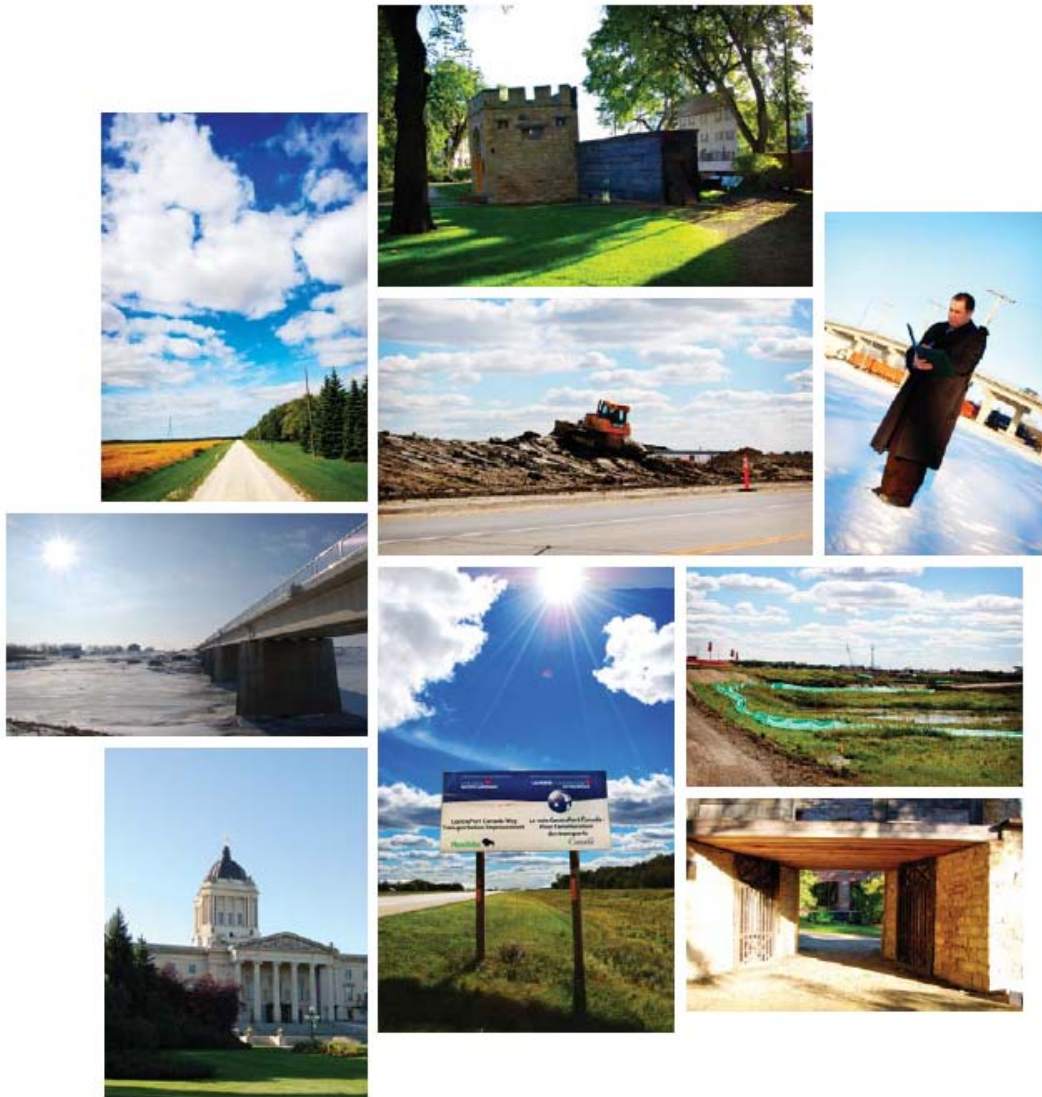


# Annual Report

## 2010/2011





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**CLPA**

Crown Lands and Property Agency is a  
Special Operating Agency of the  
Manitoba Government

## *Letter from the Minister*



**MINISTER OF INFRASTRUCTURE  
AND TRANSPORTATION**

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

June 30, 2011

The Honourable Philip S. Lee, C.M., O.M.  
Lieutenant Governor of Manitoba  
Room 235, Legislative Building  
Winnipeg MB R3C 0V8

May It Please Your Honour:

It is my privilege to present the Annual Report of Crown Lands and Property Agency (CLPA) for the year ended March 31, 2011.

During 2010/2011, the agency undertook new initiatives to streamline the processing of agricultural leases and permits and modernize its information technology systems, in addition to completing a large volume of real estate transactions on behalf of various government departments.

I commend the staff and management of CLPA for the dedication, professionalism, and commitment to public service that they consistently demonstrate as representatives of the Manitoba government.

