.....	17	23
Other investments.....	8	11
	<u>25</u>	<u>34</u>
OTHER:		
Health and social services.....	140	145
Manitoba Hydro-Electric Board.....	10	8
Manitoba Liquor Control Commission.....	41	25
Manitoba Lotteries Corporation.....	2	11
Manitoba Public Insurance Corporation.....	9	6
Sundry departmental revenue.....	74	69
Other.....	93	101
	<u>369</u>	<u>365</u>
	1,249	1,188
Less: Allowances.....	<u>79</u>	<u>85</u>
	<u>1,170</u>	<u>1,103</u>

SCHEDULE 2

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF LOANS AND ADVANCES
As at March 31, 2008

	(\$ millions)	
	2008	2007
GOVERNMENT BUSINESS ENTERPRISES:		
Manitoba Hydro-Electric Board.....	7,142	6,640
Manitoba Lotteries Corporation.....	<u>180</u>	<u>197</u>
	7,322	6,837
Less: Debt incurred for and repayable by the Manitoba-Hydro Electric Board and Manitoba Lotteries Corporation.....	<u>7,322</u>	<u>6,837</u>
	<u>-</u>	<u>-</u>
OTHER:		
Loans and Mortgages - Note a.....	583	591
Hudson Bay Mining and Smelting Co. Ltd - Note b.....	7	12
Manitoba Potash Corporation - Note c.....	4	4
Manitoba student loans - Note d.....	35	33
Regional family services agencies - Note e.....	19	16
Rural economic development initiatives program - Note f.....	3	3
Other.....	<u>1</u>	<u>1</u>
	652	660
Less: Valuation allowance.....	<u>87</u>	<u>86</u>
NET LOANS AND ADVANCES	<u><u>565</u></u>	<u><u>574</u></u>

The Government business enterprises loans and advances portfolio is due in varying annual amounts to the year 2028, bearing interest rates from 4.875% to 12.25%

Note a

Agricultural direct lending and special assistance program mortgages, due in varying annual amounts to the year 2033, bearing interest rates ranging from 2.25% to 14.5%.	318	330
Housing direct lending and special assistance program mortgages, due in varying annual amounts to the year 2035, bearing interest rates ranging from 0.0% to 14.25%.	153	159
Business development assistance loans, due in varying annual amounts to the year 2022, bearing interest rates ranging from nil to 9.0%.	86	76
Northern business development and fishing industry assistance loans, due in varying annual amounts to the year 2018, bearing interest rates ranging from 4.125% to 5.5%.	<u>26</u>	<u>26</u>
	<u>583</u>	<u>591</u>

Note b - environmental improvement loan, due in varying amounts to the year 2009, bearing no interest and guaranteed with an irrevocable letter of credit.

Note c - advances, repayable on the Corporation generating revenue or the sale of the Province's interest, bearing interest at prime less .75%.

Note d - student loans, payment and interest free until 6 to 12 months past the completion of studies, due 114 to 174 months after that time, carrying interest at prime plus 2.5%.

Note e - advances to provide family services agencies with interim funding to meet daily operating expenses related to providing services, to be repaid when no longer required, bearing no interest.

Note f - Community Works Program loans, repayable at the end of the 5 to 10 year term, bearing no interest.

GOVERNMENT BUSINESS ENTERPRISES **SCHEDULE 3**
SCHEDULE OF CONSOLIDATED OPERATING RESULTS AND FINANCIAL POSITION
For the Year Ended March 31, 2008
(\$ millions)

CHANGES IN EQUITY	UTILITY	INSURANCE	FINANCE	RESOURCE DEVELOPMENT	TOTAL 2008	TOTAL 2007
Results from Operations						
Revenues from operations	2,250	1,317	1,318	1	4,886	4,611
Expenses: From operations	1,464	1,232	791	1	3,488	3,465
Debt servicing	440	-	12	-	452	519
Total expenses	1,904	1,232	803	1	3,940	3,984
Net income	346	85	515	-	946	627
Transfers to the Government	-	-	(516)	-	(516)	(490)
	346	85	(1)	-	430	137
Other Comprehensive Income	374	(16)	-	-	358	56
Adjustments to Opening Equity	720	69	(1)	-	788	193
Adoption of Financial Instruments accounting standards, Note 9	-	(23)	-	-	(23)	-
Net increase in equity in government business enterprises	720	46	(1)	-	765	193
FINANCIAL POSITION						
Assets:						
Cash and temporary investments	133	134	40	-	307	102
Amounts receivable	475	292	40	1	808	756
Portfolio investments - Due from Government organizations	109	727	45	-	881	785
Due from others	591	2,349	-	-	2,940	2,817
Capital assets	8,612	44	196	-	8,852	8,320
Pension assets	781	-	-	-	781	800
Other assets	766	142	46	-	954	831
Total assets	11,467	3,688	367	1	15,523	14,411
Liabilities:						
Accounts payable, accrued liabilities and deferred revenue	1,056	623	125	-	1,804	2,009
Long-term debt: Owing to the Government organizations	7,141	-	181	1	7,323	6,838
Owing to others	429	-	-	-	429	588
Provision for future benefits: Pension obligations	714	156	52	-	922	849
Future cost of existing claims	-	2,344	3	-	2,347	2,194
Total liabilities	9,340	3,123	361	1	12,825	12,478
Equity in government business enterprises	2,127	565	6	-	2,698	1,933

For government business enterprises whose fiscal year end is prior to March 31, the amounts reflected are as at their fiscal year end.

SCHEDULE 4

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OTHER LONG-TERM INVESTMENTS
As at March 31, 2008

	(\$ millions)	
	2008	2007
OTHER INVESTMENTS, AT COST		
Common shares -		
Manitoba Potash Corporation - 490,000 shares.....	5	5
Preferred shares -		
3863620 Canada Limited - 11,000,000 shares.....	11	11
Special shares -		
Crocus Investment Fund - 2,000,000 shares.....	2	2
Debentures -		
Leaf Rapids Town Properties Ltd.....	2	2
Preferred shares -		
Rancher's Choice - 1 share.....	5	5
Other -		
Limited partnership investments.....	17	14
	<u>42</u>	<u>39</u>
Less: Valuation allowance.....	35	32
	<u>7</u>	<u>7</u>

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF BORROWINGS

SCHEDULE 5

As at March 31, 2008

(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan	Loans and Mortgages	Promissory Notes and Treasury Bills	Totals	
	Cdn	US	Cdn	Cdn	Cdn	2008	2007
2008.....	-	-	-	-	-	-	1,941
2009.....	1,909	253	106	-	850	3,118	2,319
2010.....	967	408	115	-	-	1,490	1,376
2011.....	1,106	463	103	-	-	1,672	1,300
2012.....	1,236	-	104	-	-	1,340	1,340
2013.....	208	-	154	-	-	362	246
2008-2013.....	<u>5,426</u>	<u>1,124</u>	<u>582</u>	<u>-</u>	<u>850</u>	<u>7,982</u>	<u>8,522</u>
2014-2018.....	5,096	862	-	-	-	5,958	5,527
2019-2028.....	2,542	720	15	250	-	3,527	3,090
2029-2047.....	4,066	-	-	-	-	4,066	2,913
2009-2016 Government of Canada (Note 10).....	-	-	-	248	-	248	203
2009-2028 Government Business Enterprises (Note 13B).....	416	-	-	-	-	416	431
2009-2043 Crown Organizations.....	-	-	-	258	-	258	232
2014-2047.....	<u>12,120</u>	<u>1,582</u>	<u>15</u>	<u>756</u>	<u>-</u>	<u>14,473</u>	<u>12,396</u>
Total borrowings.....	<u>17,546</u>	<u>2,706</u>	<u>597</u>	<u>756</u>	<u>850</u>	<u>22,455</u>	<u>20,918</u>
Reduced by:							
Debt incurred for and repayable by The Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....						(7,322)	(6,837)
Unamortized debt issue costs.....						(1)	(4)
Unamortized Foreign Currency Fluctuation.....						(67)	(73)
Province of Manitoba debt issues held as investments in sinking funds and cash and cash equivalents.....						<u>(1,628)</u>	<u>(1,626)</u>
						<u>13,437</u>	<u>12,378</u>

	March 31/08 Cdn \$ Valuation (See Notes)	March 31/07 Cdn \$ Valuation (See Notes)
Borrowings payable in:		
Canadian dollars	16,565	14,632
Foreign issues hedged to Canadian dollars	3,184	3,482
U.S. dollars	2,162	2,194
Foreign issues hedged to U.S. dollars	544	610
Total borrowings	<u>22,455</u>	<u>20,918</u>

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 three categories:

- i) Fixed with rates ranging from 3.25% to 11.33%.
- ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 4.10% and the highest set at 7.64% as at March 31, 2008.
- iii) Floating U.S. - U.S. Dollar London Interbank Offering Rate (LIBOR) setting, established quarterly, with the lowest rate currently set at 5.29% and the highest set at 5.48% as at March 31, 2008.

SCHEDULE 6

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

As at March 31, 2008

	(\$ millions)	
	2008	2007
Accounts payable.....	<u>914</u>	<u>953</u>
Accrued charges:		
Interest accrued on borrowings and trust funds.....	276	255
Canadian Agricultural Income Stabilization.....	84	82
Compensation for Victims of Crime.....	21	20
Disaster assistance.....	3	6
Flood claims.....	16	18
Hepatitis C assistance.....	5	5
Infrastructure works program.....	15	14
Land acquisition claims.....	2	2
Long term disability income plan.....	25	22
Manfor Ltd. divestiture.....	1	1
Environmental liabilities.....	158	165
Salaries and benefits.....	362	313
Severance pay.....	289	291
Tripartite Land Assembly Program.....	3	3
Workers Compensation Board claims.....	15	13
Other.....	<u>178</u>	<u>166</u>
	<u>1,453</u>	<u>1,376</u>
Provision for future losses on guarantees (Note 6).....	<u>21</u>	<u>20</u>
Unearned Revenue		
Deferred contributions related to future expense.....	7	7
Government of Canada - Advances re: shared-cost programs not yet claimed.....	88	93
Research and Special Funds.....	119	102
Prepaid settlement of interest.....	72	75
Tuition and education fees.....	32	38
Vehicle registration.....	45	44
Other.....	<u>32</u>	<u>25</u>
	<u>395</u>	<u>384</u>
	<u>2,783</u>	<u>2,733</u>

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PENSION LIABILITY
As at March 31, 2008

	Civil Service Plan	Teachers' Plan	Post- Secondary Education Plans (Note A)	Public School Division Plans (Note A)	Healthcare Employees Pension Plan	Other Plans (Note A)	(\$ millions)	
							Total 2008	Total 2007
ACCRUED BENEFIT OBLIGATION								
Obligation at beginning of year as previously reported.....	3,765	4,761	1,094	303	3,064	88	13,075	12,205
Restatement (Note 9).....	-	31	-	-	-	-	31	31
Obligation at beginning of year as restated.....	3,765	4,792	1,094	303	3,064	88	13,106	12,236
Current service costs.....	143	143	40	14	198	9	547	558
Interest cost on benefit obligation.....	249	304	102	19	201	5	880	791
Change in actuarial (gains) losses and reserves....	(8)	86	8	-	32	-	118	149
Plan amendment (Note B).....	-	58	-	-	-	-	58	-
Benefits paid.....	(174)	(260)	(89)	(14)	(134)	(8)	(679)	(628)
Obligation at end of year.....	3,975	5,123	1,155	322	3,361	94	14,030	13,106
PLAN ASSETS								
Plan assets at beginning of year.....	2,140	2,746	1,274	327	3,395	32	9,914	8,840
Return on plan assets.....	81	134	27	27	135	1	405	1,147
Employer contributions.....	85	130	21	7	93	6	342	318
Employee contributions.....	59	66	17	6	92	4	244	236
Benefits paid.....	(174)	(260)	(90)	(14)	(134)	(8)	(680)	(627)
Plan assets at end of year.....	2,191	2,816	1,249	353	3,581	35	10,225	9,914
PENSION LIABILITY								
Plan deficit (surplus).....	1,784	2,307	(94)	(31)	(220)	59	3,805	3,192
Unamortized actuarial (gains) losses.....	77	(150)	22	1	33	2	(15)	173
Surplus adjustments (Note C).....	38	333	72	30	187	1	661	825
Pension Liability.....	1,899	2,490	-	-	-	62	4,451	4,190
PENSION EXPENSE								
Defined benefit pension plan expense								
Current service cost.....	62	66	40	14	198	9	389	361
Interest cost on benefit obligation.....	126	159	102	19	201	5	612	540
Actuarial (gains) losses.....	-	-	8	-	32	-	40	68
Return on plan assets.....	-	-	(27)	(27)	(135)	(1)	(190)	(535)
Employee contributions.....	-	-	(17)	(6)	(92)	-	(115)	(106)
Amortization of actuarial (gains) losses.....	(5)	9	1	-	-	(1)	4	31
Plan amendment (Note B).....	-	58	-	-	-	-	58	-
Change in surplus adjustments.....	-	-	(86)	7	(111)	-	(190)	152
Defined benefit pension plan expense.....	183	292	21	7	93	12	608	511

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 and Retirement Plan for Employees of Frontier School Division.

