

LAND
MANAGEMENT
SERVICES

ANNUAL REPORT
2004 - 2005

Manitoba 

A Special Operating Agency of
Manitoba Transportation and Government Services

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Letter to the Lieutenant Governor



MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

July 11, 2005

The Honourable John Harvard
Lieutenant Governor of Manitoba
Room 235, Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the honour of presenting the Annual Report of Land Management Services (LMS) for the fiscal year ended March 31, 2005.

LMS was involved in a wide array of projects, some highlights are; Right of Way acquisitions for #1 Highway in Headingly and Brandon, and Highway 59 South. These acquisitions encompass rural property, commercial frontage and specialty operations such as golf courses. Other examples include the appraisals of various buildings in Winnipeg and the sale of 599 Empress Street and 290 Drury Avenue. The Agency also undertook appraisals for a number of cottage lots and is currently working with the Manitoba Floodway Authority on the Floodway expansion.

As a Special Operating Agency, LMS has been commended for its past performances and achievements and continually strives to maintain its position as the government's supplier of choice for Centralized Real Estate Services.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "R. Lemieux".

Ron Lemieux
Minister Responsible for
Land Management Services Agency

Manitoba

Deputy Minister of
Government Services



332 Legislative Building
Winnipeg MB R3C 0V8

Telephone: (204) 945-4414
Facsimile: (204) 945-1857

July 11, 2005

Honourable Ron Lemieux
Minister Responsible for the
Land Management Services Agency
Manitoba Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit, for your consideration, the tenth Annual Report of the Land Management Services Agency for the fiscal year ended March 31, 2005.

The Agency continues to provide a variety of professional services to its clientele. The service delivery model is based on meeting client demands with quality services delivered in a timely and efficient method for land acquisition in support of government programs. The Agency also continued to meet financial expectations in the 2004/05 fiscal year operating under the Special Operating Agency (SOA) initiative.

I am pleased with the success of the Agency and encouraged by the commitment of its employees and the support of its stakeholders.

Respectfully submitted,

A handwritten signature in black ink that reads "Debra Woodgate".

Debra Woodgate
Chairperson of the
Land Management Services Advisory Board

Mission Statement

Land Management Services is committed to providing quality comprehensive land management services to various levels of Government Departments, Boards, Commissions, Corporations, Agencies and Clients.

Manitoba 

Message from the Chief Operating Officer

On behalf of the management and staff, I am pleased to report on the activities, challenges and opportunities of Land Management Services (LMS).

2004/2005 represents the tenth year of operations for LMS as a Special Operating Agency (SOA).

LMS continues to focus on succession planning and staffing as being critical to the Agency's performance and future.

Highlights of the Year:

The Agency's growth continues in the appraisal of high end, complex commercial and institutional properties such as the Prairie Production Centre, the A.A. Heaps Building and the downtown Princess Street Campus for Red River Community College.

Acquisition of right-of-way has decreased but has become much more focused and complex in areas such as PTH No. 1, between Winnipeg and Headingley and PTH No. 1, between 1st Street and 18th Street, Brandon, as well as PTH 59S. In total, 1,285 acres were purchased at a cost of \$3,700,000.00.

The Agency continues to provide appraisal services to Conservation in relation to the Cottage Lot Initiative and, in that regard, submitted a Policy Paper on the Appraisal of Crown Land Sales for the Lands Committee of Deputy Ministers .

LMS has also been providing consulting services to the Manitoba Floodway Authority and their consultants to better facilitate the acquisition process as well as working with Water Stewardship in other areas.

The Agency achieved significant gains in the Sales & Leasing Business Area from fees associated with the sale of several high value properties including 599 Empress, Winnipeg.

LMS continues to be an active participant in the Sustainable Development Initiative, and has increased the use of ethanol blended fuels to 83% of the total number of litres purchased, as well as using recycled ink cartridges. Shredded paper is recycled offsite and all photocopier paper purchased is 30% post consumer waste.

As the Chief Operating Officer, I commend my colleagues for their energy, ideas and resourcefulness in making the Agency a success.

Respectfully,



Rae P. Csversko
Chief Operating Officer, B.A., AACI, P.App

1 Agency Profile

1.1 Mandate

The Land Acquisition Branch was created in 1965 as part of the then Department of Public Works. The Land Acquisition Act was passed into law in the same year to bring consistency and uniformity to the process of real estate acquisition by Government. Part I of The Land Acquisition Act established the Land Acquisition Branch and Part II established the Land Value Appraisal Commission.

The Land Acquisition Branch was made responsible for the appraisal and acquisition of real property for Departments and Government Agencies, as well as the disposal of surplus buildings and land acquired on behalf of Government by the Branch.

The head office was decentralized to Portage la Prairie in April 1993 with regional offices continuing to be located in Dauphin and Brandon, with appraisers located in Winnipeg, Dauphin, Brandon, and Portage la Prairie.

Under the Act, the Minister responsible for the Branch is in charge of all matters relating to the acquisition of land or the expropriation of land by any authority. However, this does not include The Manitoba Agricultural Credit Corporation, The Manitoba Development Corporation or any utility.

1.2 Agency Development

In the mid to late 1950's, the Manitoba Government embarked on three of the largest land acquisition programs in Provincial history. Those projects involved the purchase of land for the Greater Winnipeg Floodway, Birds Hill Provincial Park and the Perimeter Highway around the City of Winnipeg.

The acquisition programs were undertaken by three separate provincial entities. The land for the Greater Winnipeg Floodway was acquired by a "Floodway Property Committee"; the land for Birds Hill Provincial Park was purchased by staff from the "Crown Lands" section of the then Department of Natural Resources; and the Perimeter Highway was purchased by staff in the "Right of Way" section of the Highways Branch of the then Department of Public Works.

As each acquisition program progressed, it was determined that there was little consistency in the compensation paid for comparable land, by each entity. In fact, in some cases, the Floodway and Perimeter Highway projects affected the same landowners. However, some of those owners received different compensation from each group for comparable land.

In an effort to bring consistency and uniformity to the process of real estate acquisition by Government, The Land Acquisition Act (the Act) was passed into law in 1965. The Legislation created The Land Acquisition Branch (the Branch) and The Land Value Appraisal Commission (the LVAC). The Branch was made responsible for negotiating all land purchases by the Provincial Government departments and agencies, with the exception of The Manitoba Agricultural Credit Corporation, and The Manitoba Development Corporation and utilities.

The Act established specific duties and functions to be followed by the Branch when purchasing land for Government purposes. The LVAC reviews all purchases and arbitrated compensation disagreements, to ensure all property owners received fair compensation.

It soon became evident that the new uniform procedures for purchasing land by Government developed a sense of trust in the minds of affected landowners, and produced a willingness to negotiate the sale of their property without the Government resorting to the more costly method of expropriating land for Provincial projects.

1 Agency Profile

Effective April 1, 1995, the Land Acquisition Branch, using the operating name of Land Management Services, was designated as a Special Operating Agency under the Special Operating Agencies Financing Authority Act, Cap.S185, C.C.S.M., and operates pursuant to a charter approved by the Lieutenant Governor in Council.