Respectfully submitted,



Steve Ashton  
Minister of responsible for the  
Crown Lands and Property Agency

## *Letter from the Associate Deputy Minister*

**Infrastructure and Transportation**

Associate Deputy Minister of Infrastructure and Transportation  
Suite 300 – 215 Garry Street, Winnipeg, Manitoba, Canada R3C 3P3  
T 204-945-3887 F 204-945-1857  
www.manitoba.ca Email: [assocdminf@gov.mb.ca](mailto:assocdminf@gov.mb.ca)

June 30, 2011

Honourable Steve Ashton  
Minister of Infrastructure and Transportation  
Minister responsible for Crown Lands and  
Property Agency  
Room 203, Legislative Building  
Winnipeg MB R3C 0V8

Dear Minister Ashton:

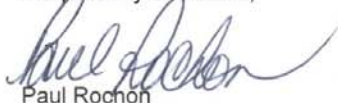
I have the honour of submitting the 2010/2011 Annual Report of the Crown Lands and Property Agency (CLPA). The report details the financial results and operational highlights of the agency's activities in its fifth year of operation.

In 2010/2011, CLPA initiated two major projects that will set the stage for more effective future operations. The first was a detailed review of existing procedures for agricultural Crown land leases and permits, conducted jointly with Manitoba Agriculture, Foods and Rural Initiatives. The second was the Legacy System Project, a comprehensive planning exercise to identify the best options for upgrading or replacing the agency's information technology systems.

In addition to these new initiatives, CLPA processed a large volume of real estate transactions, collected nearly \$12 million in lease and fee revenues for other government departments, and achieved the financial targets in its 2010/2011 business plan.

On behalf of senior management of Manitoba Infrastructure and Transportation, I would like to thank the staff of CLPA for their relentless commitment to maintaining the highest standards of public service within an environment of constant change.

Respectfully submitted,



Paul Rochon  
Associate Deputy Minister of Infrastructure and Transportation  
Chairperson of the Crown Lands and Property Agency Advisory Board

## *Chief Operating Officer's Message*

July 6, 2011

To the stakeholders of the Crown Lands and Property Agency:

It is my privilege to present the Annual Report of the Crown Lands and Property Agency (CLPA) for the year ended March 31, 2011, the Agency's fifth year of operation.

Financial results for the 2010/2011 fiscal year were approximately \$480,000 better than budgeted, with expenditure reductions more than offsetting revenue shortfalls.

During 2010/2011, the Agency launched two major initiatives designed to build a foundation for more effective and efficient operations in the future:

- The Kaizen Project, a joint initiative with Manitoba Agriculture, Foods and Rural Initiatives (MAFRI) to review and streamline existing procedures with respect to agricultural Crown land leases and permits, using the Kaizen philosophy of lean operations. This process has resulted in specific changes to streamline the issuance of forage leases, and the methodology is now being applied to other categories of leases and permits.
- The Legacy Systems Project, a joint initiative with the Information Technology Systems Branch of Manitoba Infrastructure and Transportation and the Business Transformation and Technology Division of Manitoba Innovation, Energy and Mines to upgrade or replace the outdated and largely unsupported information technology (IT) systems that the Agency inherited from its predecessors. A high level statement of requirements was completed in 2010/2011 and a request for proposals for the planning and scoping of the new IT platform is expected to be issued in 2011/12.

In addition to these major new initiatives, CLPA continued to process a large volume of transactions, issuing over 33,000 invoices and collecting nearly \$12 million in lease and fee revenues for other government departments.

On behalf of all the staff of CLPA, I would like to express our appreciation to our Advisory Board for its support and guidance, and to our clients for their continued confidence in our services.

Respectfully submitted,



Michał Kubasiewicz, BES, MBA, MCIP  
Chief Operating Officer

## *Profile of Crown Lands and Property Agency*

### **Mandate**

The Crown Lands and Property Agency (CLPA) is responsible for the processing of all Crown land sales, leases and permits, as well as land appraisal, acquisition, expropriation and other related real estate services to government.

### **Scope of Services**

CLPA provides a single point of service to the public for all transactions involving provincial Crown land in Manitoba, and serves as an in-house real estate services provider for all departments of the Manitoba government. The services provided by CLPA include:

- reviewing applications to purchase or lease Crown land;
- processing renewals and assignments of existing leases and permits;
- acquiring land for public purposes through negotiation or expropriation;
- selling or leasing surplus land and buildings; and
- providing real estate appraisal and consulting services for public agencies.

### **Mission**

To ensure that all of the government's land dealings are conducted in a manner that is fair, open and transparent, and consistent with the principles of fiscal responsibility and environmental sustainability.