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: As a result of the plan amendment the methodology of crediting investment income to the Pension Adjustment Account (PAA) was changed. This change is expected to increase the investment income credited to the PAA and the post-retirement indexing.

Note C: The Government does not recognize pension plan surpluses because of its inability to access these funds; therefore, adjustments are made to reduce these surplus amounts to \$nil. These pension surpluses represent the excess of the plan assets funded by employees over the employees' share of the accrued benefit obligation.

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PENSION LIABILITY
As at March 31, 2008

SCHEDULE 7
(cont'd)

	Civil Service Plan	Teachers' Plan	Post- Secondary Education Plans	Public School Division Plans	Healthcare Employees Pension Plan	Other Plans	(\$ millions)	
							Total 2008	Total 2007
MEMBER DATA								
Defined benefit pension plan								
Number of active and deferred members.....	29,700	20,900	6,300	3,600	46,500	347	107,347	106,248
Number of pensioners.....	14,600	11,100	1,500	1,300	11,400	311	40,211	38,304
Total number of plan members.....	44,300	32,000	7,800	4,900	57,900	658	147,558	144,552
ACTUARIAL ASSUMPTIONS								
Discount rate on accrued benefits.....	6.50%	6.25%/6.50%	5.75 - 6.50%	6.0 - 6.5%	6.50%	5.00 & 6.00%		
Expected long-term rate of return.....	6.50%	6.25%/6.50%	5.75 - 6.50%	6.0 - 6.5%	6.50%	5.00 & 6.00%		
Inflation.....	2.50%	2.50%	2.00 - 2.50%	2.0 - 3.0%	3.00%	2.00 & 2.75%		
Real rate of return.....	4.00%	3.75%/4.00%	3.25 - 4.00%	3.5 - 4.0%	3.50%	3.25 & 4.00%		
Rate of salary increase.....	3.25%	3.00%	4.00 - 4.50%	4.0 - 4.5%	4.50%	3.00 & 3.50%		
Latest valuation.....	Dec 2004	Jan 2006	(Note D)	(Note D)	Dec 2007	(Note D)		
AMORTIZATION PERIOD (Note E)								
Actuarial gains or losses for:								
Accrued Benefit Obligation.....	15 years	12.5 years	-	-	8 - 10 years	8 - 10 years		
Plan assets.....	5 years	5 years	5 years	4 - 5 years	-	-		

Note D: Latest actuarial valuation report dates are as follows:

- University of Manitoba Pension Plans..... Dec 2006
- University of Winnipeg Pension Plan..... Dec 2007
- Brandon University Retirement Plan..... Dec 2006
- Winnipeg School Division Pension Fund for Employees
Other than Teachers..... Dec 2006
- Retirement Plan for Non-Teaching Employees of the
St. James-Assiniboia School Division..... Dec 2005
- Retirement Plan for Employees of Frontier School Division..... Dec 2005
- Members of Legislative Assembly Pension Plan..... Mar 2007
- Legislative Assembly Pension Plan..... Mar 2007
- Judges' Supplemental Pension Plan..... Mar 2003
- Winnipeg Child and Family Services
Employee Benefits Retirement Plan..... Dec 2006

Note E: Actuarial gains and losses for accrued benefit obligation are amortized over expected average remaining service life, while those for plan assets are amortized over a moving average period of four or five years.

Note F: The Government has set aside pension assets, totaling \$2,242 at March 31, 2008 (2007 - \$699 million), for the future retirement of its pension liability as disclosed in Note 3A. As at March 31, 2008, these pension assets represent 50% (2007 - 17%) of the pension liability.

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF TANGIBLE CAPITAL ASSETS
For the Year Ended March 31, 2008

SCHEDULE 8

(\$ millions)

	General Capital Assets					Infrastructure				Totals	
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Assets Under Construction	Land and Improvements	Transportation	Dams and Water Management Structures	Assets Under Construction	2008	2007
Cost											
Opening cost, as previously reported	156	4,697	1,675	528	323	246	2,032	86	240	9,983	7,741
Inclusion of school divisions into the Government Reporting Entity	-	-	-	-	-	-	-	-	-	-	1,506
Restatements	-	-	-	-	-	-	-	-	-	-	24
Reclassifications	(2)	(13)	(18)	(11)	38	-	-	-	-	(6)	-
Opening cost restated	154	4,684	1,657	517	361	246	2,032	86	240	9,977	9,271
Add:											
Additions during the year	38	264	175	44	95	4	199	1	202	1,022	771
Less:											
Disposals and write downs	(1)	(7)	(51)	(47)	(8)	-	-	-	-	(114)	(59)
Settlements and reclassifications	-	11	9	6	(18)	1	7	1	(17)	-	-
Closing cost	191	4,952	1,790	520	430	251	2,238	88	425	10,885	9,983
Accumulated amortization											
Opening, as previously reported	-	2,154	1,134	292	-	40	1,010	54	-	4,684	3,571
Inclusion of school divisions into the Government Reporting Entity	-	-	-	-	-	-	-	-	-	-	810
Restatements	-	-	-	-	-	-	-	-	-	-	14
Reclassifications	-	1	(2)	(5)	-	-	-	-	-	(6)	-
Opening accumulated amortization restated	-	2,155	1,132	287	-	40	1,010	54	-	4,678	4,395
Add:											
Amortization	-	117	116	47	-	3	73	2	-	358	342
Less:											
Accumulated amortization on disposals, write downs	-	(2)	(37)	(35)	-	-	-	-	-	(74)	(53)
Closing accumulated amortization	-	2,270	1,211	299	-	43	1,083	56	-	4,962	4,684
Net Book Value of Tangible Capital Assets	191	2,682	579	221	430	208	1,155	32	425	5,923	5,299

During the year the Province capitalized \$6 million of interest relating to assets under construction (2007 - \$2 million).

**FUNDS, ORGANIZATIONS AND BUSINESS ENTERPRISES
COMPRISING THE GOVERNMENT REPORTING ENTITY**

HEALTH AND HEALTHY LIVING

Manitoba Health
Addictions Foundation of Manitoba
CancerCare Manitoba
Diagnostic Services of Manitoba Inc.
Manitoba Health Research Council
Manitoba Health Services Insurance Plan
Manitoba Hospital Capital Financing Authority
Regional Health Authorities (including controlled organizations)
 Assiniboine Regional Health Authority Inc.
 Brandon Regional Health Authority Inc.
 Burntwood Regional Health Authority Inc.
 Churchill RHA Inc.
 Interlake Regional Health Authority
 NOR-MAN Regional Health Authority Inc.
 North Eastman Health Association Inc.
 Parkland Regional Health Authority Inc.
 Regional Health Authority - Central Manitoba Inc.
 South Eastman Health/Santé Sud-Est Inc.
 Winnipeg Regional Health Authority
Rehabilitation Centre for Children Inc.

EDUCATION

Manitoba Advanced Education and Literacy
Manitoba Education, Citizenship and Youth
Assiniboine Community College
Brandon University
Collège universitaire de Saint-Boniface
Council on Post-Secondary Education
Red River College
University College of The North
University of Manitoba
University of Winnipeg
Manitoba Text Book Bureau
Public School Divisions
Public Schools Finance Board

FAMILY SERVICES AND HOUSING

Manitoba Family Services and Housing
Child and Family Services of Central Manitoba
Child and Family Services of Western Manitoba
First Nations of Northern Manitoba Child & Family Services Authority
First Nations of Southern Manitoba Child & Family Services Authority

**SCHEDULE 9
(cont'd)**

FAMILY SERVICES AND HOUSING, cont'd

General Child and Family Services Authority
Manitoba Housing and Renewal Corporation
Métis Child and Family Services Authority

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT

Manitoba Aboriginal and Northern Affairs
Manitoba Agriculture, Food and Rural Initiatives
Manitoba Competiveness, Training and Trade
Manitoba Conservation
Manitoba Infrastructure and Transportation
Manitoba Intergovernmental Affairs
Manitoba Science, Technology, Energy and Mines
Abandonment Reserve Fund
Communities Economic Development Fund
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Crown Lands and Property Agency
Economic Innovation and Technology Council
Farm Machinery and Equipment Act Fund
Fleet Vehicles Agency
Food Development Centre
Green Manitoba Eco Solutions
Horse Racing Commission
Industrial Technology Centre
Manitoba Agricultural Services Corporation
Manitoba Development Corporation
Manitoba Education, Research and Learning
 Information Networks (Merlin)
Manitoba Floodway Authority
Manitoba Habitat Heritage Corporation
Manitoba Opportunities Fund Ltd.
Manitoba Trade and Investment Corporation
Manitoba Trucking Productivity Improvement Fund
Manitoba Water Services Board
Materials Distribution Agency
Mining Community Reserve
Mining Rehabilitation Reserve
Pineland Forest Nursery
Quarry Rehabilitation Reserve
Tire Stewardship Board
Veterinary Science Scholarship Fund

SCHEDULE 9
(cont'd)

JUSTICE AND OTHER EXPENDITURES

Legislative Assembly
Executive Council
Civil Service Commission
Manitoba Culture, Heritage, Tourism and Sport
Manitoba Finance
Healthy Child Manitoba
Manitoba Justice
Manitoba Labour and Immigration
Manitoba Seniors and Healthy Living Secretariat
Board of Administration under the Embalmers and Funeral Directors Act
Centre culturel franco-manitobain
Civil Legal Services
Companies Office
Crown Corporations Council
Helen Betty Osborne Foundation
Insurance Council of Manitoba
Land Titles Assurance Fund
Legal Aid Manitoba
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Centennial Centre Corporation
Manitoba Community Services Council Inc.
Manitoba Film and Sound Recording Development Corporation
Manitoba Gaming Control Commission
Manitoba Law Reform Commission
Manitoba Securities Commission
Office of the Fire Commissioner
Organization and Staff Development
Special Operating Agencies Financing Authority
Sport Manitoba Inc.
The Property Registry
The Public Trustee
Travel Manitoba
Venture Manitoba Tours Ltd.
Victims Assistance Fund
Vital Statistics Agency

GOVERNMENT BUSINESS ENTERPRISES: (Schedule 3) (Note 4)

Utility:

Manitoba Hydro-Electric Board

Insurance:

Manitoba Public Insurance Corporation

Workers Compensation Board

Finance:

Manitoba Liquor Control Commission

Manitoba Lotteries Corporation

Manitoba Product Stewardship Corporation

Resource Development:

Leaf Rapids Town Properties Ltd.