LMS continues to be part of Transportation and Government Services under the general direction of the Assistant Deputy Minister, Supply and Services Division, and the policy direction of the Deputy Minister of Government Services and the Minister of Transportation and Government Services. The operations of the Agency continue to be subject to relevant legislation, regulations, and administrative policy, except where specific exemptions have been provided for in its charter, to meet business objectives. LMS is economically dependent on the Province of Manitoba as it receives most of its revenues and all of its capital financing requirements from the Province.

The daily operations of LMS are managed by the Chief Operating Officer, who reports directly to the Assistant Deputy Minister of Supply and Services, a Division of Transportation and Government Services. The Chief Operating Officer provides quarterly financial reports, operational status reports, annual business plans and annual reports, to the Advisory Board for review and to the Minister for final approval.

The Advisory Board has commended the Agency for its past performance and achievements.

1 Agency Profile

1.3 Our Mission

To provide comprehensive land management services to various levels of governments, departments, boards, commissions, corporations, agencies and clients.

1.4 Our Vision

To be the principal supplier of a centralized, all-inclusive real estate service to the public sector using an optimal blend of internal and external resources.

1.5 Our Goals and Objectives

Goals

- ▶ To provide Government with opportunities to reduce annual expenses for real estate interests held in Manitoba.
- ▶ To have access to a consolidated real property inventory listing all Manitoba owned land and/or buildings.
- ▶ To be the service provider of choice by all levels of Government for real estate services.
- ▶ To facilitate the creation of a Provincial Property Asset Management System proposal that will achieve significant cost savings through the identification of opportunities that will achieve cost efficiencies;

Expected Result: Implementation of a Risk Management Strategy that would include market value appraisals of provincially owned properties that would also include insurable value, thereby reducing a duplication of services;

Expected Result: Identify surplus property for sale and increase Central Government cash flow;

Expected Result: Accumulate required information for property management review and analysis of Government assets;

Expected Result: Identification of Assessment Audit Review opportunities;

Expected Result: Assembly of fully integrated database of all Government properties;

- ▶ Expansion or enhancement of products, services and delivery programs provided:

Expected Result: Implementation of change management program to meet ever increasing client requirements.

Short Term Objectives

- ▶ To continue with implementation of succession planning to ensure continuity of services.
- ▶ To ensure that an accessible, safe and secure environment is maintained for all record storage.
- ▶ To stabilize and expand LMS' information technology to enhance services and diverse marketing tools.

1 Agency Profile

Business Practices & Principles

- ▶ To run Agency operations, as far as practical, according to best business practices.
- ▶ To maintain and renew equipment and other assets, in light of operational needs using appropriate methods of investment.
- ▶ To promote staff participation in the ongoing development of operational efficiencies in all aspects of operations.
- ▶ To continually assess the Agency's policies and procedures in relation to overall efficiency and effectiveness.

1.6 Operational Review

During the first half year, client service demand was lower than anticipated, however, during the second half of the year, service demand increased to the point where the Agency met 90% of its total forecasted operational targets. Some business areas excelled, the Processing/Paralegal area achieving 98% of their stated overall processing objectives, the Appraisal section, having lesser demand, achieved 67% of their stated appraisal and acquisition objectives and Sales & Leasing section achieving 52% of their stated number of properties for disposal.

The Processing section's core service did not change, whereas the Appraisal and Sales & Leasing service shifted to more high profile - complex projects. These types of projects are by nature more time consuming and demanding, resulting in a fewer number of projects being completed in the same time frame, but demanding higher caliber, superior quality delivery of service and documentation.

1.7 Systems: Information and Technology Plan

As in all information based services, technology is the structural backbone that supports the employees to complete their assigned tasks. This Agency is no different in that regard. LMS has prepared a three year plan to resolve issues, reduce maintenance costs, and lay the foundation for future development. The goal is to provide even more comprehensive land management services through a more mobile, efficient, and well-connected staff. The primary objective was to improve the LMS Information Technology infrastructure in a way that is scalable, versatile, cost-effective, and incrementally implemented, so that all LMS employees have convenient, flexible access to user-friendly data in a timely manner, using current IT industry standards in hardware and software. The planned technology upgrades have been completed successfully to date with adjustments implemented to incorporate current technology improvements at a 25% reduction of originally estimated costs.

Data conversion of paper documentation into digital format for the protection of vital information continues. Of the 48,000 legal pockets 66% of the pockets have been completed. Averages of 40 pages per pocket were being converted, an increase of 74% over previous year's average of 23 pages per pocket. With newer technology available, a redesign of deploying this information has been incorporated whereby information is now accessed electronically by users.

1.8 Human Resources

The Agency has identified increased demand from clients for appraisers having a variety of skills in the Asset Management concept. There are a variety of complexities that make this business unique and demanding of specialized skills. This new area, along with meeting traditional demands, forces a new mix of expertise in the Appraisal and Acquisition business area.

1 Agency Profile

LMS continues to foster employee involvement, thereby creating an environment for employee empowerment. This is being accomplished by employee development through education, implementing ideas and procedures brought forward from staff via regular meetings and encouraging discussions with individuals whose suggestions may resolve problems, issues, or increase efficiencies.

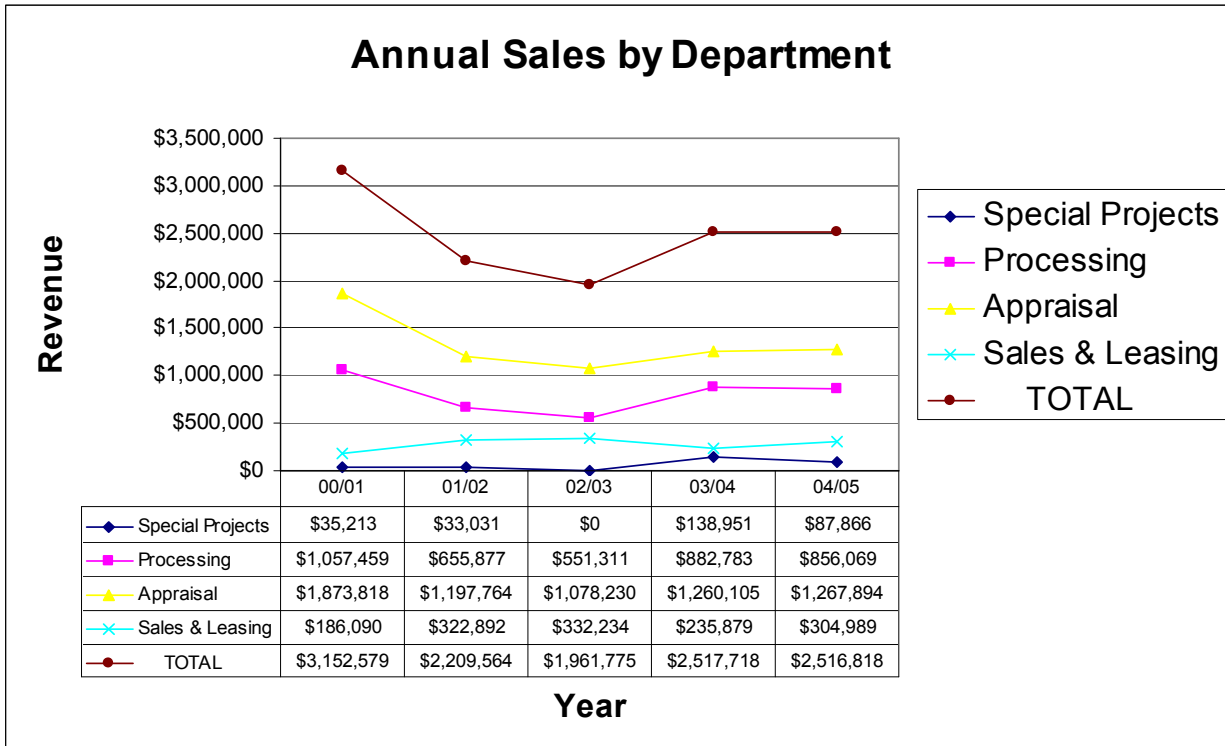
1.9 Marketing

The development and marketing of specialized services that assist clients in ascertaining their current Asset Management position continues. The program provides the information necessary that aids in the formulation of the clients Property Asset Management planning decisions.

