

**Crown Corporations Council**  
*A Manitoba Crown Corporation*

**First Quarter Report 2005**

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# **Crown Corporations Council**

*First Quarter Report  
For the Three Months Ended March 31, 2005*

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<b>Table of Contents</b>	<b>Page</b>
<b>Transmittal Letter</b>	
<b>Activities of the Council During the Quarter</b>	<b>1</b>
<i>Report on Crown Corporations 2005/06 Capital     Expenditure Programs</i>	1
<i>Staff Reports</i>	2
<b>Submissions to Council</b>	
<b>Overview - Crown Corporations Council Financial Statements</b>	<b>3</b>
<b>Financial statements for the three month period ended March 31, 2005 (unaudited)</b>	<b>4</b>

May 26, 2005

The Honourable Gregory Selinger  
Minister responsible for  
Crown Corporations Council  
103 Legislative Building  
WINNIPEG, Manitoba  
R3C OV8

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 March 31, 2005.

Yours truly,

ORIGINAL SIGNED BY  
Arthur V. Mauro  
Chairman

## **Activities of the Council During the Quarter**

### **Review of Crown Corporations 2005/06 Capital Expenditures**

Council completed its annual review of the Crown corporations' capital expenditure programs. Total capital expenditures of \$714 million are budgeted by the Crowns for fiscal year ending 2005/06. Manitoba Hydro's capital budget of \$645 million comprises the most significant portion of the capital expenditures.

Hydro's 2005/06 capital program is consistent with its mandate and strategic plan. It is aligned to its budgeting and performance management system and targets. Major items in the program include those required to maintain system reliability, public safety, service, environmental principles and export sale commitments.

The Corporation faces a variety of risks in fulfilling its mandate to serve customers in the most reliable, safe and efficient way. Reduced spending in areas of reliability and safety has associated risk that would increase over time. Appropriate levels of expenditures are necessary to ensure Hydro's levels of reliability and safety are maintained both for domestic purposes and export sales. In addition, reliability rules are expected to become mandatory and enforceable throughout North America since the 2003 blackout demonstrated that existing voluntary compliance is no longer sufficient.

A significant portion of the program relates to new generation and transmission development and planning costs for Gull and Conawapa. Wuskwatim is undergoing the final stages of approval with construction start up targeted for 2005.

**Crown Corporations Council**  
*First Quarter Report 2005*

---

2

Overall, the 2005/06 capital expenditures reviewed are consistent with the Crowns' mandates, corporate plans and strategies and in most cases reflect replacement, maintenance of business, customer growth needs and safety, legal and environmental related expenditures.

Based on the capital budget information provided by the Crowns, no major factors were identified that reflect significant risk for each Crown.

*Staff Reports*

A staff report on Communities Economic Development Fund was completed. The report outlined best practices related to Board composition and Audit Committees. Risk has not materially changed since our previous report.

**Submissions to Council**

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

**Crown Corporations Council**  
*First Quarter Report 2005*

3

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**Overview**

**Crown Corporations Council**

**Financial Statements**

**For the Three Months Ended March 31, 2005**

**(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 three month period increased by \$7 thousand compared to the same period last year. The increase is primarily attributable to general salary increases, board remuneration and expenses due to filling of vacant positions and higher depreciation related to the purchase of a new computer system.

**Balance Sheet**  
(unaudited)

	March 31	
	2005	2004
	(thousands of dollars)	
<b>Assets</b>		
<b>Current</b>		
Cash	\$ 393	\$ 448
Accounts receivable	\$ -	1
	393	449
<b>Capital assets</b> (note 2)	31	5
	\$ 424	\$ 454
<b>Liabilities and Reserve Reflecting Net Investment in Capital Assets</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 71	\$ 67
Levies received in advance	140	119
Due to Manitoba Crown corporations	79	188
	290	374
<b>Retirement allowances and other benefits payable</b>	103	75
	393	449
<b>Reserve reflecting net investment in capital assets</b>	31	5
	\$ 424	\$ 454

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

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	Three Months Ended March 31	
	2005	2004
	(thousands of dollars)	
<b>Income</b>		
Recoveries from corporations through levies	\$ 159	\$ 154
Interest	1	2
	<hr/>	<hr/>
	160	156
<b>Expenses</b>	<hr/>	<hr/>
	164	157
<b>Excess (deficit) of income over expenses</b>	\$ (4)	\$ (1)
<b>Reserve reflecting net investment in capital assets, beginning of period</b>	<hr/>	<hr/>
	35	5
<b>Reserve reflecting net investment in capital assets, end of period</b>	<hr/> <hr/>	<hr/> <hr/>
	\$ 31	\$ 4

**Notes to Financial Statements**  
**March 31, 2005**

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**1. 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.

**2. Capital assets and depreciation policy**

These are comprised of office furniture and equipment and computer equipment:

	March 31	
	2005	2004
	(in thousands of dollars)	
Cost		
Office furniture & equipment	\$61	\$58
Computer equipment	46	56
	<u>\$107</u>	<u>\$114</u>
Accumulated Depreciation		
Office furniture & equipment	56	54
Computer equipment	20	55
	<u>76</u>	<u>109</u>
Net Book Value	<u>\$31</u>	<u>\$5</u>

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.

**3. 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.