Manitoba Hazardous Waste Management Corporation

SPECIAL ACCOUNTS, not attached to Sector or Department

Pension Assets Fund

Debt Retirement Fund

Fiscal Stabilization Fund

SCHEDULE 10

SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS BY SECTOR
 For the Year Ended March 31, 2008

	Health and Healthy Living		Education		Family Services and Housing		Community, Economic and Resource Development	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Income taxes.....	-	-	-	-	-	-	-	-
Other taxes.....	-	-	646	643	-	-	-	-
Fees and other revenue.....	429	507	496	461	107	97	481	398
Federal transfers.....	823	778	120	110	60	67	227	190
Contributions from entities within the Government Reporting Entity.....	23	22	47	47	-	2	4	-
Sinking funds and other earnings.....	4	5	33	16	15	16	13	34
Total Revenue	1,279	1,312	1,342	1,277	182	182	725	622
EXPENSE								
Personnel services.....	2,339	2,209	2,174	2,018	183	158	367	346
Grants/Transfer payments.....	685	444	164	188	170	168	475	431
Transportation.....	41	32	15	14	4	4	49	46
Communication.....	22	18	19	17	3	3	14	17
Supplies and services.....	682	567	448	398	126	117	278	238
Social assistance related.....	-	-	5	5	711	668	60	56
Other operating.....	383	697	213	196	15	37	309	215
Debt servicing.....	75	77	104	57	51	41	124	116
Minor capital.....	24	8	41	36	10	2	16	15
Amortization.....	118	113	107	107	13	7	120	115
Total Expenses	4,369	4,165	3,290	3,036	1,286	1,205	1,812	1,595
SURPLUS (DEFICIT) FOR THE YEAR	(3,090)	(2,853)	(1,948)	(1,759)	(1,104)	(1,023)	(1,087)	(973)

**SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF OPERATIONS BY SECTOR
For the Year Ended March 31, 2008**

	Justice and Other Expenditures		General Government (Note a)		Adjustments (Note b)		Total	
	2008	2007	2008	2007	2008	2007	2008	2007
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
Income taxes.....	-	-	2,652	2,441	-	-	2,652	2,441
Other taxes.....	-	-	2,642	2,486	-	-	3,288	3,129
Fees and other revenue.....	136	133	13	2	(43)	(105)	1,619	1,493
Federal transfers.....	43	41	2,324	2,134	-	-	3,597	3,320
Contributions from entities within the Government Reporting Entity.....	-	-	968	647	(96)	(91)	946	627
Sinking funds and other earnings.....	216	222	32	91	22	(9)	335	375
Total Revenue	395	396	8,631	7,801	(117)	(205)	12,437	11,385
EXPENSE								
Personnel services.....	634	581	(78)	(126)	2	(21)	5,621	5,165
Grants/Transfer payments.....	369	325	(286)	(232)	(150)	(233)	1,427	1,091
Transportation.....	23	26	(2)	(2)	1	4	131	124
Communication.....	17	16	(3)	(2)	2	1	74	70
Supplies and services.....	166	149	(107)	(107)	35	(6)	1,628	1,356
Social assistance related.....	20	15	-	-	-	-	796	744
Other operating.....	58	53	(56)	(50)	(2)	42	920	1,190
Debt servicing.....	469	467	(3)	(11)	(5)	(2)	815	745
Minor capital.....	4	3	(4)	(1)	-	10	91	73
Amortization.....	9	8	(9)	(8)	-	-	358	342
Total Expenses	1,769	1,643	(548)	(539)	(117)	(205)	11,861	10,900
SURPLUS (DEFICIT) FOR THE YEAR	(1,374)	(1,247)	9,179	8,340	-	-	576	485

Note a: The general government category includes revenue from sources that cannot be attributed to a particular sector. Expenses in this category represent recoveries between sectors that cannot be attributed to any particular sectors.

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

**SUMMARY FINANCIAL STATEMENTS
CONSOLIDATED DETAILS AND RECONCILIATION
TO CORE GOVERNMENT RESULTS
For the Year ended March 31, 2008**

SCHEDULE 11

	2008 (\$ millions)			2007 (\$ millions)		
	Core Government (Note)	Consolidation Impacts	Summary 2008	Core Government	Consolidation Impacts	Summary 2007
REVENUE						
Income taxes.....	2,652	-	2,652	2,441	-	2,441
Other taxes.....	2,642	646	3,288	2,486	643	3,129
Fees and other revenue.....	438	1,181	1,619	409	1,084	1,493
Federal transfers.....	3,383	214	3,597	3,122	198	3,320
Net income from government business enterprises (Schedule 3)...	516	430	946	490	137	627
Sinking funds and other earnings.....	-	335	335	-	375	375
TOTAL REVENUE.....	9,631	2,806	12,437	8,948	2,437	11,385
EXPENSES						
Health and Healthy Living.....	3,932	292	4,224	3,673	283	3,956
Education	1,882	1,336	3,218	1,774	1,174	2,948
Family Services and Housing.....	1,135	89	1,224	1,052	90	1,142
Community, Economic and Resource Development.....	1,384	22	1,406	1,301	(21)	1,280
Justice and Other Government.....	808	166	974	667	162	829
Debt Servicing (Note 8).....	252	563	815	261	484	745
TOTAL EXPENSES.....	9,393	2,468	11,861	8,728	2,172	10,900
Net Result for the Year.....	238	338	576	220	265	485
Transfers to Debt Retirement Fund.....	(110)	110	-	(110)	110	-
Transfers to Fiscal Stabilization Fund.....	(128)	128	-	(110)	110	-
NET INCOME FOR THE YEAR	-	576	576	-	485	485

Note: Core Government results are based upon specified accounting policies which vary from Canadian generally accepted accounting principles, in that the results for the year do not reflect the expense related to the increase in the overall pension liability, do not consolidate the operations of all Crown organizations, include results of finance category government business enterprises only and account for capital financing to health care facilities as a deferred charge.

PROVINCE OF MANITOBA
SPECIAL PURPOSE
STATEMENTS OF ACCOUNTABILITY
FOR
STEWARDSHIP OF CORE
GOVERNMENT OPERATIONS
AND
BALANCED BUDGET LEGISLATION

SECTION 2
 OPERATING FUND AND SPECIAL FUNDS - SPECIAL PURPOSE FINANCIAL STATEMENTS

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STATEMENT OF RESPONSIBILITY

The Special Purpose Operating Fund and Special Funds Financial Statements are prepared under the direction of the Minister of Finance in accordance with the stated accounting policies of the Government and include a special purpose statement of financial position, a special purpose statement of revenue and expense, a special purpose statement of calculation of balance under *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, a special purpose statement of accumulated (deficits) surpluses, a special purpose statement of change in net debt, a special purpose statement of cash flow, notes and schedules integral to the statements. Together, they present, in all material respects, the financial condition of the Operating Fund and Special Funds at the fiscal year end and results of their operations for the year then ended, in accordance with the accounting policies stated in Note 1 to the financial statements applied on a basis consistent with that of the preceding year.

The Government is responsible for the integrity and objectivity of the Special Purpose Operating Fund and Special Funds 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 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. Her report, stating the scope of her audit and opinion, appears on the following page.

These special purpose 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.

More detailed information regarding the Operating Fund and Special Funds combined financial position and operating results can be found in Volumes 2 and 3 of the Public Accounts. In addition, explanatory comments with respect to changes in revenue and expense are provided in each government department's annual report.

On behalf of the Government of the Province of Manitoba.

Original signed by

Betty-Anne Pratt, CA
Provincial Comptroller

September 17, 2008



AUDITOR'S REPORT
On the Special Purpose Operating Fund and Special Funds Financial Statements
Province of Manitoba

To the Members of the Legislative Assembly of the Province of Manitoba

These financial statements report transactions and events of the Operating Fund and Special Funds only. Significant financial activities of the Government occur outside of these funds. Therefore, readers should not use these special purpose financial statements to understand and assess the Government's overall management of public financial affairs and provincial resources.

Summary Financial Statements are complete financial statements. Their purpose is to report the full nature and extent of the overall financial affairs and resources of the Province of Manitoba for which the Government is responsible.

Please refer to the Summary Financial Statements to understand and assess the Government's management of public financial affairs and provincial resources as a whole.

In accordance with Section 9 of The Auditor General Act, I have audited the special purpose statement of financial position of the Operating Fund and Special Funds of the Province of Manitoba as at March 31, 2008 and the special purpose statements of revenue and expense, calculation of balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act, accumulated (deficits) surpluses, change in net debt, and cash flow for the year then ended. These special purpose financial statements are the responsibility of the Government of Manitoba. My responsibility is to express an opinion on these special purpose financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Opinion

In my opinion, these Special Purpose Financial Statements present in all material respects, the financial position of the Operating Fund and Special Funds as at March 31, 2008, and the results of its operations and its cash flow for the year then ended in accordance with the accounting policies disclosed in Note 1 to the financial statements applied, on a basis consistent with that of the preceding year.

Exceptions from Generally Accepted Accounting Principles

These financial statements, which have not been, and were not intended to be, prepared in accordance with Canadian generally accepted accounting principles (GAAP), are solely for the information and use of the Members of the Legislative Assembly for the purpose of determining compliance with the Balanced Budget, Debt Repayment and Taxpayer Accountability Act. These financial statements are not intended to be and should not be used by lenders, bond rating agencies, citizens, or anyone other than the specified users or for any other purpose. Specifically, these statements should not be used to assess the fiscal performance of the government as this information is only available in the Summary Financial Statements.

The Special Purpose Statement of Revenue and Expense along with the Special Purpose Statement of Calculation of Balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act should be analyzed in two parts. The first part, showing the calculation of Net Result for the year, has been determined using the accounting policies described in Note 1 to the Special Purpose Financial Statements. These accounting policies differ materially from Canadian GAAP as described in Note 1, and therefore do not result in fair presentation. The second part is where the Net Result for the year is adjusted as authorized by The Balanced Budget, Debt Repayment and Taxpayer Accountability Act to determine a Positive Balance as defined by the Act. These adjustments, specifically inter-fund transfers, would not be included in the Special Purpose Statement of Revenue and Expense and a Special Purpose Statement of Calculation of Balance under the Balanced Budget, Debt Repayment and Taxpayer Accountability Act would not be produced had Canadian GAAP been used.

If Canadian GAAP had been used in the preparation of the Special Purpose Financial Statements, financial assets would increase by \$52 million (2007 - decrease by \$89 million), non-financial assets would increase by \$2,958 million (2007 - \$2,736 million), liabilities would increase by \$1,709 million (2007 - \$2,067 million), net debt would increase by \$1,657 million (2007 - \$2,156 million), accumulated deficit would decrease by \$1,301 million (2007 - \$580 million), revenue including net income from government business enterprises would increase by \$2,747 million (2007 - \$2,330 million), and expenses would increase by \$2,403 million (2007 - \$2,166 million).

Winnipeg, Manitoba
September 17, 2008

Carol Bellringer, FCA, MBA
Auditor General

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF FINANCIAL POSITION**

As at March 31, 2008

SCHEDULE	(\$ millions)	
	2008	2007
FINANCIAL ASSETS		
	Cash and Cash Equivalents (Note 2).....	1,636 1,854
1	Amounts Receivable.....	812 706
	Portfolio Investments (Note 3).....	3,382 2,405
2	Loans and Advances.....	708 684
4	Trust Assets (Note 1D).....	<u>3,893</u> <u>3,276</u>
	Total Financial Assets	<u>10,431</u> <u>8,925</u>
LIABILITIES		
5	Borrowings.....	13,147 12,128
6	Accounts Payable, Accrued Charges, Provisions and Deferrals.....	<u>1,922</u> <u>1,830</u>
		15,069 13,958
4	Amounts Held in Trust for Investment or Administration (Note 1D).....	<u>3,893</u> <u>3,276</u>
	Total Liabilities	<u>18,962</u> <u>17,234</u>
	NET DEBT	<u>(8,531)</u> <u>(8,309)</u>
NON-FINANCIAL ASSETS (Note 1.C.vi)		
	Inventories.....	4 3
	Deferred Charge for Health Care Facilities (Note 1A4).....	724 674
7	Tangible Capital Assets.....	<u>2,309</u> <u>1,948</u>
		<u>3,037</u> <u>2,625</u>
	ACCUMULATED DEFICIT	<u>(5,494)</u> <u>(5,684)</u>

Information concerning Long-Term Investments can be found on Schedule 3.
 Information concerning Pension Liability can be found in Note 4 and Schedule 8.
 Information concerning Contingencies and Contractual Obligations can be found in Notes 5 and 6.