### **Statutory Base**

The Agency is constituted by regulation under *The Special Operating Agencies Financing Authority Act* and operates in accordance with various statutes affecting its operations, including:

- *The Crown Lands Act*
- *The Expropriation Act*
- *The Highways and Transportation Act*
- *The Land Acquisition Act*
- *The Provincial Parks Act*
- *The Public Works Acts*
- *The Water Resources Administration Act*
- *The Wild Rice Act*

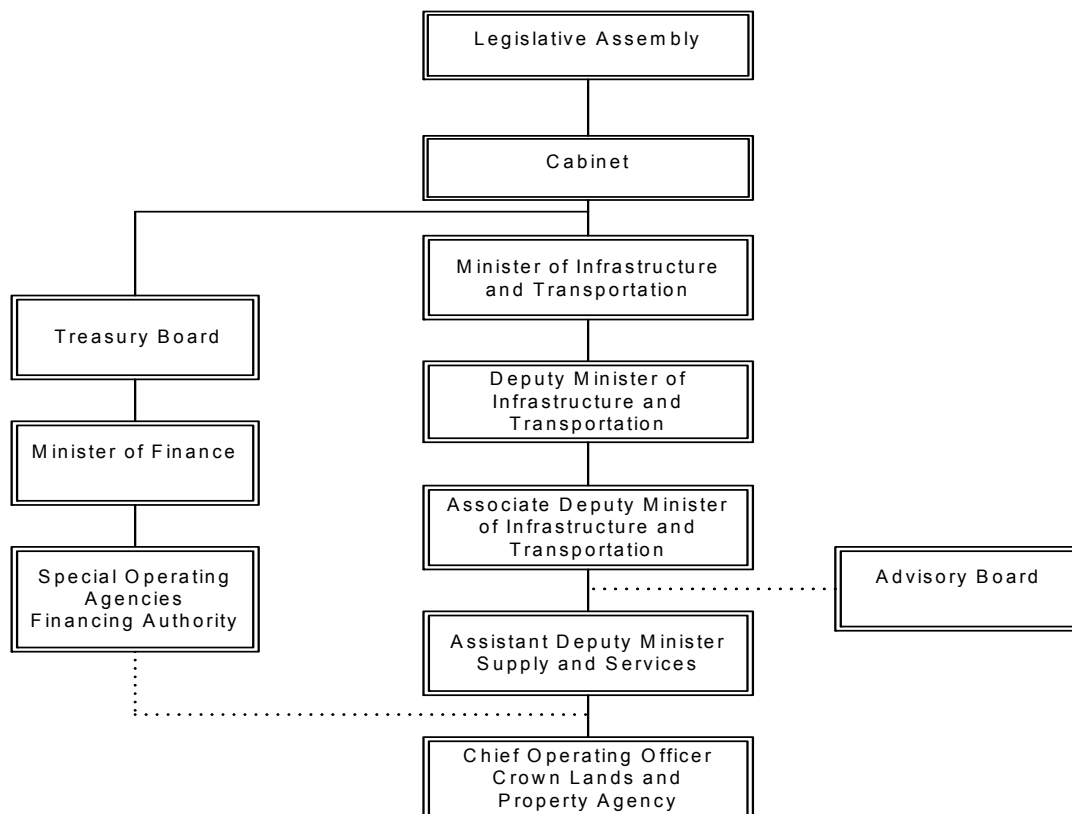
## Accountability Framework

CLPA is a Special Operating Agency (SOA) within Manitoba Infrastructure and Transportation (MIT) and is accountable to the Associate Deputy Minister for operational and financial performance through the Assistant Deputy Minister of Supply and Services.

CLPA operates outside the Consolidated Fund, under *The Special Operating Agency Financing Authority Act*. The Special Operating Agency Financing Authority (SOAFA) holds title to assets used by CLPA, provides financing for operations and is responsible for CLPA's liabilities.

CLPA is governed by its Operating Charter, Transfer Agreement, and Management Agreement, as well as policies under the General Manual of Administration, unless exempted under the Charter.

The Accountability Structure Chart presented below outlines the current structure:





## Advisory Board

The Board reviews the statutory reporting presented by the Agency and offers advice and direction in areas of strategic planning and operations, structure, business priorities, finances and issues of concern. The composition of the Board may change over time as circumstances warrant. Other external resources or Agency staff may be invited to attend meetings at the request of the Chair.

The Advisory Board currently consists of:

<b>Members of the Advisory Board for Crown Lands and Property Agency</b>		
<b>CHAIR</b>	<b><i>Paul Rochon</i></b> Associate Deputy Minister Manitoba Infrastructure and Transportation	
<b>MEMBERS</b>		
<i>Client Representatives</i>	<b><i>Dori Gingera-Beauchemin</i></b> Assistant Deputy Minister Manitoba Agriculture, Food and Rural Initiatives	<b><i>Bruce Gray</i></b> Assistant Deputy Minister Manitoba Conservation
<i>Ex Officio</i>	<b><i>Tracey Danowski</i></b> Assistant Deputy Minister Supply and Services	<b><i>Michał Kubasiewicz</i></b> Chief Operating Officer Crown Lands and Property Agency
<i>Staff Representative</i>	<b><i>Loretta Hopkins</i></b> Revenue Clerk Crown Lands and Property Agency	

## Organizational Structure

CLPA consists of the following six operational units:

- Crown Land Leases and Permits
- Land Acquisition Services
- Property Sales
- Appraisal and Consulting Services
- Finance
- Paralegal and Support Services

## Values and Guiding Principles

Values	Guiding Principles
Serving the Public Interest	Crown land services, processes, and controls that are open, fair, transparent and accountable
Serving Our Customers	Customer services that are courteous, equitable, accessible, efficient and effective
Being Accountable	Business operations that: <ul style="list-style-type: none"> <li>• Operate on a break even basis; provide opportunities for revenue sharing with the Province; and provide value-for-money for client departments</li> <li>• Are socially, environmentally, and fiscally responsible</li> <li>• Reflect our public interest and customer service values</li> <li>• Meet the standards of an employer of choice</li> </ul>

## Inter-departmental Relationships

CLPA represents all Manitoba government departments in land dealings with the public, but does not have authority over land use or natural resource management issues or pricing policies. The Agency works with and under the direction of the departments responsible for managing Manitoba's land resources, particularly Manitoba Conservation and Manitoba Agriculture, Food and Rural Initiatives.

