
Crown Corporations Council

A Manitoba Crown Corporation

First Quarter Report 2006

Crown Corporations Council First Quarter Report 2006

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Crown Corporations Council First Quarter Report 2006

June 28, 2006

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 March, 2006.

Yours truly,

ORIGINAL SIGNED BY

Raymond Poirier

Chair

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Activities of the Council During the Quarter

Review of Crown Corporations 2006/07 Capital Expenditures

Council completed its annual review of the Crown corporations' capital expenditure programs. Total capital expenditures of \$759 million are budgeted by the Crowns for fiscal year ending 2006/07. Manitoba Hydro's capital budget of \$677 million comprises the most significant portion of the capital expenditures.

Hydro's 2006/07 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.

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 2006.

Overall, the 2006/07 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.

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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.

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Overview

Crown Corporations Council

Financial Statements

For the Three Months Ended March 31, 2006 (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 were consistent with the same period last year.

Balance Sheet
(unaudited)

	March 31	
	2006	2005
	(thousands of dollars)	
Assets		
Current		
Cash	\$ 451	\$ 393
Accounts receivable	6	-
	<u>457</u>	<u>393</u>
Capital assets (note 2)	16	31
	<u>\$ 473</u>	<u>\$ 424</u>
Liabilities and Reserve Reflecting Net Investment in Capital Assets		
Current		
Accounts payable and accrued liabilities	\$ 72	\$ 71
Levies received in advance	183	140
Due to Manitoba Crown corporations	80	79
	<u>335</u>	<u>290</u>
Retirement allowances and other benefits payable	122	103
	<u>457</u>	<u>393</u>
Reserve reflecting net investment in capital assets	16	31
	<u>\$ 473</u>	<u>\$ 424</u>

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

	Three Months Ended March 31	
	2006	2005
	(thousands of dollars)	
Income		
Recoveries from corporations through levies	\$ 157	\$ 159
Interest	2	1
	<u>159</u>	<u>160</u>
Expenses	<u>163</u>	<u>164</u>
Excess (deficit) of income over expenses	\$ (4)	\$ (4)
Reserve reflecting net investment in capital assets, beginning of period	<u>20</u>	<u>35</u>
Reserve reflecting net investment in capital assets, end of period	<u>\$ 16</u>	<u>\$ 31</u>

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

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

	March 31	
	2006	2005
	(in thousands of dollars)	
Cost		
Office furniture and equipment	\$ 61	\$ 61
Computer equipment	<u>46</u>	<u>46</u>
	<u>\$107</u>	<u>\$107</u>
Accumulated depreciation		
Office furniture and equipment	\$ 58	\$ 56
Computer equipment	<u>33</u>	<u>20</u>
	<u>\$ 91</u>	<u>\$ 76</u>
Net book value	<u>\$ 16</u>	<u>\$ 31</u>

3. Retirement allowances and other employee future benefits

The Council provides retirement allowance and pension benefits to its employees. Retirement allowances are provided to certain qualifying employees. The benefits are provided under a final pay plan. The costs of benefits earned by employees are charged to expenses as services are rendered. The costs are actuarially determined using the projected benefit method and reflect 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, 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. Actuarial gains and losses are recognized in income immediately.

In addition, one employee is entitled to enhanced pension benefits. The plan is based on final pay and is indexed. The cost of the benefits earned by the employee is charged to expenses as services are rendered. The cost is actuarially determined using the projected benefit method and reflects management's best estimate of salary increases and the age at which the employee will retire.

4. 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.