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF REVENUE AND EXPENSE**

For the Year Ended March 31, 2008

(\$ millions)

	Operating Fund Budget	Operating Fund Actual	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds	Total 2008	Total 2007
OPERATING REVENUE (Schedule 9)								
Manitoba Collections.....	2,952	3,059	-	-	-	14	3,073	2,882
Income Taxes.....	2,438	2,652	-	-	-	-	2,652	2,441
Federal Transfers.....	3,402	3,383	-	-	-	-	3,383	3,122
Crown Organizations.....	510	537	-	-	13	-	550	521
Interest Earned.....	-	-	27	2	3	-	32	89
	<u>9,302</u>	<u>9,631</u>	<u>27</u>	<u>2</u>	<u>16</u>	<u>14</u>	<u>9,690</u>	<u>9,055</u>
OPERATING EXPENSES (Schedules 9 & 10)								
	<u>9,291</u>	<u>9,393</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>5</u>	<u>9,458</u>	<u>8,734</u>
NET RESULT FOR THE YEAR								
	<u>11</u>	<u>238</u>	<u>27</u>	<u>2</u>	<u>(44)</u>	<u>9</u>	<u>232</u>	<u>321</u>
INTERFUND TRANSFERS								
Transfer to Debt Retirement Fund.....	(110)	(110)	-	110	-	-	-	-
Transfer for Pensions.....	-	-	-	(85)	85	-	-	-
Transfer from Fiscal Stabilization Fund.....	37	-	-	-	-	-	-	-
Transfer to Mining Community Reserve.....	-	-	-	-	-	1	1	1
Transfer of Positive Balance to Fiscal Stabilization Fund under Section 9 (a) of the Act.....	-	(128)	128	-	-	-	-	-
	<u>(73)</u>	<u>(238)</u>	<u>128</u>	<u>25</u>	<u>85</u>	<u>1</u>	<u>1</u>	<u>1</u>
NET RESULT FOR THE YEAR AFTER INTERFUND TRANSFERS								
	<u>(62)</u>	<u>-</u>	<u>155</u>	<u>27</u>	<u>41</u>	<u>10</u>	<u>233</u>	<u>322</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CALCULATION OF BALANCE
UNDER THE BALANCED BUDGET, DEBT REPAYMENT
AND TAXPAYER ACCOUNTABILITY ACT**

For the Year Ended March 31, 2008

	(\$ millions)	
	2008	2007
Operating Fund Revenue.....	9,631	8,948
Operating Fund Expenses.....	<u>9,393</u>	<u>8,728</u>
NET RESULT FOR THE YEAR BEFORE INTERFUND TRANSFERS	238	220
INTERFUND TRANSFERS		
To the Debt Retirement Fund.....	<u>(110)</u>	<u>(110)</u>
POSITIVE BALANCE FOR PURPOSES OF BALANCED BUDGET LEGISLATION	<u>128</u>	<u>110</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT
OF ACCUMULATED (DEFICITS) SURPLUSES**

For the Year Ended March 31, 2008

(\$ millions)

	Operating Fund	Fiscal Stabilization Fund	Debt Retirement Fund	Pension Assets Fund	Other Special Funds (Schedule 11)	Total 2008	Total 2007
Accumulated (Deficits) Surpluses,							
Beginning of Year.....	(7,122)	663	51	699	25	(5,684)	(5,984)
Tangible Capital Assets (Note 7A)	(7)	-	-	-	-	(7)	-
Insurance Losses Incurred but not Previously Reported (Note 7B).....	(11)	-	-	-	-	(11)	-
Valuation Allowance (Note 7C)	9	-	-	-	-	9	-
Income Tax Credits (Note 7D).....	(34)	-	-	-	-	(34)	-
Environmental Liabilities.....	-	-	-	-	-	-	(20)
Income Tax.....	-	-	-	-	-	-	(2)
Transfer to Pension Assets Fund (Note 4) ...	(1,502)	-	-	1,502	-	-	-
Net Result for the Year after Interfund Transfers.....	<u>-</u>	<u>155</u>	<u>27</u>	<u>41</u>	<u>10</u>	<u>233</u>	<u>322</u>
Accumulated (Deficits) Surpluses,							
End of Year.....	<u>(8,667)</u>	<u>818</u>	<u>78</u>	<u>2,242</u>	<u>35</u>	<u>(5,494)</u>	<u>(5,684)</u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CHANGE IN NET DEBT**

For the Year Ended March 31, 2008

(\$ millions)

	2008	2007
Net Result for the Year after Interfund Transfers:		
Fiscal Stabilization Fund.....	155	131
Debt Retirement Fund.....	27	26
Pension Assets Fund.....	41	162
Other Special Funds.....	10	3
	<u>233</u>	<u>322</u>
Disposal of Tangible Capital Assets.....	15	-
Acquisition of Tangible Capital Assets.....	(498)	(353)
Amortization of Tangible Capital Assets.....	115	110
	<u>(368)</u>	<u>(243)</u>
Increase in Deferred Charge for Health Care Facilities.....	(50)	(37)
Increase in Inventory.....	(1)	(1)
Changes in Accumulated Deficit		
Insurance Losses Incurred but not Previously Reported (Note 7B).....	(11)	-
Valuation Allowance (Note 7C)	9	-
Income Tax Credits (Note 7D).....	(34)	-
Environmental Liabilities.....	-	(20)
Income Tax.....	-	(2)
	<u>(36)</u>	<u>(22)</u>
Decrease (Increase) in Net Debt	(222)	19
Net Debt, beginning of year	<u>(8,309)</u>	<u>(8,328)</u>
Net Debt, end of year	<u><u>(8,531)</u></u>	<u><u>(8,309)</u></u>

**OPERATING FUND AND SPECIAL FUNDS
SPECIAL PURPOSE STATEMENT OF CASH FLOW**

For the Year Ended March 31, 2008

	(\$ millions)	
	2008	2007
Cash and Cash Equivalents Provided by (Used in)		
Operating Activities		
Net Result for the year after Interfund Transfers - Special Funds.....	233	322
Changes in non-cash items:		
Amounts Receivable.....	(106)	31
Valuation Allowance.....	(11)	(6)
Accounts Payable, Accrued Charges, Provisions and Deferrals.....	96	259
Amortization of Foreign Currency Fluctuation.....	6	6
Amortization of Debt Discount.....	(6)	6
Amortization of Investment Discounts and Premiums.....	(2)	1
Disposal of Tangible Capital Assets.....	15	-
Amortization of Tangible Capital Assets.....	113	108
Amortization of Tangible Capital Assets Charged to Special Operating Agencies.....	2	2
Adjustment to Tangible Capital Assets.....	7	-
Increase in Inventory.....	(1)	(1)
Adjustment to Accumulated Deficit	(43)	(22)
Cash provided by operating transactions	<u>303</u>	<u>706</u>
Capital Activities		
Acquisition of Tangible Capital Assets.....	(498)	(353)
Cash used in capital transactions	<u>(498)</u>	<u>(353)</u>
Investing Activities		
Investments purchased.....	(2,635)	(1,313)
Investments sold or matured.....	812	1,676
Cash provided by (used in) investing transactions	<u>(1,823)</u>	<u>363</u>
Financing Activities		
Debt Issued.....	3,621	2,666
Debt Redeemed.....	(1,821)	(2,288)
Cash provided by financing transactions	<u>1,800</u>	<u>378</u>
Increase (Decrease) in Cash and Cash Equivalents.....	(218)	1,094
Cash and Cash Equivalents, beginning of year.....	<u>1,854</u>	<u>760</u>
Cash and Cash Equivalents, end of year.....	<u><u>1,636</u></u>	<u><u>1,854</u></u>

**NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

1. SIGNIFICANT ACCOUNTING POLICIES

A. General Basis of Accounting

The Special Purpose Financial Statements of the Operating Fund and Special Funds have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for senior Governments as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA), with the following exceptions:

- (1) Liabilities for unfunded pension benefits have not been recorded in the Special Purpose Financial Statements. If Canadian GAAP had been used in the recording of pension transactions, liabilities and the accumulated deficit would increase by \$4,451 million (2007 - \$4,190 million) and expenses would increase by \$261 million (2007 - \$192 million).
- (2) The financial statements do not reflect the financial results for all of the Government business enterprises and Crown organizations comprising the Government reporting entity. The financial operations of the latter are reflected only to the extent that their operations were financed from or contributed to the Special Purpose Financial Statements. If Canadian GAAP had been used to record these transactions, financial assets would increase by \$52 million (2007 - decrease by \$89 million), non-financial assets would increase by \$3,682 million (2007 - \$3,410 million), liabilities would decrease by \$2,742 million (2007 - \$2,123 million), net debt would decrease by \$2,794 million (2007 - \$2,034 million), the accumulated deficit would decrease by \$6,476 million (2007 - \$5,444 million), revenue including net income from Government business enterprises would increase by \$2,747 million (2007 - \$2,330 million) and expenses would increase by \$2,092 million (2007 - \$1,937 million).
- (3) Material adjustments may result from changes in accounting policies or from the correction of an error which are attributable to and identifiable with prior periods. It is the Government's practice to reflect the effects of such adjustments in the accumulated deficit. Prior year balances are not restated. If Canadian GAAP had been used to record changes in accounting policies and correction of errors, the comparative figures of the financial statements and the opening balance of the accumulated deficit would have changed.
- (4) Prior to the 2000/01 fiscal year, individual health care facilities issued long-term debt in their own name to finance major capital acquisitions. In 2000/01, the Government began a program to finance such debt directly, taking advantage of its superior borrowing power and rates, and lowering the cost of health related borrowings for Manitoba. This debt is included as part of the Government's borrowings. The related asset for health care facilities is recorded as a deferred charge and amortized over the same period of time as the term of the debt issue. If Canadian GAAP had been used to record these transactions, the deferred charge asset would decrease by \$724 million (2007 - \$674 million) and the accumulated deficit would increase by \$724 million (2007 - \$674 million) and expenses would increase by \$50 million (2007 - \$37 million).

B. The Reporting Entity

These statements consist of the Operating Fund and Special Funds that, on a combined basis, reflect the transactions and balances of these funds.

The nature and purpose of the funds reflected in these financial statements is as follows:

Operating Fund - The Operating Fund is the vehicle through which the Government manages and controls the operations of Government departments and programs, and does not include the results of Government business enterprises and Crown organizations except to the extent that they may have received funding from the Operating Fund. It is through the Operating Fund that the Government reports on its stewardship of Core Government operations, including measurement of its results as compared to voted appropriations, and its obligations with respect to *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

Fiscal Stabilization Fund - This Fund was established at March 31, 1989 under the authority of *The Fiscal Stabilization Fund Act*. The purpose of the Fund is to assist in stabilizing the fiscal position of the Government from year to year and to improve long-term fiscal planning. Under the provisions of the Act, the Government may deposit in the Fund any part of the revenue or other financial assets received in the Operating Fund in any fiscal year and shall credit to the Fiscal Stabilization Fund any earnings from investment of the assets of the Fund. All or part of the Fund balance may be transferred to the Operating Fund in accordance with the provisions of the Act.

Section 9(a) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires that, if a surplus exists in a fiscal year in the Operating Fund, the Minister of Finance shall transfer an amount sufficient to bring the Fiscal Stabilization Fund to its target level as set out by *The Fiscal Stabilization Fund Act* or any greater amount that the Minister considers appropriate. The target level for the Fiscal Stabilization Fund is a minimum of 5% of the expense of the Operating Fund.

Debt Retirement Fund - This Fund was established on November 3, 1995 under the authority of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The purpose of the Fund is to assist in the orderly repayment of debt pursuant with section 8(4) of the Act. After March 31, 2000, until the Fund is wound up, the Minister of Finance is required to deposit annually into the Fund a minimum of \$96 million or such greater amount as determined by the Act.

Pension Assets Fund - This Fund was established under the authority of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The purpose of the Fund is to set aside designated assets, pursuant to section 8 of the Act, for the future retirement of the Government's pension liability.

Other Special Funds:

Mining Community Reserve - This Fund was established to assist with the welfare and employment of people who are directly affected by mine closures in Manitoba. The Lieutenant Governor in Council may transfer to this Fund each year up to 3% of the taxes collected under *The Mining Tax Act*.

Quarry Rehabilitation Reserve Fund - This Fund was established to assist in the rehabilitation of quarries deemed to be depleted. A levy of 10 cents per metric ton of all aggregate quarry mineral production in Manitoba is paid into the Fund each year.

Other Funds - Other funds reflect the transactions of Abandonment Reserve Fund, Ethanol Fund, Farm Machinery and Equipment Act Fund, Land Titles Assurance Fund, Manitoba Law Reform Commission Fund, Manitoba Trucking Productivity Improvement Fund, Mining Rehabilitation Reserve Fund, Veterinary Science Scholarship Fund, Victims Assistance Fund, and Workplace and Safety Public Education Fund.

The combined financial statements of the above funds are also included in the Government's Summary Financial Statements which are presented separately.