## Historical Background

The Crown Lands and Property Agency was established by the Manitoba Government in response to various internal and external reviews of the management of Crown lands. Alternative methods of providing quality, cost-effective services to the public, government departments and agencies were evaluated, resulting in a recommendation to establish a Crown Lands and Property Agency as a Special Operating Agency (SOA) within Manitoba Infrastructure and Transportation. Following approval in principle by Treasury Board on September 7, 2004, the previous Land Management Services SOA (which had been operating since April 1, 1995) was dissolved and amalgamated with other government programs from Manitoba Agriculture, Food and Rural Initiatives (Crown Land Management) and Conservation (Park District Records and Lands Branch) to form the new Crown Lands and Property Agency. CLPA came into legal existence on April 1, 2006 and the physical consolidation of programs and staff in Portage la Prairie was completed in September 2007.

## Operational Highlights - 2010/11

### 2010-11 Activity Levels by Line of Service

Transaction volumes for 2010/11 are summarized in the tables and charts below.

Land Acquisition Services	
	Actual April 1, 2010 to March 31, 2011
Projects Completed	34
Borrow Agreements	1
Agreements	47
Appraisals	162
Acres Acquired	518.52
<b>LVAC Certification</b>	<b>\$1,732,480.37</b>

Note: LVAC denotes Land Value Appraisal Commission

Paralegal Services	
	Actual April 1, 2010 to March 31, 2011
Expropriations	0
<b>Current Files:</b>	
Processing	40
Finalizing	14
Backlog Files	10
Other Files	200
Plan Certificates	21
Right-of-Way Plans	0
<b>Easements</b>	<b>2</b>

Summary of Sales, Leases and Permits (details on following page)			
Branch or Program (Client Dept.)	# Charges Invoiced	Revenue \$000s	Notes
<b>Lands Branch (Conservation)</b>	8,739	\$3,598.0	Recorded centrally in Consolidated Fund as revenue ... under Conservation
<b>Parks Program (Conservation)</b>	19,792	\$4,942.4	
<b>Subtotal</b>	<b>28,531</b>	<b>\$8,540.4</b>	
<b>Agricultural Crown Lands (MAFRI)</b>	5,400	3,178.2	... under Agriculture
<b>Subtotal</b>	<b>33,931</b>	<b>\$11,718.6</b>	
<b>Land Acquisition Branch – Sales &amp; Leases</b>	31	171.6	... under various depts.
<b>TOTAL</b>	<b>33,962</b>	<b>\$11,890.2</b>	

Note: The revenue shown above is revenue collected by the Agency for client departments and does not represent the Agency's own revenue.

**Twelve months from April 1, 2010 to March 31, 2011**

<b>Sales, Leases and Permits - Detailed Breakdown</b>	<b># Charges Invoiced</b>	<b>\$000's</b>
<b>Lands Branch</b>		
Vacation Home Permits and Leases	742	\$ 102.0
General Permits, Miscellaneous, Licences of Occupation	2,834	504.4
Administration, Easements & Miscellaneous Receipts	4,581	605.8
Wild Rice Licences	367	11.4
Land Sales (Non-Cottaging)	24	258.3
Land Sales (Cottaging Program)	184	1,900.4
Forestry	7	196.4
Finance – Interest and Fees on Accounts Receivable	N/A	19.3
<b>Subtotal</b>	<b>8,739</b>	<b>\$ 3,598.0</b>
<b>Parks Program</b>		
Vacation Home Leases & Permits	11,989	\$ 4,022.5
Commercial Leases & Permits	290	339.4
Private Land Service Fees	623	311.0
General Permits	5,913	124.6
Non-profit Permits & Leases	34	13.2
Lot Development Fees (Cottaging)	34	64.0
Administration Fees	909	41.5
Finance – Interest and Fees on Accounts Receivable	N/A	25.1
<b>Subtotal</b>	<b>19,792</b>	<b>\$ 4,942.4</b>
<b>Agricultural Crown Lands</b>		
Forage Leases	1,969	\$ 1,165.7
Cropping Leases	83	199.2
Special Leases	2	21.5
Renewable Grazing Permits	47	6.3
Casual Grazing Permits	21	7.0
Renewable Hay Permits	292	48.0
Casual Hay Permits	41	9.8
Fees – Administration and Transfers	318	19.6
Improvements	0	8.5
Municipal Taxes Collected	2,320	1,574.2
Rural Municipality Leases	288	68.5
Federal Leases	18	11.6
Peguis First Nation Lease	1	0.3
Miscellaneous	0	22.4
Interest	0	15.6
<b>Subtotal</b>	<b>5,400</b>	<b>\$ 3,178.2</b>
<b>Land Acquisition Branch – Sales and Leases</b>		
Sales	8	\$ 150.0
Leases	23	21.6
<b>Subtotal</b>	<b>31</b>	<b>\$ 171.6</b>
<b>TOTAL</b>	<b>33,962</b>	<b>\$ 11,890.2</b>