Chart 1 (Annual Sales by Department), demonstrates total sales for the Agency remained constant over the prior year. This level is forecasted to continue or increase moderately in the forthcoming year. Revenue performances from the Appraisal and Processing business areas, which generate the majority of the Agency's revenues, followed this trend. Fluctuations were from the Sales and Leasing which increased revenues by 30%, while special projects decreased by 37%.

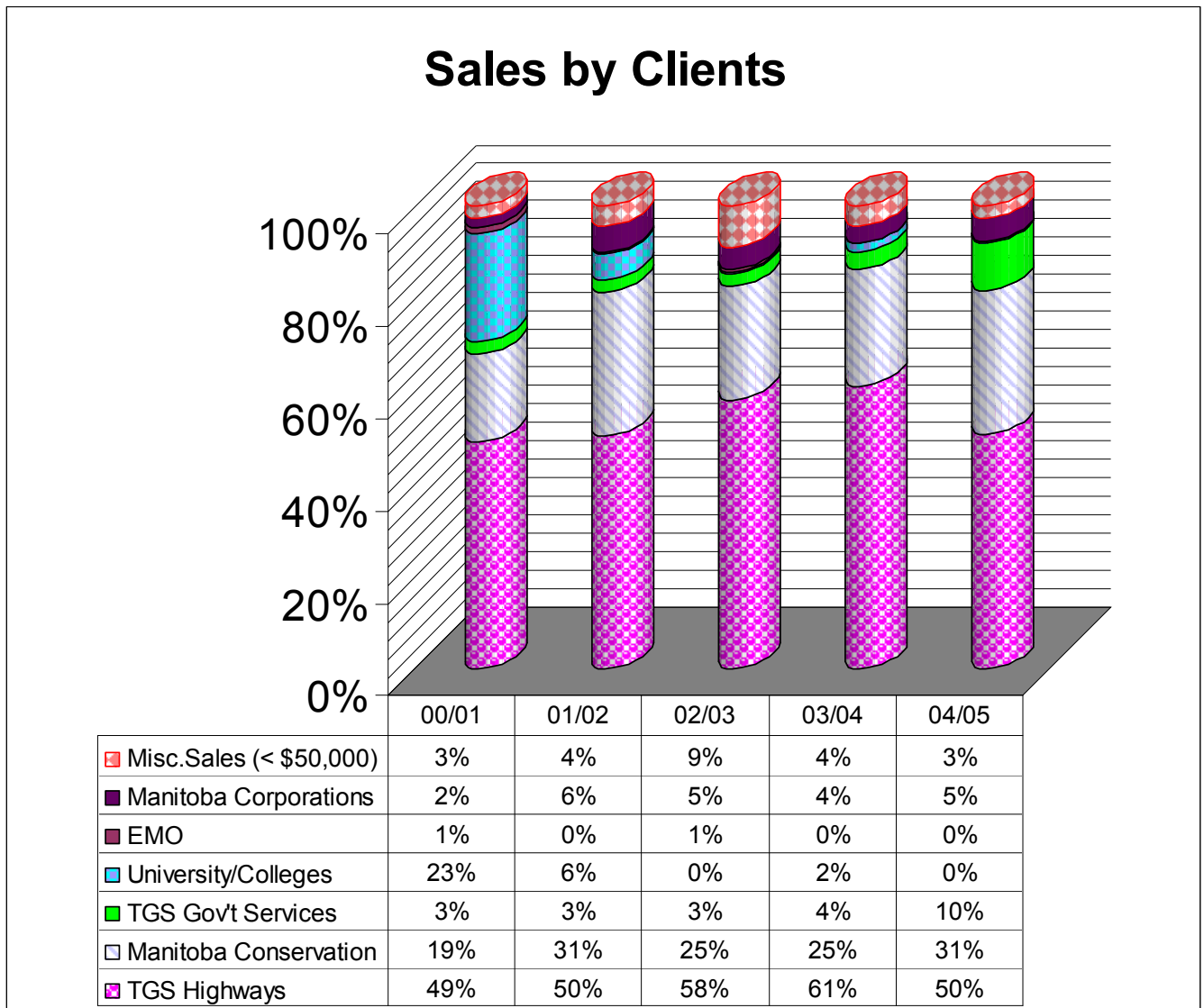
Chart 2 (Sales by Clients) provides a clear picture that over 80% of the Agency's general revenue are generated from two major clients in the last four years. Transportation continues to remain the largest client continually providing anywhere from 50% to 60% of the general revenue generated. Conservation has once again been the second largest client for the Agency, and for the fourth consecutive year, has comprised at least 25% of general sales.

Chart 1



1 Agency Profile

Chart 2



2 Operational Status

2.1 Appraisal and Acquisition Activities

This business area provides services in the appraisal and valuation of property, which includes a broad range of services from the acquisition of right-of-way to complex commercial or special use properties. Services also include acquisition of real property, through negotiation by agreement or expropriation, easement acquisitions, valuation of Crown property for disposal purposes and property assessment reviews.