C. Basis of Specific Accounting Policies

(i) Gross Accounting Concept

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

- (1) Refunds of revenue are treated as reductions of current year revenue.
- (2) Decreases in valuation allowances previously provided are treated as reductions to expense.
- (3) Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments, loans and advances to Crown organizations and Government business enterprises are recorded as a reduction of debt servicing expense.

(ii) Revenues

(1) Government Transfers

Transfer payments from the Government of Canada include all accruals determined before June 15 each year 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.

(2) Individual and Corporation Income Tax

The Government's share of individual and corporation income tax is recorded based upon cash receipts to March 31 plus an accrual of adjustments determined before June 15 each year.

(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. Recoveries of the debt servicing costs on self-supporting debt and revenue earned on investments, loans and advances to Crown organizations and Government business enterprises are recorded as a reduction of debt servicing expense.

(iii) Expenses

(1) Accrual Accounting

All expenses incurred for goods or services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the Government's use that are reflected as expenses when incurred as well as item (2) noted below. Certain tax credits are recorded as an expense in the year they are appropriated.

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

(2) Pension Benefits

The annual cost recorded is based on the Government's share of pensions paid to retired employees, teachers and Members of the Legislative Assembly, as well as current contributions to Registered Retirement Savings Plan accounts and tax paid trusts on behalf of MLAs and employees who are pensionable outside of the Civil Service Plan.

Commencing in 2007/08 and in accordance with the 2007/08 Budget, the Operating Fund reflects as an expense the current service costs related to teachers' pension benefits. The difference between

the expense for the current service costs recorded in the Operating Fund and the pensions paid to retired teachers during the year is charged as an expense in the Pension Assets Fund. Amendments to section 60.1(3) of *The Financial Administration Act* in 2007/08 allow for payments for pension benefits to be made from the Pension Assets Fund.

The Government records its liability for the unfunded cost of pension benefits earned by employees, teachers, judges and Members of the Legislative Assembly in the Summary Financial Statements. The Government is funding its obligations for the Legislative Assembly Pension Plan on an annual basis.

(3) Government Transfers

Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met and that can be reasonably estimated.

(iv) Financial Assets

(1) Loans, Advances and Long-Term Investments

Loans, advances and long-term investments 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 or when the value of the investment is impaired. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized monthly to debt servicing expense over the term of the related debt issue.

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 year end investment translation adjustments reflecting the foreign currency fluctuation between year ends are amortized monthly over the remaining life of the investment and 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 foreign currency are translated at the exchange rate in effect on the transaction date.

(v) Liabilities

(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 converted at the exchange rate in effect at March 31 adjusted for any forward foreign exchange contract entered 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.

The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account and 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 conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call and these gains and losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.

(2) Other Future Employee Benefit Obligations

The amount of the liabilities for severance, Long Term Disability Income Plan liability 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 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.

(3) 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. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the Government's best estimate of future payments less recoveries.

(4) Environmental Liabilities

Effective for the 2005/06 fiscal year, the Government adopted an accounting policy regarding the recognition and measurement of environmental liabilities. An environmental liability for contaminated sites is recorded when contamination is identified, and when the Government is obligated, or likely to become obligated, to incur remediation costs due to reasons of public health and safety, contractual arrangements, or compliance with environmental standards which are set out in any act or regulation (federal, provincial, municipal) recognized by the Government. The liability is based upon remediation costs determined on a site-by-site basis, measured as incremental direct costs, reduced by estimated recoveries from third parties, and discounted where possible to reflect the time value of money.

For past liabilities arising from contaminations or obligating events on or before March 31, 2005, there is a transition period (April 1, 2006 to March 31, 2009) to identify and record such liabilities. These liabilities will be recorded as an increase to the accumulated deficit until March 31, 2009. Subsequent to that, any past liability not previously recorded or sufficiently provided for will be recorded as an expense.

For liabilities arising from contaminations or obligating events after March 31, 2005, the amounts are recorded as an expense when identified.

(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 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 sale are classified as non-financial assets if it is anticipated that the sale will not be completed within one year of the reporting date.

(3) Prepaid Expenses

Prepaid expenses are payments for goods or services which will provide economic benefits in future periods. The prepaid amount is recognized as an expense in the year the good or service is 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, as well as 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 cost associated with the development and construction of tangible capital assets is included for projects whose cost exceeds \$20 million.

A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as deferred revenue which is amortized to revenue on the same basis as the asset is amortized.

Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are recorded as revenue.

Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made.

Intangible assets and items inherited by right of the Crown, such as Crown lands, forests, water and other mineral resources are not recognized in Government financial statements.

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	25 to 40 years
Leasehold improvements	Life of lease
Vehicles and Equipment	
Vehicles	5 years
Aircraft and vessels	5 to 24 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer hardware, software licences	4 to 15 years

Infrastructure Assets:

Land	Indefinite
Land Improvements	30 years
Transportation	
Bridges and Structures	40 years
Provincial Highways, Roads and Airstrips	10 to 40 years
Dams and Water Management Structures	40 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.

D. Amounts Held in Trust for Investment or Administration

These amounts primarily represent sinking funds and surplus cash of Government business enterprises and

Crown organizations on deposit with the Minister of Finance for investment. Deposits of surplus cash funds not required to be specifically invested are pooled with other available funds of the Operating Fund for investment purposes and are accorded a market rate of interest. Sinking fund contributions made by Government business enterprises, Crown organizations and others in respect of their direct debt are deposited with and specifically invested by the Minister of Finance. These investments are recorded at cost.

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 possible amount, as there is whenever estimates are used.

Measurement uncertainty in these financial statements exists in the accrual of individual and corporate income taxes, Canada Health Transfer and Canada Social Transfer entitlements, accruals for pension obligations, accruals for environmental obligations, allowances for doubtful loans 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 Federal Government 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. The 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. The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Government's responsibility to mitigate and the quantification of what the actual liability will be based upon impact studies. Uncertainty concerning the allowance for doubtful loans and advances is based upon actual collectibility and changes in economic conditions.

While management's best estimates have been used for reporting items subject to measurement uncertainty, it is possible that changes in future conditions in the near term could require a material change in the valuation of the reported amounts. Near term is defined as a period of time not to exceed one year from the date of the financial statements.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short term investments that can be converted to cash. Cash and cash equivalents are recorded at cost, which approximates market value. All cash equivalents have terms to maturity of less than 90 days. Investment revenue earned on cash equivalents during the year was \$70 million (2007 - \$43 million).

3. PORTFOLIO INVESTMENTS

	(\$ millions)	
	2008	2007
Pension assets	2,151	699
Sinking funds	1,231	1,706
	3,382	2,405

Portfolio investments are recorded at the lower of cost and net realizable value with the exception of amounts invested with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund, which are

recognized at fair value. As at March 31, 2008, the market value of portfolio investments was \$3,447 million (2007 - \$2,438 million). Portfolio investments earned \$169 million during the year (2007 - \$263 million).

A. Pension Assets

Pension assets are primarily represented by investments in the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. These pooled investments are set aside for the future retirement of the pension liability. These investments earn the respective Fund's annual rate of return and reflect both, the realized gains or losses on sale of investments and unrealized market gain or loss for the year. Investment income earned for the year was \$3 million (2007 - \$67 million). The following represent the Government's proportionate share of the pooled investments:

	(\$ millions)	
	2008	2007
Equity investments	1,070	364
Bonds	546	90
Real estate investments	248	73
Mortgages and debentures	154	31
Fixed income securities	118	127
Petroleum and natural gas	13	12
Venture capital	2	2
Pension assets held in portfolio investments	2,151	699

An additional \$91 million (2007 – nil) in pension assets was held in cash and cash equivalents pending transfer to the Pension Plans.

B. 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:

	(\$ millions)			
	2008		2007	
	Book Value	Fair Value	Book Value	Fair Value
Government of Canada, direct and guaranteed	276	282	511	514
Provincial, direct and guaranteed	563	599	770	782
Municipal	200	213	217	229
Corporate	192	201	208	214
	1,231	1,296	1,706	1,739

Sinking funds are recorded at the lower of cost and market value. Investment revenue earned on the sinking funds during the year was \$166 million (2007 - \$196 million).

The sinking funds are allocated as follows:

	(\$ millions)	
	2008	2007
Total sinking funds	1,706	2,504
Less: Uninvested portion of sinking funds held in cash and cash equivalents	(475)	(798)
Total sinking funds held in portfolio investments	1,231	1,706

4. PENSION LIABILITY

The Government supports six separate pension plans. The two main plans are the Civil Service Plan and the Teachers' Plan. Other plans 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.

As at March 31, 2008, the Government's pension liability was \$4,451 million (2007 - \$4,159 million), which has not been recorded in these Special Purpose Financial Statements as disclosed in Note 1A(1). An analysis of this pension liability is provided in Schedule 8.

The Government is required, under the amended provisions of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*, to set aside funds beginning in 2000/01, to address the Government's unfunded pension liability. The minimum annual contribution must be sufficient to equal the contributions made by employees and teachers hired on or after April 1, 2000. While the minimum contribution for the year ended March 31, 2008 was \$31 million (2007 - \$26 million), the Government transferred \$85 million (2007 - \$85 million) from the Debt Retirement Fund to the Pension Assets Fund. To further increase the funding of the pension liability, the Government also allocated \$1,502 million from the Operating Fund to the Pension Assets Fund during the year.

The majority of the Pension Assets Fund is separately invested and maintained in trust accounts with Civil Service Superannuation Fund (CSSF) and Teachers' Retirement Allowances Fund (TRAF) for the Government and is increased by the rate of return of the funds. Portfolio investments held in CSSF and TRAF amount to \$2,151 million at March 31, 2008 (2007 - \$699 million) as reported under Note 3A, and these investments are not included in Schedule 8. The balance of the Pension Assets Fund of \$91 million (2007 - nil) is held in cash and cash equivalents pending transfer to CSSF and TRAF. The Pension Assets Fund represents funds that the Government has set aside for the future retirement of its pension liability. As at March 31, 2008, the Pension Assets Fund represents 50% (2007 - 17%) of the pension liability.

In accordance with the changes to *The Financial Administration Act* and the 2007 Budget (Note 1.C.iii.2), \$70 million of the expense for pensions paid to retired teachers was charged to the Operating Fund with the balance of \$60 million being charged as an expense in the Pension Assets Fund.

In accordance with the terms of an agreement between the Province and the Special Operating Agencies (SOAs) in 2002, the SOAs transferred to the Province funds equal to their unfunded pension liability as determined by actuarial valuations, and thereafter have provided the Province annually, with an amount equal to the employees' annual pension contributions. In exchange, the Province has assumed the unfunded pension liability for SOA employees. Because the Province does not recognize the unfunded pension obligation in the Special Purpose Financial Statements, these funds have been recorded as revenue. \$2 million was recorded as revenue in the Pension Assets Fund for the current year (2007 - \$2 million). The cumulative funds received by the Province under this agreement as at March 31, 2008 are \$19 million (2007 - \$17 million).

A. Civil Service 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% 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 that employees contribute 6.0% of pensionable earnings up to the CPP maximum earnings, and 7.0% of pensionable earnings above the maximum. 89.8% of contributions are used to fund basic benefits and 10.2% of contributions are allocated for indexing benefits.

Indexing benefits are not guaranteed and are paid only to the extent that the indexing adjustment account in

CSSF can finance one-half of 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.

B. Teachers' 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% of a member's average salary of the best 5 of the final 12 years of service (best 7 prior to July 1, 1980) multiplied by pensionable 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% of the average annual salary used above.

The TPA requires that teachers contribute 6.8% of pensionable earnings up to the CPP maximum earnings, and 8.4% of pensionable earnings above the maximum. 83.4% of contributions are used to fund basic benefits and 16.6% of contributions are allocated for indexing benefits.

Indexing benefits are not guaranteed and are paid only to the extent that one half of the pension adjustment does not result in an unfunded pension liability in the Pension Adjustment Account within the Teachers' Retirement Allowances Fund (TRAF).

C. Other 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% 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 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% 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.

(ii) Legislative Assembly Pension Plan

The Members' Retirement Benefits Regulation of *The Legislative Assembly Act* established a defined benefit plan, effective April 1, 2004 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% 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.

(iii) Judges' Supplemental Pension Plan

The supplemental pension benefit for judges was determined to be 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 4A.

The supplemental pension is generally based upon an accrual rate of 3% 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 Judges' Supplemental Pension and Civil Service Superannuation Pension is subject to a maximum of 70% of earnings.