Note: The revenue shown above is revenue collected by the Agency for client departments, and does not represent the Agency's own revenue.

## *Major Projects and Initiatives in 2010/11*

During 2010/2011, the Agency launched two major initiatives designed to build a foundation for more effective and efficient operations in the future:

- The Kaizen Project, a joint initiative with Manitoba Agriculture, Foods and Rural Initiatives (MAFRI) to review and streamline existing procedures with respect to agricultural Crown land leases and permits, using the Kaizen philosophy of lean operations. This process has resulted in specific changes to streamline the issuance of forage leases, and the methodology is now being applied to other categories of leases and permits.
- The Legacy Systems Project, a joint initiative with the Information Technology Systems Branch of Manitoba Infrastructure and Transportation and the Business Transformation and Technology Division of Manitoba Innovation, Energy and Mines to upgrade or replace the outdated and largely unsupported information technology (IT) systems that the Agency inherited from its predecessors. A high level statement of requirements was completed in 2010/2011 and a request for proposals for the planning and scoping of the new IT platform is expected to be issued in 2011/2012.

## *Responsibility for Financial Reporting*

Crown Lands and Property Agency (CLPA) management is responsible for preparing the financial statements and other financial information in the Annual Report. This responsibility includes maintaining the integrity and objectivity of financial data and the presentation of CLPA's financial position and the results of its operations and its cash flows in accordance with Canadian Generally Accepted Accounting Principles. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgment regarding all necessary estimates and all other data available through July 8, 2011.

Management maintains internal controls to properly safeguard CLPA's assets. These controls also provide reasonable assurance that the books and records from which financial statements are derived accurately reflect all transactions, and that established policies and procedures are followed.

CLPA's financial statements have been audited by The Exchange, Chartered Accountants, independent external auditors. The auditors' responsibility is to express an independent opinion on whether the financial statements of CLPA are presented fairly, in all material respects, in accordance with Canadian Generally Accepted Accounting Principles. The Auditors' Report outlines the scope of their audit examination and provides their audit opinion.

On behalf of the *Crown Lands and Property Agency* management,



**Michal Kubasiewicz**  
Chief Operating Officer



**Normand Le Neal**  
Manager of Finance

Portage la Prairie, Manitoba  
July 8, 2011

## *Auditor's Report*

**CROWN LANDS AND PROPERTY AGENCY**  
*(An Agency of the Special Operating Agencies  
Financing Authority Province of Manitoba)*  
**Financial Statements**  
**(In thousands)**  
**Year Ended March 31, 2011**

**CROWN LANDS AND PROPERTY AGENCY**  
***(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)***  
**Index to Financial Statements**  
**Year Ended March 31, 2011**

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Statement of Loss and Deficit	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 12



**THE EXCHANGE**

chartered accountants LLP

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**INDEPENDENT AUDITORS' REPORT**

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To the Special Operating Agencies Financing Authority of Crown Lands and Property Agency

We have audited the accompanying financial statements of Crown Lands and Property Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, which comprise the balance sheet as at March 31, 2011, and the statements of loss and deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of Crown Lands and Property Agency, An Agency of the Special Operating Agencies Financing Authority Province of Manitoba, as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

***The Exchange***

chartered accountants LLP  
Winnipeg, Manitoba  
June 29, 2011

100-123 Bannatyne Ave., Winnipeg, MB R3B 0R3  
Telephone: (204) 943-4584 Fax: (204) 957-5195  
Toll Free: 1-866-EXG-0303  
E-mail: [info@exg.ca](mailto:info@exg.ca) Website: [www.exg.ca](http://www.exg.ca)

**CROWN LANDS AND PROPERTY AGENCY**  
*(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)*

**Balance Sheet**

(In thousands)

March 31, 2011

	2011	2010
<b>ASSETS</b>		
<b>CURRENT</b>		
Accounts receivable (Note 5)	\$ 518	\$ 1,019
Prepaid expenses	45	45
	<u>563</u>	1,064
CAPITAL ASSETS (Notes 3, 6)	149	188
SEVERANCE PAY BENEFITS, VACATION PAY AND BANKED TIME		
CASH IN TRUST (Note 7)	670	670
ASSETS HELD IN TRUST (Notes 4, 8)	3	3
	<u>\$ 1,385</u>	<u>\$ 1,925</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Working capital advance, net of cash (Note 9)	\$ 3,199	\$ 3,362
Accounts payable and accrued liabilities (Note 10)	862	483
Client held funds	550	580
	<u>4,611</u>	4,425
SEVERANCE PAY LIABILITY (Note 11)	322	342
TRUST FUND LIABILITY (Note 8)	3	3
	<u>4,936</u>	4,770
<b>DEFICIT</b>	<u>(3,551)</u>	<u>(2,845)</u>
	<u>\$ 1,385</u>	<u>\$ 1,925</u>
LEASE COMMITMENTS (Note 13)		