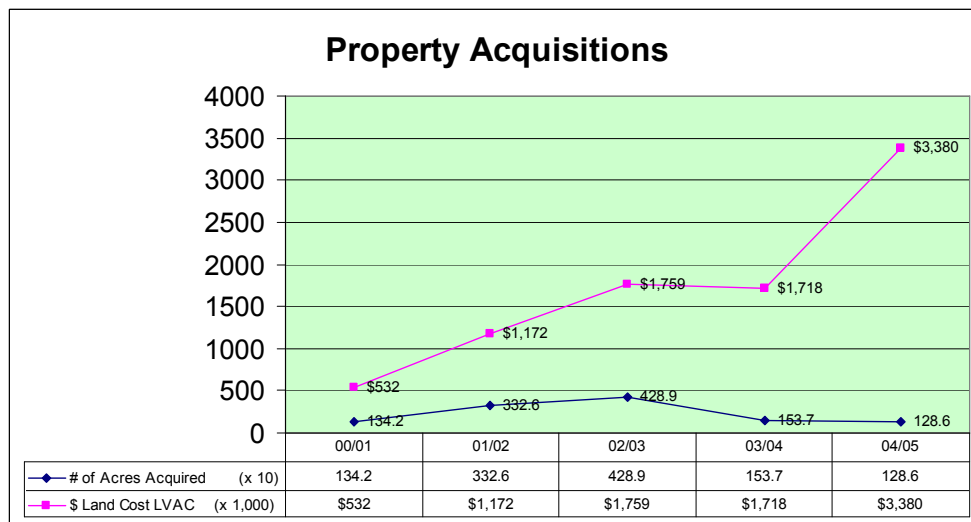
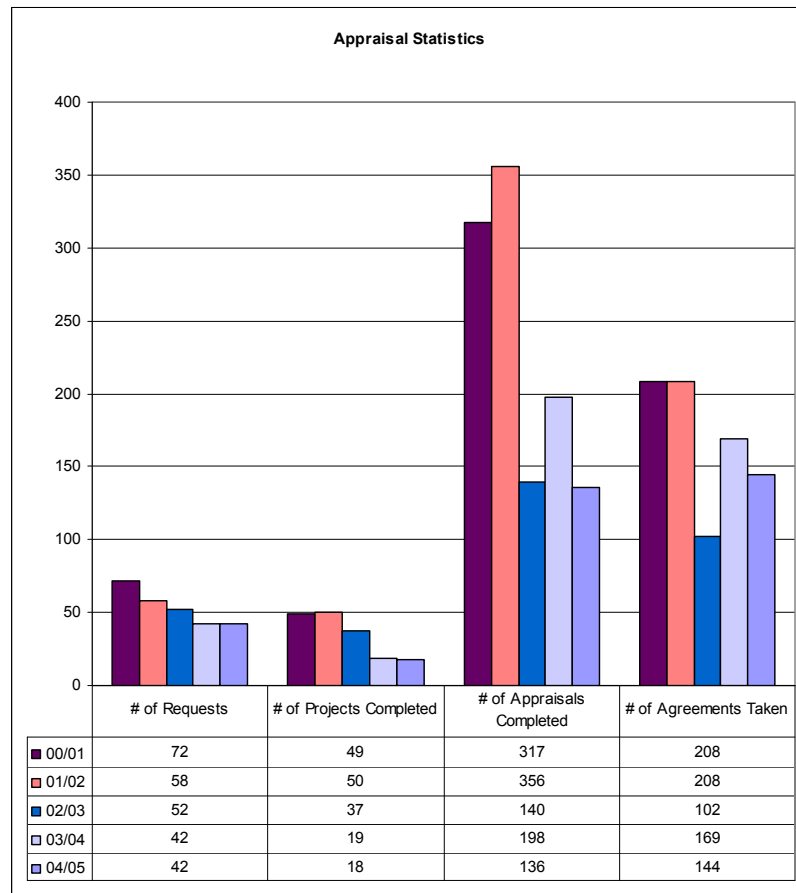
An assortment of projects that highlight the Agency's broad range of services include:

- Highway No.1 at Brandon and Headingley
- Highway 59 South
- Valuation of Prairie Production Centre, 1350 Pacific Avenue
- Valuation of cottage lots across Manitoba for the sale under the Conservation Crown Lands Cottaging Initiative
- Valuation of A.A. Heaps Building for asset analysis assessment

In summary, the Agency completed 136 appraisals, 144 agreements, purchased 1,285.88 acres worth \$3,748,028. As indicated in Chart 3, activities are lower to previous levels due to the complexity of the projects increasing, calling for a variety of skill sets, more rigorous standards, and the ability to transact business in a fair and equitable manner for all parties concerned.

2 Operational Status

Chart 3 –



The Agency's success in the Assessment review area are: total assessment reductions achieved by the Agency to date accumulates to \$211,900,000, which converts to an estimated annualized savings of \$10,600,000 in GILT. The Agency remains confident more savings will be generated pending future appeals to the Municipal Board.

2 Operational Status

2.2 Processing Activities

The focus of service in this area is the completion of all paralegal work necessary to convey ownership and/or registrar interests in land and ensures compliance with statutory requirements on behalf of clients. This includes the production of all legal documentation required to ensure policies, procedures, and statutory requirements are met, when acquiring real property through agreement or expropriation. This business area also directs all payments from the client department to the beneficiary.

Two major highlights are:

- Expropriations of properties for No. 1 Highway.
- Expropriations of properties for PTH 59 South.

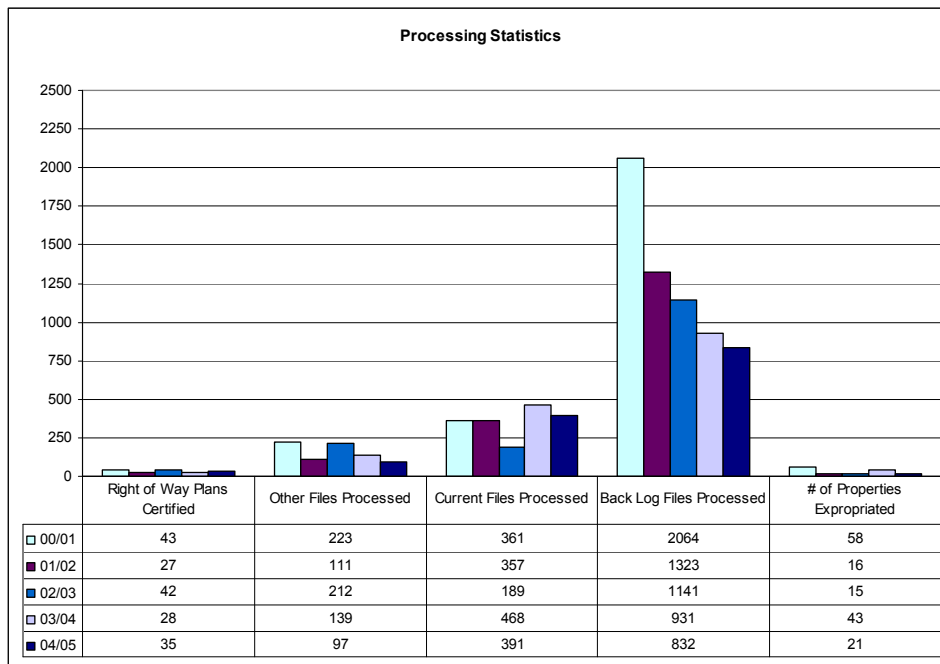
Continuation of the processing of historical transactions (backlog files), which includes the verification of all agreements and takings, have been completed and liabilities verified due have been compensated in full are ongoing as scheduled and as finances allow.

The work is categorized as indicated by Chart 4. The processing of the total number of current files is average, based on the last five years performance totaling 391.

The number of total files finalized is 1036, consisting of 204 current files (of the 391) and 832 backlog files. Backlog files finalized are on the low end of the five year trend for two reasons. The first relates to the funds available to process these files by the individual departments. The second is that as completion of files is transacted, individual departments no longer have backlog files to be processed. This has a limiting factor of distributing the workload and the available funding over several departments.

There were 164 survey plans registered, 35 survey plans certified for registration, and expropriations consisted of 21 owners on 5 projects. An additional 97 files requiring miscellaneous processing requirements, at the request of client departments or affected owners, were completed. The five year trends for these categories are normal with "Other Files" at the low end.

Chart 4



2 Operational Status

2.3 Sales & Leasing Activities

This business area's function is to perform all activities relating to the disposition of surplus properties, by way of sale or lease, as well as site restoration/demolition work to provide a clean site. This is undertaken in accordance with policies and procedures approved by Treasury Board.

