

Crown Corporations Council
A Manitoba Crown Corporation

Fourth Quarter Report 2004

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Crown Corporations Council

*Fourth Quarter Report
For the Three Months Ended December 31,
2004*

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March 30, 2005

The Honourable Gregory Selinger
Minister responsible for
Crown Corporations Council
103 Legislative Building
WINNIPEG, Manitoba
R3C 0V8

Dear Minister:

The Council is required under the Crown Corporations Public Review and Accountability Act to provide a quarterly report. Enclosed is the Report for the three months ended December 31, 2004.

Yours truly,

ORIGINAL SIGNED BY
Arthur V. Mauro
Chairman

Activities of the Council During the Quarter

Manitoba Liquor Control Commission made a presentation to Council. The presentation focused on strategic issues and corporate performance.

Strategic Planning and Priorities

Council commenced its strategic planning for the period 2005 – 2007. As part of a unique relationship with the commercial Crowns, Council, through cooperation, has facilitated the development of mandates, statements of purpose and performance criteria.

The Crown corporations for the most part now have well established governance, performance systems and current business practices that are appropriate for their commercial activities. The regulatory reviews of auto insurance and utility rates consider the costs of those activities.

For 2005 -2007, Council has identified three areas of importance to Ministers in providing ownership direction to the Crowns. These are:

- Ministerial direction and expectations with regard to commercial goals and performance,
- full disclosure by the Crown Board and management to the Minister, and
- determining the level of risk appropriate for the Crown.

Council will engage Ministers to raise awareness and understanding of these issues.

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Council staff will assist through monitoring, reports and reviews. Monitoring is our ongoing review of Crown material and third party decisions and reports. It reflects progress to plan by the Crowns, is routine and systematically collected. Staff reports will support issue identification, standards/criterion and comments on the Crowns' actions in the achievement of their duties. Reports will focus on the following duties under the Crown Corporations Public Review and Accountability Act:

- Mandate,
- Purpose,
- Performance, and
- Long term plans.

Staff Reports

Staff reports on Manitoba Hydro and Manitoba Liquor Commission were completed. In the case of Hydro, work highlighted Manitoba Hydro's mandate, demand side management programming, resource plans and risk management. Risk remains unchanged since our previous report.

Regarding the Manitoba Liquor Control Commission work highlighted sustainable financial targets and Manitoba microbreweries. Risk has not materially changed since our previous report.

Submissions to Council

During the reporting period, no submissions were made to Council.

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Overview

Crown Corporations Council
Financial Statements
For the Year Ended December 31, 2004 (unaudited)

Operating expenses are recovered from the Crown corporations through assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred.

Expenses for the year ended December 31, 2004 increased by \$54 thousand compared to the same period last year. The increase is primarily attributable to general salary increases and vacation accrual and higher depreciation related to the purchase of a new computer system.

Balance Sheet
(unaudited)

	December 31	
	2004	2003
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 384	\$ 465
Accounts receivable	6	7
	390	472
Capital assets (note 4)	35	5
	\$ 425	\$ 477
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 71	\$ 56
Levies received in advance	140	146
Due to Manitoba Crown corporations (note 3)	76	195
	287	397
Retirement allowances and other benefits payable (notes 2 (d) and 5)	103	75
	390	472
Reserve reflecting net investment in capital assets	35	5
	\$ 425	\$ 477

**Statement of Income and Reserve
Reflecting Net Investment in Capital Assets
(unaudited)**

	Year Ended December 31	
	2004	2003
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 711	\$ 623
Interest	5	7
	<hr/>	<hr/>
	716	630
Expenses	<hr/>	<hr/>
	686	632
Excess (deficit) of income over expenses	\$ 30	\$ (2)
Reserve reflecting net investment in capital assets, beginning of period	<hr/>	<hr/>
	5	7
Reserve reflecting net investment in capital assets, end of period	<hr/> <hr/>	<hr/> <hr/>
	\$ 35	\$ 5

1. Nature of organization

The Crown Corporations Council (the "Council") is a body corporate established on June 5, 1989 under the Crown Corporations Public Review and Accountability Act.

The mandate of the Council is to facilitate clear mandates, development of performance measures and consistent practices and to review corporate plans of Crown corporations under its purview.

2. Significant accounting policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Outlined below are those principles considered particularly significant for the Council.

a) Recoveries of expenses from Crown corporations

Operating expenses are recovered from the Crown corporations through the assessment of levies allocated on a pro rata basis determined by the revenues of each Crown corporation. The levies are recognized in these financial statements at the time the related costs are incurred. In addition, certain direct costs incurred on behalf of particular corporations are recovered directly from the respective Crown corporations.

b) Reserve reflecting the net investment in capital assets

The purchase of capital assets is funded through operating expense levies assessed to Crown corporations. The reserve reflects levies assessed to the Crown corporations with respect to the Council's capital assets.

c) Capital Assets

Capital assets are recorded at cost. Depreciation is provided on a straight line basis over five years on the office furniture and equipment and over three years on the computer equipment.

d) Retirement allowances

Retirement allowances are provided to certain qualifying employees. The costs of benefits earned by employees are charged to expenses as services are rendered. The cost reflects management's best estimates of the length of service, salary increases and ages at which employees will retire. In addition, adjustments arising from plan amendment, changes in assumptions, experience gains and losses, and the actuarial present value of the accrued entitlement as at January 1, 2000 are being amortized to expenses on a straight line basis over the expected average remaining service life of the employee group. The unamortized balance of the January 1, 2000 actuarial present value of the accrued entitlement is \$25,400 at December 31, 2004 (2003 - \$29,000).

3. Due to Manitoba Crown corporations

These amounts represent a retroactive adjustment to levies based on Council's actual expenses.

4. Capital assets

These are comprised entirely of office furniture and equipment and computer equipment.

	December 31	
	2004	2003
	(in thousands of dollars)	
Cost		
Office furniture and equipment	\$61	\$58
Computer equipment	<u>46</u>	<u>56</u>
	\$107	\$114
Accumulated depreciation		
Office furniture and equipment	56	54
Computer equipment	<u>16</u>	<u>55</u>
	<u>72</u>	<u>109</u>
Net book value	<u>\$ 35</u>	<u>\$ 5</u>

5. Pension costs and obligations

Employees of the Council are provided pension benefits by the Civil Service Superannuation Fund ("the Fund"). Under paragraph 6 of the Civil Service Superannuation Act, the Council is described as a "matching employer" and its contribution toward the pension benefits is limited to matching the employees' contributions to the Fund. In addition, one employee is entitled to enhanced pension benefits. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost reflects management's best estimate of salary increases and the age at which the employee will retire.

6. Lease commitments

The Council is committed under a premises lease expiring on April 30, 2005 to annual basic rental payments of approximately \$32,400 and annual common area and operating costs of approximately \$30,700. Council has entered into a new premises lease for a five year period, May 1, 2005 to April 30, 2010.

The lease payments excluding annual common area and operating costs are as follows:

<u>Year</u>	<u>Base Rent</u>
2005	\$34,376
2006	\$35,379
2007	\$35,379
2008	\$35,379
2009	\$35,379
2010	\$11,793

7. Statement of cash flows

A statement of cash flows has not been presented in these financial statements as no additional useful information would be provided by its inclusion.