**CROWN LANDS AND PROPERTY AGENCY**  
*(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)*  
**Statement of Loss and Deficit**  
**(In thousands)**  
**Year Ended March 31, 2011**

	2011	2010
<b>REVENUE</b>	<b>\$ 3,873</b>	<b>\$ 3,745</b>
<b>EXPENSES</b>		
Advertising	10	8
Amortization	92	80
Bad debts	78	133
Computer maintenance costs	126	136
Consulting fees	109	(45)
Contributed services	401	482
Desktop operating lease	180	142
Insurance	3	2
Interest on working capital advance	52	33
Meals and accommodations	6	6
Office	174	180
Professional fees	116	154
Relocation expense	7	12
Rental	269	285
Salaries and wages	2,914	2,937
Training	17	21
Travel	25	32
	<b>4,579</b>	<b>4,598</b>
<b>NET LOSS</b>	<b>(706)</b>	<b>(853)</b>
DEFICIT - BEGINNING OF YEAR	<b>(2,845)</b>	<b>(1,992)</b>
<b>DEFICIT - END OF YEAR</b>	<b>\$ (3,551)</b>	<b>\$ (2,845)</b>

**CROWN LANDS AND PROPERTY AGENCY**  
*(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)*  
**Statement of Cash Flows**  
**(In thousands)**  
**Year Ended March 31, 2011**

	2011	2010
<b>OPERATING ACTIVITIES</b>		
Cash receipts from customers	\$ 4,296	\$ 3,566
Cash paid to suppliers and employees	(3,978)	(4,324)
Interest paid	(52)	(34)
Increase (decrease) in client funds held	(30)	69
Increase (decrease) in severance pay liability	(20)	9
Cash flow from (used by) operating activities	216	(714)
<b>INVESTING ACTIVITY</b>		
Purchase of capital assets	(53)	(72)
<b>INCREASE (DECREASE) IN CASH</b>	163	(786)
WORKING CAPITAL ADVANCE, NET OF CASH - BEGINNING OF YEAR	(3,362)	(2,576)
<b>WORKING CAPITAL ADVANCE, NET OF CASH - END OF YEAR</b>	\$ (3,199)	\$ (3,362)

**CROWN LANDS AND PROPERTY AGENCY**  
*(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)*  
**Notes to Financial Statements**  
**(In Thousands)**  
**Year Ended March 31, 2011**

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**1. NATURE OF ORGANIZATION**

Effective April 1, 2006, Crown Lands and Property Agency (the "Agency") was designated as a Special Operating Agency by regulation under The Special Operating Agencies Financing Authority Act made by the Lieutenant Governor in Council.

The Agency has transactional authority for all Crown land sales, leases and permits, as well as land appraisal, acquisition, expropriation and other services for the provincial government. The Agency represents the Manitoba government in its land dealings with the public, striving to ensure that the government's real estate business is conducted in a manner that is fair, open and transparent, timely and professional, and fiscally and environmentally responsible.

The Agency consolidates the services previously provided by the Lands Acquisition Branch, Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments.

The Agency 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 Agency operations. It finances the Agency through repayable loans and working capital advances. The financial framework enables the Agency to operate in a business-like manner according to public policy expectations.

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

The Agency forms part of the Supply and Services Division of Manitoba Infrastructure and Transportation under the general direction of the Chief Operating Officer and the Assistant Deputy Minister of the Supply and Services Division, and ultimately the policy direction of the Associate Deputy Minister and Minister.

The Agency remains bound by relevant legislation and regulations.

The Agency is economically dependent upon the Province of Manitoba for continued financing and it derives a significant portion of its revenue from the Province. The transactions with the Province of Manitoba are recorded at the exchange amount, which is the amount agreed upon by both parties.

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**2. FUTURE CHANGE IN ACCOUNTING POLICY**

Convergence with Public Sector Accounting Standards as issued by the Public Sector Accounting Board

Effective April 1, 2011, the Agency will be adopting Public Sector Accounting Standards issued by the Public Sector Accounting Board. The Agency is currently in the process of quantifying the impact of these changes on its financial position.

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**CROWN LANDS AND PROPERTY AGENCY**  
*(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)*  
**Notes to Financial Statements**  
**(In thousands)**  
**Year Ended March 31, 2011**

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of reporting

The financial statements of the Agency have been prepared in accordance with Canadian generally accepted accounting principles.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingencies 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.

Capital disclosure

The Agency's capital consists of working capital advances from the Province of Manitoba and deficit.