(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 Family Services and Housing.

The lifetime pension calculation equals 2% of the member's highest average pensionable earnings in any three non-overlapping periods of 12 consecutive months, less 0.6% of the average CPP earnings for the same period multiplied by years of pensionable service.

Members are required to contribute 4.5% of pensionable earnings up to the CPP maximum and 6% on pensionable earnings over the maximum.

5. CONTINGENCIES

A. Contingent Liabilities

i) Legal Actions

The Government has been named in various legal actions. No provision has been made at March 31, 2008 in the accounts where the final results are uncertain.

ii) Northern Development Projects

The Government is contingently liable for legal claims associated with past Manitoba Hydro-Electric Board (Hydro) related northern development projects. The outcome of these claims is not determinable at this time.

iii) Canadian Blood Services

The majority of provincial and territorial governments of Canada, including Manitoba, are members of, and provide funding to, Canadian Blood Services, which operates the Canadian blood system. The March 31, 2007 audited financial statements of Canadian Blood Services indicate that a wholly owned subsidiary, CBS Insurance Company Limited, provides for the contingent liabilities for risks related to operations of the blood system. The actuarially determined provisions for future insurance claims, reported and unreported, related to insured events that occurred prior to March 31, 2007 is \$200 million (2006 - \$198 million). The related assets as at March 31, 2007 total \$251 million (2006 - \$239 million). The subsidiary also had a re-insurance contract for additional coverage of \$750 million.

Based upon the above, the Government's share of the provision for future claims as at March 31, 2007 is offset with designated assets, which at that point exceed the provision. In addition, there is re-insurance to cover an additional \$750 million in claims of insured events occurring on or before March 31, 2007. March 31, 2008 figures are not available for comparison. The Government is not aware of any proceedings that

could lead to a claim against it given the existing arrangement in place.

iv) Treaty Land Entitlement Obligations

To meet the Government's obligation under treaty land entitlement agreements, approximately 414,015 acres of provincial Crown land have been transferred to the Government of Canada for First Nations.

The Government's obligations under the Treaty Land Entitlement Agreements require the setting aside of 1,088,176 acres of Crown land. To date, 947,233 acres have been selected by the Entitlement First Nations. The Crown lands will be transferred according to the Natural Resources Transfer Agreement, including mines and minerals and other interests normally reserved for the Government under *The Crown Land Act* or any other statute.

v) Disaster Financial Assistance

The Government pays for flood and other disaster-related expenses and subsequently recovers a certain amount of the expenses based on cost-shared agreements with the Federal Government. The amounts recoverable are uncertain at the date the financial statements were issued. A recovery provision of \$39 million (2007- \$65 million) has been set up based on past claims recovery experience.

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:

	Authorized Limit	(\$ millions)	
		2008	2007
Manitoba HydroBonds (Note 5B.a)		347	670
Manitoba Grow Bonds		5	5
Promissory notes, bank loans, lines of credit and other			
Assiniboine Community College	2	-	-
Manitoba Business Start Program (Note 5B.b)	5	2	1
Manitoba Housing and Renewal Corporation (Note 5B.c)	10	1	-
Manitoba Opportunities Fund Ltd.	199	151	98
Manitoba Student Aid Program (Note 5B.d)	20	5	5
Red River College	5	-	-
Rural Entrepreneur Assistance Program (Note 5B.e)	8	7	4
University College of The North	2	-	-
Miscellaneous	1	1	1
Total guarantees outstanding		<u>519</u>	<u>784</u>

A provision for future losses on guarantees in the amount of \$8 million (2007 - \$9 million) has been recorded in the accounts. The provisions for losses on guaranteed loans are determined by a review of individual guarantees. The provision represents the best estimate of probable claims against the guarantees. Where circumstances indicate the likelihood of claims arising, provisions are established for those loan guarantees.

Note 5B.a) Manitoba HydroBonds Guarantees

The Government guarantees Manitoba HydroBonds. Outstanding bonds as at March 31, 2008 totalled \$347 million (2007 - \$670 million). The bonds carry fixed and variable coupon rates that range from 3.1% to 5.5%. Manitoba HydroBonds are redeemable at the option of the holder.

Note 5B.b) Manitoba Business Start Program

The Government provides guarantees on new and expanding small or home business loans, with a five year term.

Note 5B.c) Manitoba Housing and Renewal Corporation

The Government has guaranteed the repayment of mortgages and has issued letters of credit which guarantee the terms and conditions of land development agreements and construction contracts.

Note 5B.d) Manitoba Student Aid Program

The Government guarantees three types of student loans issued in the past thirteen years as follows:

Loan type	Nature of loan
Guaranteed loans	Issued by the Canadian Imperial Bank of Commerce (CIBC) from April 1, 1993 to December 31, 1994. These loans are fully guaranteed if the loan is deemed to be in default.
Limited risk loans	Issued by the CIBC from January 2, 1995 to December 31, 1997 and issued by the Royal Bank from June 2, 1997 to July 31, 2000. The Government only guarantees those loans in default that have been issued to credit abusers, insolvent creditors and minors.
Non-risk loans	Issued by the Royal Bank from August 1, 2000 to July 31, 2001. The Government has agreed to guarantee and purchase any loan deemed to be in default.

Note 5B.e) Rural Entrepreneur Assistance Program

The Government provides guarantees on new and expanding small or home business loans, with a five-year term.

6. CONTRACTUAL OBLIGATIONS

A. Operating and Capital Obligations

The Government has entered into a number of contracts and agreements for the delivery of services and acquisition or construction of assets. The following represents the amounts required to satisfy the contractual obligations as at March 31:

	(\$ millions)	
	2008	2007
Operating obligations:		
Operating contracts and agreements	183	151
Rental of tangible capital assets	138	119
Other operating	8	7
	329	277

	(\$ millions)	
	2008	2007
Capital obligations:		
Buildings	36	35
Computer software and hardware	-	1
Dams and water management structures	6	-
Equipment	-	1
Transportation	46	39
	88	76
Total	417	353

B. Red River Floodway

The Government has undertaken to expand the Red River Floodway. Through the Manitoba Floodway Authority, the Government is a party to a funding agreement with the Government of Canada for a \$665 million expansion project and has agreed to provide \$333 million towards the project.

7. ADJUSTMENTS TO ACCUMULATED DEFICIT

A. Tangible Capital Assets

During the year, the Government corrected an accounting error related to the capitalization of certain tangible capital assets that should have been expensed when acquired. This error resulted in an overstatement of tangible capital assets in the amount of \$7 million and a corresponding understatement of expense in prior years. Correction of this error has resulted in an increase in accumulated deficit of \$7 million.

B. Insurance Losses Incurred but not Previously Reported

During the year, the Government obtained an actuarial valuation for the previously unreported liability for incurred but not reported insurance claims. The actuarial valuation indicated an understatement of accounts payable of \$11 million and a corresponding understatement of claims for losses in prior years. Correction of this error has resulted in an increase in accumulated deficit of \$11 million.

C. Valuation Allowance

It is the policy of the Government to create or change valuation allowances to reflect the estimated realizable value of loans made to Crown agencies, boards and commissions. This assessment is based on a review of the organization's most recent financial statements and any accumulated deficit adjusted by prospective recoveries from future operations.

Effective April 1, 2007, Manitoba Housing and Renewal Corporation (MHRC) retroactively changed its accounting policy with respect to the capitalization of capital asset betterment costs. These costs are now capitalized. Previously, they were recognized as expenses when incurred. This accounting change has impacted MHRC's accumulated deficit as well as the Government's valuation allowance for the MHRC loan which was determined based upon that MHRC's accumulated deficit. The impact of this change has resulted in a decrease made to the MHRC valuation allowance of \$9 million and a decrease in accumulated deficit of \$9 million.

D. Income Tax Credits

During the year, the Government corrected an accounting error related to the recognition of provincial tax

credits. This error resulted in an understatement of liabilities in the amount of \$34 million and a corresponding understatement of tax credit expenses in prior years. Correction of this error has resulted in an increase in accumulated deficit of \$34 million.

8. DEBT SERVICING

Debt servicing expense totals \$838 million (2007 - \$810 million) which is net of interest recoveries from Government business enterprises of \$499 million (2007 - \$478 million).

Net debt servicing expense is disclosed in the financial statements in Schedule 9 as \$252 million (2007 - \$261 million) representing net debt servicing costs and is net of amounts charged to the departments, as well as net of interest recoveries from Crown organizations including guarantee fees and interest revenue earned on investments including sinking funds. These recoveries and allocations total \$465 million (2007 - \$441 million). The disclosed \$252 million (2007 - \$261 million) is also net of debt servicing cost of \$121 million (2007 - \$108 million) allocated to departments for the imputed cost to finance the purchase or construction of tangible capital assets.

Schedule 10 discloses separately net debt servicing costs of \$252 million (2007 - \$261 million) and the debt servicing costs of \$121 million (2007 - \$108 million) charged to the departments for the imputed cost of financing the purchase or construction of tangible capital assets.

9. EXPENSES IN EXCESS OF LEGISLATIVE AUTHORITY

The budget estimate amounts disclosed in the Special Purpose Statement of Revenue and Expense (originally published in the Estimates of Expenditure) exclude \$249 million in supplemental estimates and special warrants. The original budget estimate amounts plus the \$249 million in supplemental estimates and special warrants becomes the revised estimates, against which expenses in excess of legislative authority is determined. Budget estimates have been reclassified to align with the departmental reorganization that occurred during the year.

Based upon the revised estimates, the following voted appropriations were over-expended as a result of adjustments after March 31, 2008:

	(\$ millions)
Advanced Education and Literacy	
Support for Universities and Colleges	11
Capital Grants	5
Education, Citizenship and Youth	
Support to Schools	1
Capital Funding	15
Family Services and Housing	
Community Service Delivery	2
Health	
Capital Funding	2
Justice	
Criminal Justice	4
Science, Technology, Energy and Mines	
Costs Related to Capital Assets	7

10. TRANSFER FOR DEBT RETIREMENT AND PENSION OBLIGATIONS

The Government transferred \$110 million (2007 - \$110 million) to the Debt Retirement Fund from the Operating Fund for the specific purpose of reducing general purpose debt and pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. The transfer was made in accordance with subsection 8(4) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*. The Government transferred \$85 million (2007 - \$85 million) from the Debt Retirement Fund for the specific purpose of providing for the future retirement of pension obligations with the Civil Service Superannuation Fund and the Teachers' Retirement Allowances Fund. This transfer was made in accordance with subsection 8(6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act*.

Subsection 8(6) of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires the balance in the Debt Retirement Fund to be transferred to the Operating Fund at least once every 5 years for the purpose of reducing general purpose debt. The most recent transfer, in the amount of \$202 million, was made in the 2004/05 fiscal year.

11. BALANCED BUDGET LEGISLATION

Section 6 of *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* requires the Minister of Finance to report on compliance with the Act in the audited special purpose financial statements of the Operating Fund for each fiscal year. The Special Purpose Statement of Calculation of Balance under *The Balanced Budget, Debt Repayment and Taxpayer Accountability Act* shows a positive balance of \$128 million (2007 - \$110 million). Using the disclosed basis of accounting, the Government is therefore in compliance with the Act.

12. AMOUNTS DUE TO THE FEDERAL GOVERNMENT

The March 31, 2003 financial statements disclosed that the net impact of the federal settlement related to the Federal accounting error for the period of 1997 to 1999 was a \$91 million loan payable owing to the Federal Government over a ten-year period commencing in 2004/05. As at March 31, 2008, this loan payable has been reduced to \$55 million (2007 - \$64 million).

To offset negative adjustments to the 2004 Equalization payments, the Federal Government provided to the Government a loan payable of \$38 million repayable over a ten-year period commencing in April 2006. As at March 31, 2008 this loan payable had been reduced to \$30 million (2007 - \$34 million). Similarly, to offset negative adjustments to the 2004 Canada Health and Social Transfer (CHST) entitlements, the Federal Government provided to the Government a loan payable of \$9 million repayable over a ten-year period commencing in April 2006. As at March 31, 2008, this loan payable had been reduced to \$7 million (2007 - \$8 million).

These loans are non-interest bearing.

13. 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. A variety of strategies are used, including the use of derivative financial instruments (derivatives).