In the area of the property sales, overall activity approximated the previous year, and was significantly lower than the prior years, in terms of the number of properties sold. Alternatively, the revenue generated by these sales was significantly greater. Charts 5 & 6 quantify a total of 31 properties were sold (1 of marginal value) generating \$3,249,541 (\$2,500 for marginal properties) in proceeds. The majority of these proceeds were generated from the sale of 599 Empress. Revenue for these sales are returned to the Province's consolidated fund after the Agency's fees have been reimbursed.

The yearly activity for leasing of properties totaled 69 leases generating \$82,283 in proceeds.

Chart 5

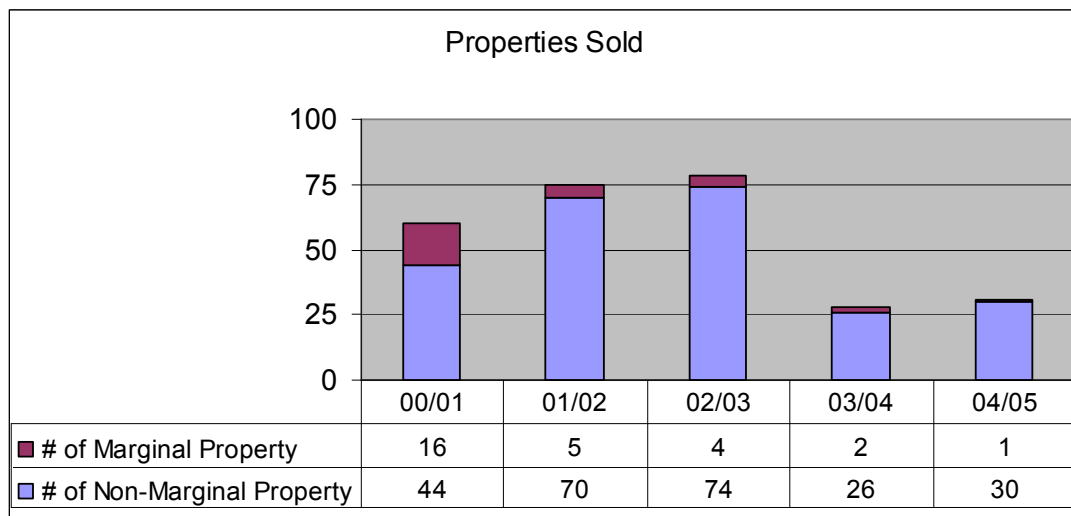
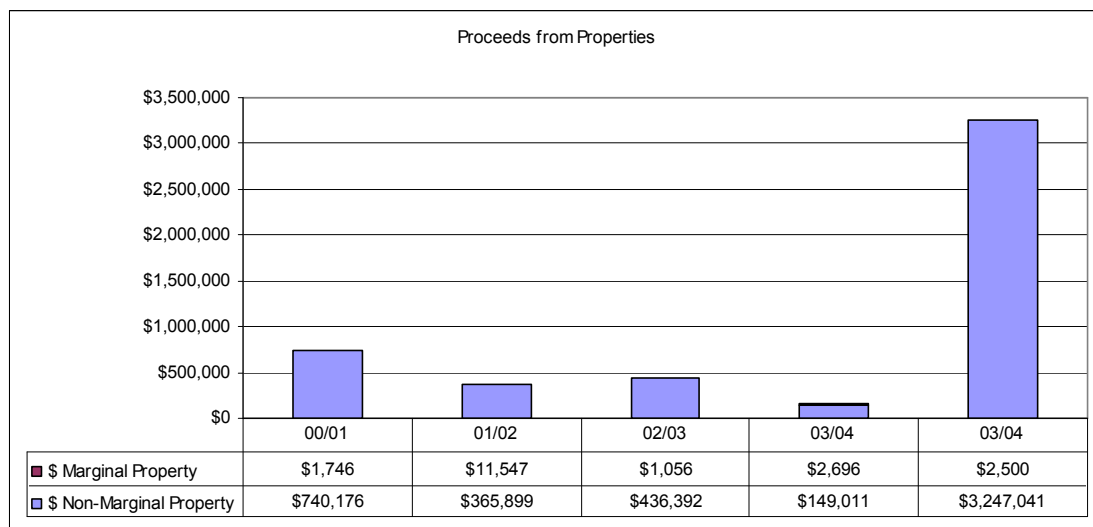


Chart 6



2 Operational Status

2.4 Special Projects

Special Projects business area co-ordinates specialized activities within normal projects undertaken by other Agency business areas. Additional resources are required to successfully accomplish the client's requests.

The majority of the activities for the past year dealt with assisting in the resolution of Aubigny Dyke expropriation, extension of development agreement for 16 Martha Street, Cooks Creek expropriation, transfer of land in Emerson with Public Works Canada, and rezoning of 1075 Portage Avenue.

3 Financial Highlights – 2004/05

FINANCIAL HIGHLIGHTS			
		Mar. 31/05	Mar. 31/04
Income Statement			
	Income Before Expenses	2,534.1	2,601.6
	Expenses	2,240.1	2,298.2
	Net Earnings (Loss)	294.0	303.4
Balance Sheet			
	Working Capital	59.7	11.4
	Total Assets	1,313.9	1,378.0
	Total Liabilities	912.9	1,020.9

4 Performance Highlights – 2004/05

PERFORMANCE HIGHLIGHTS			
		Mar. 31/05	Mar. 31/04
Appraisal			
	Agreements Certified	144	169
	Appraisals Completed	136	198
Processing			
	Files Finalized	1,036	1,106
	Current Processing	187	293
Sales & Leasing			
	Proceeds – Sale of Surplus Property ^{1,2}	\$3,289.7	\$151.7
	Expropriations	21	43

(1) Purchase price (before adjustments for taxes and LMS fees) with net proceeds returned to Consolidated Fund, includes rent for properties leased. Revenue generated is dependent on availability and marketability of properties determined to be surplus by LMS' clientele.

(2) Assessed/appraised property values not collected for property(s) transferred between Government Departments and other levels of Governments. This amount is in addition to Sale of property proceeds (1). Properties transferred between Government Departments are normally transferred with the receiving Department paying LMS' disposal fees and not the assessed/appraised value of the property.

5 Management Discussion & Analysis

ACTUAL TO BUDGET FINANCIAL ANALYSIS

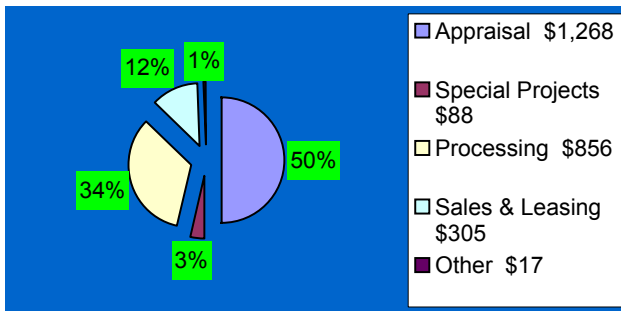
Revenues:

LMS offers professional real estate services on a fee-for-service basis, providing an economical rate structure as compared to the private sector, additionally supplying support activities to its clients that are unavailable from existing private sector services. As described in the operational status, LMS is segmented into four client service sections, the Appraisal section, the Processing (Paralegal) section, the Sales & Leasing section, and Special Projects section, which handles special requests or projects whose service requirements are not in the norm of the services provided by the other sections.