The Agency's capital management policy is to manage its capital to meet its objectives, to meet short-term capital needs with working capital advances from the Province of Manitoba and to meet long-term capital needs through long-term debt with the Province of Manitoba. There were no changes in the Agency's approach to capital management during the period.

The Agency is not subject to externally imposed capital requirements.

Capital assets

Equipment transferred to the Agency on April 1, 2006 assumed a cost equal to its net book value at March 31, 2006.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives at the following rates and methods:

Equipment	5 years	straight-line method
Computer equipment	5 years	straight-line method
Computer software	5 years	straight-line method
Furniture and fixtures	5 years	straight-line method

Revenue recognition

Land Acquisition Branch: the percentage of completion method of accounting is used, whereby revenue is recognized proportionately with the degree of contracted work completed.

Other branch areas: appropriation funding in Manitoba Agriculture, Food and Rural Initiatives (MAFRI) and Manitoba Conservation is continuing in order to pay the Agency the costs it incurs for providing services to the public (on behalf of MAFRI and Manitoba Conservation). The short-term chargeback model provides for the Agency to bill for its costs but not in excess of the approved budgets for MAFRI and Manitoba Conservation. As the Agency costs are expected to exceed MAFRI and Manitoba Conservation's appropriations for the Agency's services, the Agency may not fully recover its costs of delivering the services on behalf of MAFRI and Manitoba Conservation.



**CROWN LANDS AND PROPERTY AGENCY**  
*(An Agency of the Special Operating Agencies Financing Authority Province of Manitoba)*  
**Notes to Financial Statements**  
**(In thousands)**  
**Year Ended March 31, 2011**

4. FINANCIAL INSTRUMENTS

Financial assets and liabilities are initially recorded at fair value. Measurement in subsequent periods depends on the financial instrument's classification. Financial instruments are classified into one of the following five categories: held for trading; available for sale; held to maturity; loans and receivables; and other financial liabilities. All financial instruments classified as held for trading or available for sale are subsequently measured at fair value with any change in fair value recorded in net earnings and other comprehensive income, respectively. All other financial instruments are subsequently measured at amortized cost.

The financial assets and liabilities of the Agency are classified and measured as follows:

<u>Financial Asset/Liability</u>	<u>Category</u>	<u>Subsequent Measurement</u>
Working capital advance, net of cash	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Severance pay benefits, vacation pay and banked time cash in trust	Held for trading	Fair value
Assets held in trust	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Client held funds	Other financial liabilities	Amortized cost
Severance pay liability	Other financial liabilities	Amortized cost
Trust fund liability	Other financial liabilities	Amortized cost

Amortized cost is determined using the effective interest rate method.

*(continues)*

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4. FINANCIAL INSTRUMENTS *(continued)*

Gains and losses on financial instruments subsequently measured at amortized cost are recognized in the statement of earnings and retained earnings in the period the gain or loss occurs. Changes in fair value on financial instruments classified as held for trading are recognized in the statement of earnings and retained earnings for the current period. Changes in fair value on financial instruments classified as available for sale would be recorded in other comprehensive income until realized, at which time they are recorded in the statement of earnings and retained earnings.

Fair value of financial instruments

The fair values of accounts receivable, severance pay benefits, vacation pay and banked time cash in trust, accounts payable and accrued liabilities, assets held in trust, client held funds and trust fund liability approximate their carrying values due to their short-term maturity.

The fair value of the severance pay liability is determined using the effective interest rate method.

Financial risk management - overview

The Agency has exposure to the following risks from its use of financial instruments: credit risk; liquidity risk; market risk; interest risk; and foreign currency risk.

Credit risk

Credit risk is the risk that one party to a financial instrument fails to discharge an obligation and causes financial loss to another party. Financial instruments which potentially subject the Agency to credit risk consist principally of cash and term deposits and accounts receivable.

The maximum exposure of the Agency to credit risk at March 31, 2011 is:

Accounts receivable	\$ 518
Severance pay benefits, vacation pay and banked time cash in trust	670
	<u>\$ 1,188</u>

Accounts receivable: The Agency is not exposed to significant credit risk as the customers are mostly government entities and payment in full is typically collected when it is due. The Agency establishes an allowance for doubtful accounts that represents its estimate of potential credit losses. The allowance for doubtful accounts is based on management's estimates and assumptions regarding current market conditions, customer analysis and historical payment trends. These factors are considered when determining whether past due accounts are allowed for or written off.

Severance pay benefits, vacation pay and banked time cash in trust: The Agency is not exposed to significant credit risk as the trust account is being held on the Agency's behalf by the Province of Manitoba.

*(continues)*



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4. FINANCIAL INSTRUMENTS *(continued)*

The change in the allowance for doubtful accounts during the year was as follows:

Balance, beginning of the year	\$ 191
Provision for receivable impairment	<u>60</u>
Balance, end of the year	<u>\$ 251</u>

Liquidity risk

Liquidity risk is the risk that the Agency will not be able to meet its financial obligations as they come due.