Derivatives are financial contracts, the value of which is derived from underlying instruments. The Government uses derivatives to hedge and to 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 US dollar sinking funds, except for the impact of the unamortized foreign exchange fluctuation account of \$67 million (2007 - \$73 million). 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 current policy has hedged the foreign currency debt principal and interest payments through the use of derivatives in relation to general purpose debt.

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, the structure of the debt as at March 31, 2008 was 90% at fixed rates and 10% at floating rates (2007 – 90% at fixed rates and 10% at floating rates). A one percent (100 basis points) movement in interest rates for an entire year would increase/decrease debt servicing costs by \$11.0 million (2007 - \$12.5 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, 2008, the Government has a gross credit risk exposure of \$142 million (2007 - \$85 million) and a net liability of \$654 million (2007 - \$577 million) to counterparties.

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.

Derivative Portfolio

The table below presents a maturity schedule of the Government’s derivatives, by type, outstanding at March 31, 2008, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value As at March 31, 2008					Contract Notional Amount (\$ millions)	
	Maturity in Fiscal Year				2008	2007
	2009	Next 2 – 5 Years	Next 6 – 10 Years			
Derivatives						
Interest rate swaps	829	6,129	7,685	8,025	22,668	20,662
Cross currency swaps *	806	1,476	1,969	2,379	6,630	7,187
Forward foreign exchange contracts	105	-	208	-	313	339
	<u>1,740</u>	<u>7,605</u>	<u>9,862</u>	<u>10,404</u>	<u>29,611</u>	<u>28,188</u>

*Note: Includes any interest rate component of the cross currency swap.

14. SIGNIFICANT TRANSACTIONS WITH GOVERNMENT BUSINESS ENTERPRISES

A. Accounts Receivable

Amounts receivable includes receivables from government business enterprises as reported in Schedule 1.

Loans and advances to government business enterprises are reflected in Schedule 2.

B. Borrowings

Borrowings include \$406 million (2007 - \$380 million) owed to Manitoba Public Insurance Corporation (MPIC) relating to the capital financing of school board and health care facilities, \$134 million (2007 - \$86 million) payable to Manitoba Opportunities Fund Ltd, and \$nil (2007 - \$45 million) owed to Manitoba Liquor Control Commission. Borrowings also include debt in the amount of \$321 million (2007 - \$270 million) and \$109 million (2007 - \$83 million) owed to MPIC and Manitoba Hydro-Electric Board respectively, related to the financing of other government programs.

These borrowings are repayable over a term from 2009 to 2038 at varying interest rates ranging from 4.30% to 12.25%.

C. Accounts Payable

Accounts payable to government business enterprises are reported in Schedule 6.

D. Water Power Rentals

Water power rental fees charged to the Manitoba Hydro-Electric Board (Hydro), in the amount of \$117 million (2007 - \$106 million), are included in the Statement of Revenue and Expense under the Manitoba Collections 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 Hydro's hydro-electric generating stations.

E. Fees and Government Guarantees

The Manitoba Hydro-Electric Board (Hydro) remitted \$73 million (2007 - \$71 million) to the Government based on the Hydro debt that is guaranteed by the Government. The fees are included in the Statement of Revenue and Expense under the Operating Expenses category as a reduction of debt servicing expense as

disclosed in Note 8.

F. Driver Licensing Operations

The Government, by agreement, paid \$21 million (2007 - \$21 million) to Manitoba Public Insurance Corporation (MPIC) for the management and administration of driver licensing. MPIC, on behalf of the Government, collected driver licensing fees totalling \$22 million (2007 - \$17 million) and motor vehicle registration fees totalling \$103 million (2007 - \$100 million).

The fees received by the Government are included in the Statement of Revenue and Expense under the Manitoba Collections category.

G. Other Revenue

Under *The Workplace Safety and Health Act* of Manitoba, the Workers Compensation Board supports the administrative expenses incurred by the Government's Department of Labour and Immigration for the Workplace Safety and Health program and the Worker Advisor Office. The amount for the year ended March 31, 2008 was \$8 million (2007 - \$7 million).

Manitoba Hydro-Electric Board paid Corporation Capital Tax of \$41 million for the year ended March 31, 2008 (2007 - \$39 million).

These amounts received by the Government are included in the Statement of Revenue and Expense under the Manitoba Collections category.

15. COMPARATIVE FIGURES

Certain of the 2007 financial statement figures have been reclassified to be consistent with the 2008 presentation.

AMOUNTS RECEIVABLE

SCHEDULE 1

As at March 31, 2008

(\$ millions)

	2008	2007
Taxation Revenue:		
Corporation Capital Tax.....	6	5
Corporation Income Tax.....	53	51
Gasoline Tax.....	14	13
Levy for Health and Education.....	30	31
Individual Income Tax.....	144	133
Insurance Corporations Tax.....	16	15
Motive Fuel Tax.....	11	9
Oil and Natural Gas Tax.....	1	1
Retail Sales Tax.....	135	126
Tax Administration and Miscellaneous Taxes.....	9	8
Tobacco Tax.....	17	15
	<u>436</u>	<u>407</u>
Government of Canada and Other Governments:		
Shared-Cost Programs/Agreements.....	182	151
Canada Health and Social Transfers.....	12	10
	<u>194</u>	<u>161</u>
Interest Income:		
Province of Manitoba Sinking Fund.....	17	23
Other Investments.....	6	8
	<u>23</u>	<u>31</u>
Crown Organizations and Government Business Enterprises:		
Manitoba Agricultural Services Corporation.....	15	2
Manitoba Floodway Authority.....	18	13
Manitoba Health Services Insurance Plan.....	2	-
Manitoba Hydro-Electric Board.....	10	8
Manitoba Liquor Control Commission.....	41	24
Manitoba Lotteries Corporation.....	2	11
Manitoba Public Insurance Corporation.....	9	6
Regional Health Authorities.....	20	20
Special Operating Agencies.....	5	1
	<u>122</u>	<u>85</u>
Other:		
Health Care Facilities Sinking Funds	14	13
Social Allowance.....	16	16
Sundry Departmental Revenue.....	74	69
Sundry.....	3	1
	<u>107</u>	<u>99</u>
Amounts Receivable Before Valuation Allowance	882	783
Less: Valuation Allowance	70	77
Amounts Receivable	<u>812</u>	<u>706</u>

LOANS AND ADVANCES

SCHEDULE 2

As at March 31, 2008

(\$ millions)

	Crown Organizations and Government Business Enterprises	Other (Note Below)	2008 Total	2007 Total
Due 1 Year or Less.....	1,023	69	1,092	316
Due Over 1 Year.....	7,269	-	7,269	7,547
Total.....	8,292	69	8,361	7,863
Less: Valuation Allowance.....	316	15	331	342
	7,976	54	8,030	7,521
Less: Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....	7,322	-	7,322	6,837
Net.....	654	54	708	684

The Crown organizations and Government business enterprises loans and advances portfolio is due in varying annual amounts to the year 2031, bearing interest rates from nil to 13.375%.

Note:

Environmental improvement loan, due in varying amounts to the year 2009, bearing no interest and guaranteed by an irrevocable letter of credit	7	12
Advances to Manitoba Potash Corporation, repayable on the Corporation generating revenue or the sale of the Province's interest, bearing interest at prime less .75%	4	4
Student loans, payment and interest free until 6 to 12 months past the completion of studies, due 114 to 174 months after that time, carrying interest at prime plus 2.5%	35	33
Community work program loans, repayable at the end of the 5 to 10 year term, bearing no interest	3	3
Advances to provide health care agencies with interim funding to meet daily operating expenses related to operations, repayable when no longer needed, bearing no interest	19	16
Miscellaneous	1	1
	69	69

LONG-TERM INVESTMENTS

SCHEDULE 3

As at March 31, 2008

(\$ millions)

	Crown Organizations	Other	2008 Total	2007 Total
Shares:				
Common.....	9	5	14	14
Preferred.....	2	4	6	6
Special.....	-	2	2	2
Debentures.....	1	-	1	1
	<u>12</u>	<u>11</u>	<u>23</u>	<u>23</u>
Less: Valuation Allowance.....	12	11	23	23
Net.....	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**AMOUNTS HELD IN TRUST
FOR INVESTMENT OR ADMINISTRATION
AND TRUST ASSETS**

SCHEDULE 4

As at March 31, 2008

(\$ millions)

2008 2007

AMOUNTS HELD IN TRUST

Government Business Enterprises.....	3,049	2,728
Crown Organizations.....	761	439
Fiduciary and Other Government Related Trusts.....	<u>83</u>	<u>109</u>
	<u><u>3,893</u></u>	<u><u>3,276</u></u>

TRUST ASSETS

Cash and Cash Equivalents.....	1,324	693
Funds on Deposit for Investment and Administration.....	<u>2,569</u>	<u>2,583</u>
	<u><u>3,893</u></u>	<u><u>3,276</u></u>

Note a: The Government also provides a safekeeping and custodial service for various departments, agencies, boards and commissions. In this capacity, it holds custodial trust funds in the amount of \$108 million (2007 - \$108 million) in the form of bonds and other securities, and title to tangible capital assets in trust in the amount of \$78 million (2007 - \$72 million). These amounts are not reflected in the above numbers.

Note b: The Federal Government, through agreements with the Province, has agreed to transfer public transit funds and Federal gas tax revenues for the purpose of making a transformative difference in the sustainability and future prosperity of cities and communities in Manitoba. The Province has agreed to administer these funds on behalf of the Federal Government. In this administrative role, the Government allocates funds to the eligible recipients in accordance with prescribed formulas and conditions within the agreements. As at March 31, 2008, these funds held in trust for administration amounted to \$1 million (2007 - \$33 million).

SCHEDULE OF BORROWINGS

SCHEDULE 5

As at March 31, 2008
(\$ millions)

Fiscal Year of Maturity	Bonds and Debentures		Canada Pension Plan	Loans Payable	Promissory Notes and Treasury Bills	Totals	
	Cdn	US	Cdn		Cdn	2008	2007
2008.....	-	-	-	-	-	-	1,941
2009.....	1,909	253	106	-	850	3,118	2,319
2010.....	967	408	115	-	-	1,490	1,376
2011.....	1,106	463	103	-	-	1,672	1,300
2012.....	1,236	-	104	-	-	1,340	1,340
2013.....	364	-	154	-	-	518	343
2008-2013.....	<u>5,582</u>	<u>1,124</u>	<u>582</u>	<u>-</u>	<u>850</u>	<u>8,138</u>	<u>8,619</u>
2014-2018.....	5,096	862	-	-	-	5,958	5,527
2019-2028.....	2,542	720	15	-	-	3,277	2,892
2029-2044.....	4,066	-	-	-	-	4,066	2,913
2009-2028 Government Business Enterprises (Note 14B).....	-	-	-	406	-	406	425
2009-2026 Health Care Facilities.....	-	-	-	250	-	250	198
2009-2016 Government of Canada (Note 12).....	-	-	-	92	-	92	106
2008-2044.....	<u>11,704</u>	<u>1,582</u>	<u>15</u>	<u>748</u>	<u>-</u>	<u>14,049</u>	<u>12,061</u>
Total Borrowings.....	<u>17,286</u>	<u>2,706</u>	<u>597</u>	<u>748</u>	<u>850</u>	<u>22,187</u>	<u>20,680</u>
Reduced by:							
Debt incurred for and repayable by The Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation.....						(7,322)	(6,837)
Province of Manitoba debt issues held as investments in sinking funds and in cash and cash equivalents.....						(1,628)	(1,626)
Unamortized Debt Issue Costs.....						(23)	(16)
Unamortized Foreign Currency Fluctuation.....						(67)	(73)
						<u>13,147</u>	<u>12,128</u>
Total borrowings payable in:			March 31/08 Cdn \$ Valuation (See Notes)	March 31/07 Cdn \$ Valuation (See Notes)			
Canadian dollars			16,297	14,394			
Foreign issues hedged to Canadian dollars			3,184	3,482			
U.S. dollars			2,162	2,194			
Foreign issues hedged to U.S. dollars			544	610			
Total borrowings			<u>22,187</u>	<u>20,680</u>			

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 three categories:

- i) Fixed with rates ranging from 3.25% to 11.33%.
- ii) Floating Canadian - Bankers Acceptance (BA) setting, established quarterly or monthly, with the lowest rate currently set at 3.35% and the highest set at 6.91% as at March 31, 2008.
- iii) Floating U.S. - U.S. Dollar London Interbank Offering Rate (LIBOR) setting, established quarterly, with the lowest rate currently set at 2.54% and the highest set at 2.83% as at March 31, 2008.