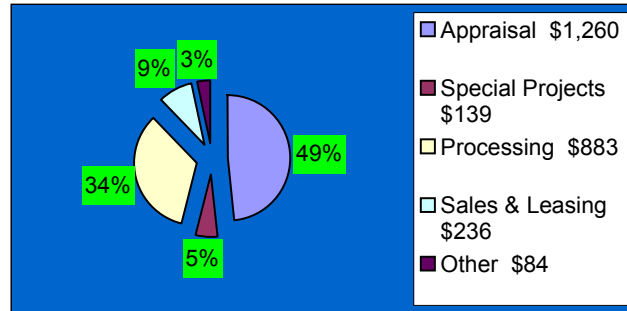
Revenues for the 2004-2005 fiscal year remained stable over previous year revenues, with little shift in the business areas' revenue distribution. A moderate increase in revenues was forecasted but did not materialize, as projects that were anticipated to proceed were either not implemented or did not generate the work estimated.

Source of Revenues (000's)

2004/05



2003/04



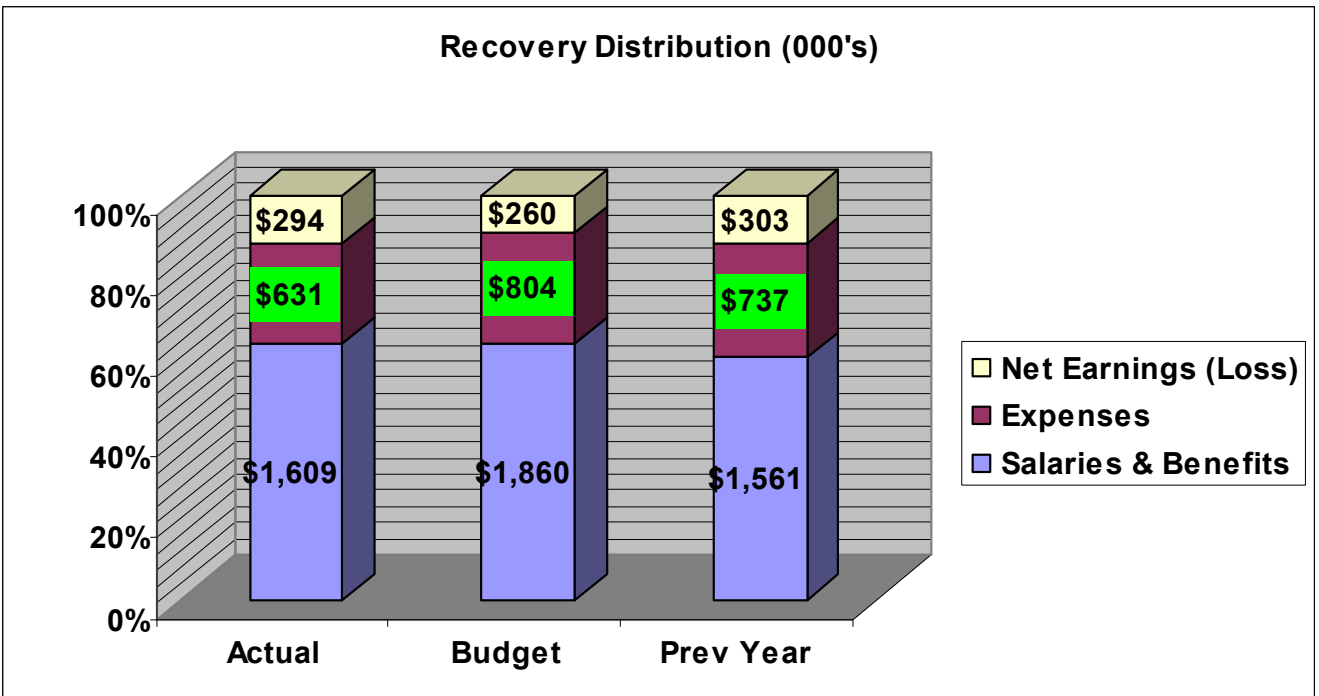
5 Management Discussion & Analysis

Expenses:

- Salaries and Benefits:** Salary and benefits expenditures registered a nominal increase of 3% or \$48 over the previous year expenditure and (13%) or \$(251) under forecast.
- Administrative Expenses:** Overhead and variable expenses decreased by (14%) or \$(106) from previous year and (22%) or \$(173) under forecast.

In summary, revenues were constant to the previous year, the increase in salaries and benefits were more than offset with a reduction in operating and overhead expenses. This resulted in a similar net earning as the previous year. Although revenues were lower than forecasted by \$390, reduction in total expenses compared to budget accumulated to \$424. This resulted in higher than forecasted net earnings of \$34 or 3%.

Meeting both major goals of “*Continuity of Quality Services Delivered in a Timely Manner*” and “financial performance” is a direct result of both new and long-term employees’ efforts and convictions to work cohesively to provide positive results translating to client satisfaction.



6 Advisory Board

Supporting the Initiative: The Advisory Board's role in support of the Agency is to offer advice and direction on short and long-term strategic planning, management and reporting, as well as issues of concern to our customers and to the private and public sectors. The Board reviews the Agency's Financial Reports, Business Plan, Annual Report, and any planned changes to the Agency Charter.

CHAIR

Debra Woodgate
Deputy Minister
Government Services
Manitoba Transportation & Government Services

MEMBERS

Private Sector
Representative

Randy Manikel
RIO Management & Consulting Ltd.

Client
Representatives

John Hosang
Assistant Deputy Minister
Manitoba Transportation &
Government Services

Dave Wotton
Assistant Deputy Minister
Manitoba Conservation

Ex Officio

Tracey Danowski
A/Assistant Deputy Minister
Manitoba Transportation &
Government Services

Rae P. Csversko
Chief Operating Officer
Land Management Services

Staff Representative

Grace Delong
Property Clerk
Land Management Services

7 Land Management Services Locations & Contacts

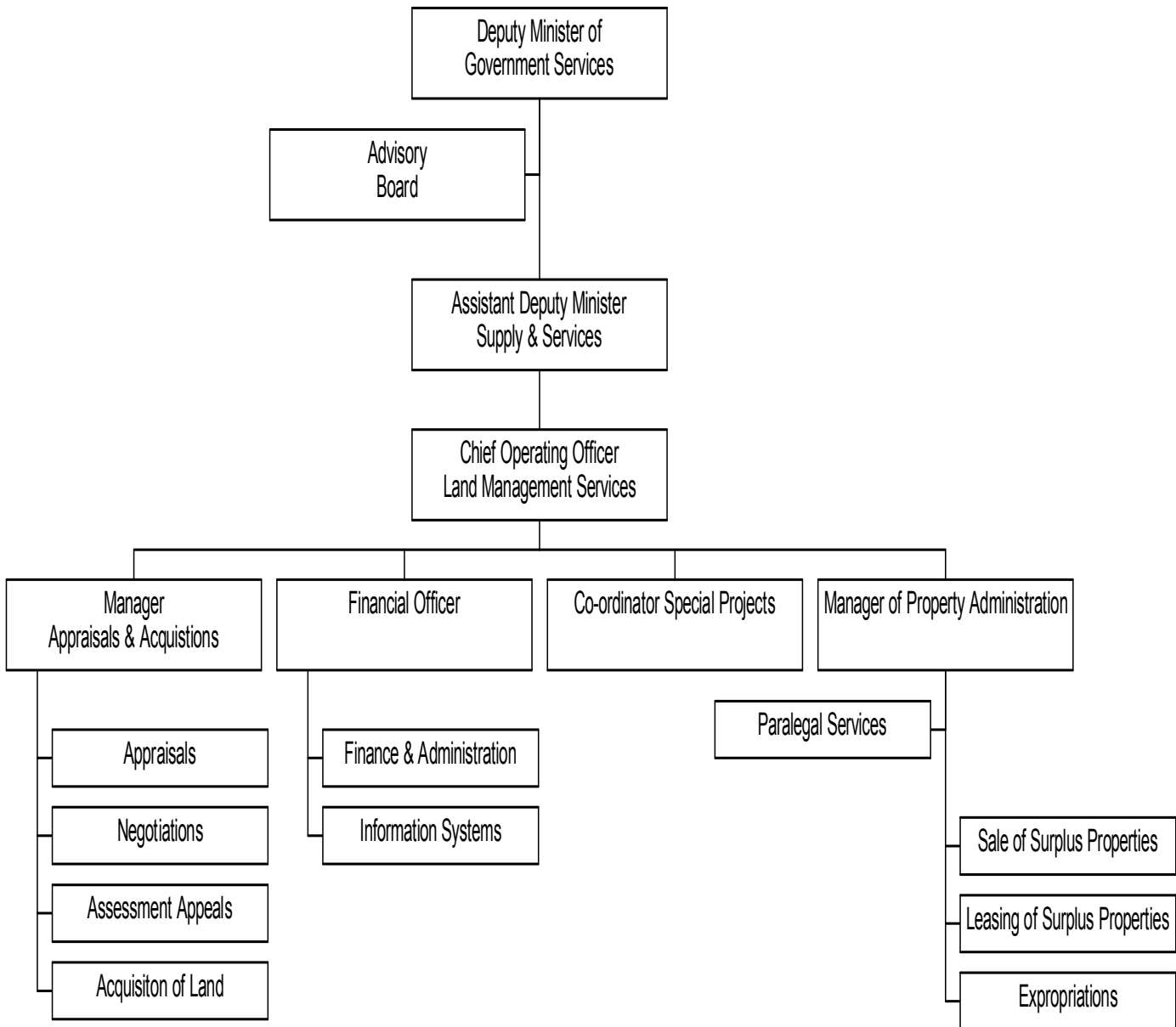
Portage la Prairie	308 – 25 Tupper Street North Portage la Prairie MB R1N 3K1	Phone: (204) 239-3510 Fax: (204) 239-3560 Email: lmsinfo@gov.mb.ca
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Dauphin	27 – 2 nd Avenue SW Dauphin MB R7N 3E5	Phone: (204) 622-2050 Fax: (204) 638-6428 Email: lbernato@gov.mb.ca
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Agency Contacts:

	<u>TELEPHONE</u>	<u>E-MAIL</u>
Rae P. Csversko Chief Operating Officer	(204) 239-3561	rcsversko@gov.mb.ca
Normand Le Neal Finance Officer	(204) 239-3522	nleneal@gov.mb.ca
Kurt Wright A/Manager, Appraisal & Acquisition	(204) 239-3520	kuwright@gov.mb.ca
Rod Kent Manager of Property Administration	(204) 239-3526	rkent@gov.mb.ca
Garry Dyck Co-ordinator, Special Projects	(204) 239-3543	gadyck@gov.mb.ca

8 Organization Chart



9 FINANCIAL STATEMENTS

Appendix A Magnus & Buffie

LAND MANAGEMENT SERVICES
FINANCIAL STATEMENTS
MARCH 31, 2005

LAND MANAGEMENT SERVICES
FINANCIAL STATEMENTS
MARCH 31, 2005

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**INDEX TO FINANCIAL STATEMENTS
MARCH 31, 2005**

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AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Land Management Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2005 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2005 and the results of its operations and cash flow for the year then ended in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 18, 2005

CHARTERED ACCOUNTANTS

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**BALANCE SHEET
(in thousands)
MARCH 31, 2005**

	2005	2004
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	\$ 475	\$ 365
Accounts receivable	107	352
Work in process	156	57
Prepaid expenses	27	39
	<u>765</u>	<u>813</u>
DISCHARGE FUNDS HELD IN TRUST (Note 3)	4	3
RECEIVABLE FROM PROVINCE OF MANITOBA (Notes 4 and 8)	324	324
CAPITAL ASSETS (Note 5)	220	236
	<u>\$ 1,313</u>	<u>\$ 1,376</u>
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 277	\$ 258
Property proceeds payable (Note 7)	265	381
Client funds payable	163	161
	<u>705</u>	<u>800</u>
SEVERANCE PAY LIABILITY (Note 8)	203	216
UNEARNED REVENUE (Note 3)	4	3
	<u>912</u>	<u>1,019</u>
EQUITY		
RETAINED EARNINGS	401	357
	<u>\$ 1,313</u>	<u>\$ 1,376</u>

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**STATEMENT OF INCOME AND RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2005**

	2005	2004
RECOVERIES	\$ 2,517	\$ 2,518
OTHER INCOME	17	84
INCOME BEFORE EXPENSES	2,534	2,602
EXPENSES		
Administrative (Page 9)	489	573
Operating (Page 9)	142	165
Wages and benefits	1,609	1,561
	2,240	2,299
NET INCOME FOR THE YEAR	294	303
RETAINED EARNINGS, beginning of year	357	304
	651	607
REVENUE SHARING - PROVINCE OF MANITOBA	250	250
RETAINED EARNINGS, end of year	\$ 401	\$ 357

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**STATEMENT OF CASH FLOW
(in thousands)**

FOR THE YEAR ENDED MARCH 31, 2005	2005	2004
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	\$ 294	\$ 303
Adjustment for Amortization	94	127
	<u>388</u>	<u>430</u>
Changes in the following		
Accounts receivable	245	(288)
Work in process	(99)	(2)
Prepaid expenses	12	25
Accounts payable and accrued liabilities	19	81
Property proceeds payable	(116)	(141)
Unearned revenue	(1)	-
	<u>448</u>	<u>105</u>
FINANCING ACTIVITIES		
Change in discharge funds held in trust	1	-
Change in client funds payable	2	(16)
Change in severance pay liability	(13)	30
Revenue sharing - Province of Manitoba	(250)	(250)
	<u>(260)</u>	<u>(236)</u>
INVESTING ACTIVITY		
Capital asset additions	(78)	(128)
	<u>110</u>	<u>(259)</u>
CHANGE IN CASH AND SHORT TERM DEPOSITS	110	(259)
CASH AND SHORT TERM DEPOSITS, beginning of year	365	624
CASH AND SHORT TERM DEPOSITS, end of year	\$ 475	\$ 365

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2005**

1. NATURE OF ORGANIZATION

In 1965, The Land Acquisition Act was passed into law, bringing the Land Acquisition Branch into existence to provide a consistent process of real estate acquisition by government

Effective April 1, 1995, the Land Acquisition Branch, under the operating name Land Management Services ("LMS"), was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

LMS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from LMS operations. It finances LMS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigorous planning and reporting requirements afforded by Special Operating status, assist LMS to sustain the provision of high quality land acquisition services to its clients.