**ACCOUNTS PAYABLE, ACCRUED CHARGES,
PROVISIONS AND DEFERRALS**

SCHEDULE 6

As at March 31, 2008

(\$ millions)

	2008	2007
Accounts Payable.....	644	441
Crown Organizations and Government Business Enterprises:		
Communities Economic Development Fund.....	2	2
Crown Organizations - Severance Liability.....	131	131
Crown Organizations - Vacation Liability.....	139	139
Manitoba Agriculture Services Corporation.....	1	1
Manitoba Floodway Authority.....	6	-
Manitoba Health Services Insurance Plan.....	-	152
Public Schools Finance Board.....	7	7
Special Operating Agencies.....	7	7
	<u>293</u>	<u>439</u>
Accrued Charges:		
Interest Accrued on Provincial Borrowings and Trust Funds.....	271	252
Agrinvest.....	14	-
Canadian Agricultural Income Stabilization Program.....	84	82
Compensation for Victims of Crime.....	21	20
Disaster Assistance.....	3	6
Environmental Liabilities (Note 1C.v.4).....	158	165
Fairford First Nation.....	8	7
Flood Claims.....	16	18
Hepatitis C Assistance.....	5	5
Infrastructure Works Program.....	15	14
Land Acquisition Claims.....	2	2
Long-Term Disability Income Plan (Note 1C.v.2).....	25	22
MAFRI Farmland Rebate.....	5	3
Manfor Ltd. Divestiture.....	1	1
Municipal Assistance Program.....	1	1
Salaries and Benefits.....	88	78
Salaries and Benefits - Severance (Note 1C.v.2).....	102	101
Tripartite Land Assembly Program.....	3	3
VLT Grants Payable.....	1	-
Workers Compensation Board Claims.....	15	13
Other.....	3	4
	<u>841</u>	<u>797</u>
Provision for Future Losses on Guarantees (Note 1C.v.3).....	8	9
Deferred Revenue		
Cottage Lots.....	10	9
Government of Canada - Advances re: Shared Cost Programs Not Yet Claimed.....	6	13
Prepaid Settlement of Interest.....	72	75
Vehicle Registration.....	46	44
Other.....	2	3
	<u>136</u>	<u>144</u>
	<u>1,922</u>	<u>1,830</u>

TANGIBLE CAPITAL ASSETS
For the Year Ended March 31, 2008
(\$ millions)

SCHEDULE 7

	General Capital Assets					Infrastructure				Totals	
	Land	Buildings and Leasehold Improvements	Vehicles and Equipment	Computer Hardware and Software	Assets Under Construction	Land and Land Improvements	Transportation	Dams and Water Management Structures	Assets Under Construction	2008	2007
Cost											
Opening costs	15	376	174	292	44	221	2,032	86	240	3,480	3,129
Restatement of prior period (Note 7)				(12)						(12)	-
Opening costs restated	15	376	174	280	44	221	2,032	86	240	3,468	3,129
Add:											
Additions during the year	-	8	18	12	56	3	199	-	202	498	353
Less:											
Disposals and write downs	-	(3)	(1)	(34)	(1)	-	-	-	-	(39)	(2)
Settlements and reclassifications	-	11	9	6	(18)	1	7	1	(17)	-	-
Closing costs	15	392	200	264	81	225	2,238	87	425	3,927	3,480
Accumulated amortization											
Opening accumulated amortization	-	213	99	124	-	32	1,010	54	-	1,532	1,424
Restatement of prior period (Note 7)				(5)						(5)	-
Opening accumulated amortization restated	-	213	99	119	-	32	1,010	54	-	1,527	1,424
Add:											
Amortization	-	7	9	20	-	2	73	2	-	113	108
Amortization charged to SOAs	-	-	-	2	-	-	-	-	-	2	2
Less:											
Disposals and write downs	-	-	(1)	(23)	-	-	-	-	-	(24)	(2)
Closing accumulated amortization	-	220	107	118	-	34	1,083	56	-	1,618	1,532
Net Book Value of Tangible Capital Assets	15	172	93	146	81	191	1,155	31	425	2,309	1,948

During the year the Province capitalized \$6.0 million of interest relating to assets under construction (2007 - \$2.0 million).

PENSION LIABILITY

SCHEDULE 8

As at March 31, 2008

	Civil Service Plan	Teachers' Plan	Other Plans (Note A)	(\$ millions)	
				Total 2008	Total 2007
ACCRUED BENEFIT OBLIGATION					
Obligation at beginning of year as previously reported.....	3,765	4,761	88	8,614	8,114
Restatement (Note B).....	-	31	-	31	-
Obligation at beginning of year as restated.....	3,765	4,792	88	8,645	8,114
Benefits accrued.....	143	143	9	295	325
Interest cost on benefit obligation.....	249	304	5	558	523
Change in actuarial (gains) losses and reserves..	(8)	86	-	78	80
Plan amendment (Note C).....	-	58	-	58	-
Benefits paid.....	(174)	(260)	(8)	(442)	(430)
Obligation at end of year.....	<u>3,975</u>	<u>5,123</u>	<u>94</u>	<u>9,192</u>	<u>8,612</u>
PLAN ASSETS					
Plan assets at beginning of year.....	2,140	2,746	32	4,918	4,395
Return on plan assets.....	81	134	1	216	616
Employer contributions.....	85	130	6	221	207
Employee contributions.....	59	66	4	129	131
Benefits paid.....	(174)	(260)	(8)	(442)	(430)
Plan assets at end of year.....	<u>2,191</u>	<u>2,816</u>	<u>35</u>	<u>5,042</u>	<u>4,919</u>
PENSION LIABILITY					
Plan deficit.....	1,784	2,307	59	4,150	3,693
Unamortized net actuarial (gains) losses.....	77	(150)	2	(71)	11
Surplus adjustments (Note D).....	38	333	1	372	455
Pension Liability.....	<u>1,899</u>	<u>2,490</u>	<u>62</u>	<u>4,451</u>	<u>4,159</u>
PENSION EXPENSE					
Defined benefit pension plan expense					
Benefits accrued.....	62	66	9	137	129
Interest cost on benefit obligation.....	126	159	5	290	272
Return on plan assets.....	-	-	(1)	(1)	(4)
Amortization of net actuarial (gains) losses.....	(5)	9	(1)	3	3
Plan amendment (Note C).....	-	58	-	58	-
Defined benefit pension plan expense.....	<u>183</u>	<u>292</u>	<u>12</u>	<u>487</u>	<u>400</u>

Note A: 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: Increase in liability due to 2005 plan amendment to increase teacher contribution rate from 5.7% to 6.8% on earnings up to Yearly Maximum Pensionable Earnings (YMPE) and from 7.3% to 8.4% on earnings in excess of YMPE. This change increases the funding to the Pension Adjustment Account (PAA) resulting in greater post-retirement indexing.

Note C: As a result of the plan amendment the methodology of crediting investment income to the PAA was changed. This change is expected to increase the investment income credited to the PAA and the post-retirement indexing.

Note D: The Government does not recognize pension plan surpluses because of its inability to access these funds; therefore, adjustments are made to reduce these surplus amounts to \$nil. These pension surpluses represent the excess of the plan assets funded by employees over the employees' share of the accrued benefit obligation.

SCHEDULE 8
(cont'd)

	Civil Service Plan	Teachers' Plan	Other Plans	2008 Total	2007 Total
MEMBER DATA					
Defined benefit pension plan					
Number of active and deferred members.....	29,700	20,900	347	50,947	50,648
Number of pensioners.....	14,600	11,100	311	26,011	24,903
Total number of plan members.....	<u>44,300</u>	<u>32,000</u>	<u>658</u>	<u>76,958</u>	<u>75,551</u>

ACTUARIAL ASSUMPTIONS

Discount rate on accrued benefits.....	6.50%	6.25%/6.50%	5.00 & 6.00%
Expected long-term rate of return.....	6.50%	6.25%/6.50%	5.00 & 6.00%
Inflation.....	2.50%	2.50%	2.00 & 2.75%
Real rate of return.....	4.00%	3.75%/4.00%	3.00 & 4.00%
Rate of salary increase.....	3.25%	3.00%	3.00 & 3.50%
Latest valuation.....	Dec 2004	Jan 2006	(Note F)

AMORTIZATION PERIOD (Note E)

Actuarial gains or losses for:			
Accrued Benefit Obligation.....	15 years	12.5 years	8 - 10 years
Plan assets.....	5 years	5 years	

Note E: Actuarial gains and losses for accrued benefit obligation are amortized over expected average remaining service life, while those for plan assets are amortized over a moving average period of five years.

Note F: Latest actuarial valuation report dates for the other plans are as follows:

- Members of Legislative Assembly Pension Plan..... Mar 2007
- Legislative Assembly Pension Plan..... Mar 2007
- Judges' Supplemental Pension Plan..... Mar 2003
- Winnipeg Child and Family Services
Employee Benefits Retirement Plan..... Dec 2006

Note G: The Government has set aside pension assets, totaling \$2,242 at March 31, 2008 (2007 - \$699 million), for the future retirement of its pension liability as disclosed in Note 3A. As at March 31, 2008, these pension assets represent 50% (2007 - 17%) of the pension liability.

SCHEDULE 9

OPERATING FUND REVENUE AND EXPENSE

For the Year Ended March 31, 2008

	(\$ millions)		
	2008	2008	2007
	Budget Estimate (Note 9)	Actual	Actual
OPERATING FUND REVENUE			
Manitoba Collections:			
Retail Sales Tax.....	1,327	1,391	1,277
Fuel Taxes.....	232	248	241
Levy for Health and Education.....	329	341	318
Mining Tax.....	107	100	96
Other Taxes.....	557	562	554
Fees and Other Revenue.....	400	417	388
Income Taxes:			
Corporation Income Tax.....	279	367	311
Individual Income Tax.....	2,159	2,285	2,130
Federal Transfers:			
Equalization.....	1,826	1,826	1,709
Federal Bills.....	-	42	49
Canada Health Transfer.....	807	817	773
Canada Social Transfer.....	341	347	335
EcoTrust Fund.....	54	54	-
Child Care.....	9	9	24
Health Funds.....	47	46	17
Infrastructure Renewal.....	46	-	-
Manitoba Floodway Expansion.....	100	74	72
Other Shared Cost and Transfers.....	172	168	143
Crown Organizations.....	510	537	511
TOTAL OPERATING FUND REVENUE.....	9,302	9,631	8,948
OPERATING FUND EXPENSES			
Health.....	3,921	3,932	3,673
Education.....	1,841	1,882	1,774
Family Services and Housing.....	1,157	1,135	1,052
Community, Economic and Resource Development.....	1,350	1,384	1,301
Justice and Other Government.....	746	808	667
Net Debt Servicing (Note 8).....	276	252	261
	9,291	9,393	8,728
Less: Budgeted Underexpenditure.....	65	-	-
TOTAL OPERATING FUND EXPENSES (Schedule 10).....	9,226	9,393	8,728

OPERATING FUND EXPENSE BY TYPE

SCHEDULE 10

For the Year Ended March 31, 2008

(\$ millions)

	2008	2007
Personnel Services.....	936	881
Grants/Transfer Payments.....	6,406	5,921
Transportation.....	58	59
Communications.....	31	32
Supplies and Services.....	389	347
Social Assistance Related.....	793	740
Other Operating.....	275	250
Net Debt Servicing - General (Note 8).....	252	261
- Departments (Note 8).....	121	108
Minor Capital.....	19	21
Amortization.....	113	108
	<u>9,393</u>	<u>8,728</u>

CHANGES IN OTHER SPECIAL FUNDS

SCHEDULE 11

For the Year Ended March 31, 2008

	(\$ millions)				
	Mining Community Reserve	Quarry Rehabilitation Reserve Fund	Other Funds	Total 2008	Total 2007
Surplus, Beginning of Year.....	15	6	4	25	22
Revenue.....	1	2	11	14	8
Expenses.....	1	1	3	5	6
Net Revenue over Expenses.....	-	1	8	9	2
Transfers in.....	1	-	-	1	1
Net Result for the Year.....	1	1	8	10	3
Surplus, End of Year.....	16	7	12	35	25