A Management Agreement between the Financing Authority and the Minister of Transportation and Government Services assigns responsibility to LMS to manage and account for LMS related assets and operations on behalf of the Financing Authority.

LMS continues to be part of Manitoba Transportation and Government Services under the general direction of the Assistant Deputy Minister - Supply and Service Division, and ultimately the policy direction of the Deputy Minister and Minister of Transportation and Government Services.

LMS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

LMS is economically dependent on the Province of Manitoba because it derives most of its revenue and all of its financing requirements from the Province through the Financing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Capital assets

Capital assets are recorded at cost and are amortized annually at the following rates and methods:

Computer software and equipment	20% straight line basis, 10% in year of acquisition
Equipment - office	20% straight line basis, 10% in year of acquisition
Leasehold improvements	20% straight line basis, 10% in year of acquisition

(b) Use of estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2005**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue recognition

The percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of completion of the contracted work.

(d) Financial instruments

It is management's opinion that the carrying value of LMS's financial instruments approximates their fair value, except for the receivable from the Province of Manitoba which cannot be reasonably estimated due to the nature of the underlying terms of collection. In addition, it is management's opinion that LMS is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. DISCHARGE FUNDS HELD IN TRUST AND UNEARNED REVENUE

Discharge funds held in trust and the majority of unearned revenue represents the fee for finalizing to consolidate titles on discharge of mortgages on properties being consolidated. This fee is put into a special interest bearing trust account and the revenue deferred. When the mortgage is discharged the deferred revenue will be recognized and the funds released from the trust account. It is estimated some files could be completed in as little as two years and as many as 20 years.

4. RECEIVABLE FROM PROVINCE OF MANITOBA

The receivable from the Province of Manitoba is for vacation and severance entitlements earned by the employees of LMS prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2005	2004
Vacation entitlements	\$ 132	\$ 132
Severance pay benefits (Note 8)	192	192
	\$ 324	\$ 324

The timing and collection of these receivables will vary. The receivable, or portion thereof, will be collected in the event that there is a cash shortfall. However, this is only likely to happen on the dissolution of LMS.

5. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value	
			2005	2004
Computer software and equipment	\$ 1,247	\$ 1,055	\$ 192	\$ 198
Equipment - office	105	79	26	35
Leasehold improvements	7	5	2	3
	\$ 1,359	\$ 1,139	\$ 220	\$ 236

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

NOTES TO FINANCIAL STATEMENTS

(in thousands)

MARCH 31, 2005

6. WORKING CAPITAL

LMS has an authorized line of working capital of \$800, none of which was accessed at March 31, 2005.

7. PROPERTY PROCEEDS PAYABLE

LMS disposes of general Federal, Provincial operating agency and Municipal properties on a cost recovery basis. As at March 31, 2005, LMS had received proceeds on sales in excess of disposition costs of \$265 (2004 - \$381) which is outstanding and due to the various entities at year-end.

8. SEVERANCE PAY LIABILITY

Effective April 1, 1998, LMS began recording accumulated severance pay benefits for its employees. The estimate of the liability is based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by LMS's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at \$188 was completely offset by a receivable from the Province.

An actuarial valuation report of LMS's severance as at March 31, 2000 was completed in prior years. The receivable from the Province was restated to \$192 as a result of the actuarial valuation. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the LMS's actuarial liability has been calculated to be \$203 as at March 31, 2005.

9. PENSION BENEFITS

Employees of LMS are eligible for pension benefits in accordance with the provisions of the Civil Service Superannuation Act, administered by the Civil Service Superannuation Board (CSSB).

Effective March 31, 2001, pursuant to an agreement with the Province of Manitoba LMS transferred to the Province the pension liability for its employees.

Commencing April 1, 2001, LMS was required to pay to the Province an amount equal to its employees' current pension contributions. The amount paid for 2005 was \$59 (2004 - \$54).

10. SURPLUS PROPERTIES

LMS is responsible for the disposition of certain surplus crown-owned properties. In accordance with direction from the Provincial Treasury Board, LMS has established a \$200 reserve account within retained earnings to cover any aggregate annual disposition costs which exceed the proceeds of surplus Crown-owned properties offered for sale. LMS can retain excess proceeds over disposition costs of surplus Crown-owned properties to the extent of any cumulative unrecovered historical shortages.

During the year LMS experienced a \$2,540 surplus of which \$2,490 was remitted to the Province and \$50 (2004 - \$79) was retained. The cumulative unrecorded historical shortage is \$nil, leaving \$200 (2004 - \$150) in the reserve account.

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2005**

11. LEASE COMMITMENTS

LMS has not entered into a lease agreement with the Province of Manitoba for rental facilities at 25 Tupper Street N. Occupancy charges for the year ending March 31, 2006 are estimated to be \$110 (2005 - \$104).

LMS is also leasing office equipment and vehicles from the Province of Manitoba, with future estimated lease payments as follows:

<u>Year</u>	<u>Amount</u>
2006	\$ 34
2007	27
2008	21
2009	17
2010	16

12. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with classifications used in the current year.

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

SCHEDULE OF EXPENSES

(in thousands)

FOR THE YEAR ENDED MARCH 31, 2005

	2005	2004
ADMINISTRATIVE		
Amortization	\$ 94	\$ 127
Computer maintenance	53	59
Contributed services	34	44
Human resources overhead	18	18
IT leasing and support	98	94
Occupancy costs	104	104
Other	29	61
Supplies	12	16
Training	47	50
	\$ 489	\$ 573
OPERATING		
Printing, postage and advertising	\$ 22	\$ 40
Professional fees	38	33
Telephone	20	29
Travel	62	63
	\$ 142	\$ 165

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2005**

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds \$50 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION	
		2005	2004
Raeburn Csversko	Chief Operating Officer	\$ 84	\$ 78
Edwin Froese	Property Appraiser	74	52
Larry Pearson	Property Appraiser	63	56
Garfield Minkus	Property Appraiser	60	58
Scott Millar	Property Appraiser	60	58
Kurt Wright	Acting Manager of Appraisals	60	-
Normand Le Neal	Controller	58	56
Rob Lucky	Property Appraiser	58	53
Aurel Pantel	Property Appraiser	56	-
Calvin Pishak	Info Technologist	54	50
Jerry McLeod	Property Appraiser	53	55
Judy Sonley	Property Appraiser	53	-
Rodney Kent	Manager of Property Administration	50	-

AUDITORS' REPORT

To Land Management Services

We have audited the statement of receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2005. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we 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 our opinion, this financial statement presents fairly, in all material respects, the receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2005, in accordance with Canadian generally accepted accounting principles.

Magnus & Buffie

May 18, 2005

CHARTERED ACCOUNTANTS

**LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA**

**SALE OF SURPLUS PROPERTIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2005**

Total receipts	\$ 3,108,770
Total disbursements	3,224,766
Deficiency of receipts over disbursements	\$ (115,996)

**NOTE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS
MARCH 31, 2005**

REPORTING ENTITY

In 1988, a program submission to the Government to identify and market land surplus to Government needs was approved.

The program was designed to relieve Government departments of the financial burden of marketing and disposal. Proceeds from the sale of surplus properties for all departments are held in trust with all marketing and disposal costs paid from the proceeds. Any surplus of proceeds over costs are returned to the consolidated fund annually.