The Agency manages liquidity risk by maintaining adequate cash balances and by review from the Province of Manitoba to ensure adequate funding will be received to meet the obligations.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Agency's income or the fair values of its financial instruments. The significant market risks the Agency is exposed to are interest rate risk and foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The interest rate exposure relates to severance pay benefits cash in trust and working capital balances.

The interest rate risk on severance pay benefits, vacation pay and banked time cash in trust and working capital advances is considered to be low because of their short-term nature.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Agency is not exposed to significant foreign currency risk as it does not have any financial instruments denominated in foreign currency.

5. ACCOUNTS RECEIVABLE

The balance is comprised of the following amounts:

	<b>2011</b>	<b>2010</b>
Trade accounts receivable	<b>\$ 769</b>	\$ 1,210
Allowance for doubtful accounts	<b>(251)</b>	(191)
	<b><u>\$ 518</u></b>	<b><u>\$ 1,019</u></b>

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6. CAPITAL ASSETS

	2011		2010	
	Cost	Accumulated amortization	Cost	Accumulated amortization
Equipment	\$ 57	\$ 46	\$ 52	\$ 36
Computer equipment	208	170	208	128
Computer software	127	96	127	70
Furniture and fixtures	97	28	48	13
	<u>\$ 489</u>	<u>\$ 340</u>	<u>\$ 435</u>	<u>\$ 247</u>
Net book value	<u>\$ 149</u>		<u>\$ 188</u>	

7. SEVERANCE PAY BENEFITS, VACATION PAY AND BANKED TIME CASH IN TRUST

The Province has accepted responsibility for the severance benefits, vacation and overtime accumulated by the employees of Lands Branch, Agricultural Crown Land Management and Parks Districts Records departments, transferred to the Agency March 31, 2006, to March 31, 2006. Additionally, the Province has accepted responsibility for the severance benefits, vacation and overtime accumulated by the employees of Land Acquisition Branch to March 31, 1998.

Effective March 31, 2010 the Province of Manitoba has paid the receivable balances related to the funding for these liabilities and has placed the amount of \$670 into an interest bearing trust account to be held on the Agency's behalf until the cash is required to discharge the related liabilities.

8. ASSETS HELD IN TRUST

The assets held in trust were pledged to the Agency to complete outstanding projects transferred from the Province of Manitoba. The trust fund liability offsets the assets held in trust until work performed on outstanding projects have been completed.

9. WORKING CAPITAL ADVANCE

The Agency has an authorized line of working capital from the Province of Manitoba of \$8,000 of which \$3,334 was used as at March 31, 2011 (2010 - \$3,369).

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10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2011	2010
The balance is composed of the following amounts:		
Trade accounts payable	\$ 506	\$ 123
Accrued wages, vacation pay and banked time	354	357
Goods and services tax	2	3
	<b>\$ 862</b>	<b>\$ 483</b>

11. SEVERANCE PAY LIABILITY

The Agency records accumulated severance pay benefits for its employees. Severance pay is determined by multiplying years of service by the weekly salary, at date of retirement provided that the employee reaches nine years of service and retires from the Agency. Severance pay for service greater than 15 years to a maximum of 35 years is increased by two weeks for every five years of service. The estimate is based upon the method of calculation set by the Province of Manitoba.

12. PUBLIC SECTOR COMPENSATION DISCLOSURE

It is a requirement of the Public Sector Compensation Disclosure Act that annual public disclosure be made of individual compensation exceeding \$50 annually to any officer or employee of the Province of Manitoba. The following employees received compensation in excess of \$50:

		2011	2010
Bannerman, Gillian	Administration Officer	\$ 50	\$ -
Bernat, Leonard	Property Appraiser	65	59
Burley, Ronald	Property Appraiser	62	52
Charles, Jack	Administration Officer	-	52
Delong, Grace	Administration Officer	52	50
Dyck, Garry	Acquisition Officer	58	56
Dzogan, Ken	Acquisition Manager	68	66
Kent, Rodney	Administration Officer	62	60
Kopytko, Wanda	Administration Officer	58	56
Krakowka, Larry	Property Sales Administrator	54	61
Kubasiewicz, Michal	Senior Manager	99	99
Le Neal, Normand	Financial Officer	96	68
McMullan, Bernie	Property Appraiser	77	74
Millar, Scott	Property Appraiser	78	78
Penner, Mary Ann	Appraisal and Acquisition Officer	59	59
Pieterse, Debra	Property Appraiser	67	68
Pishak, Calvin	Information Technologist	69	69
Sonley, Judy	Appraisal and Acquisition Officer	-	58
Wallcraft, Brian	Information Technologist	58	56

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13. LEASE COMMITMENTS

The Agency's approved 2011/12 Business Plan calls for \$256, to be paid in quarterly instalments during 2011/12, for the rental of the facilities located at 25 Tupper Street North, Portage La Prairie, Manitoba. There is no premise lease agreement in place. Occupancy charges for each fiscal year are established annually by the Province of Manitoba.

The Agency has entered into various leases for vehicles and office equipment. The expected payments for the next five years are as follows:

2012	\$	14
2013		10
2014		10
2015		10
2016		9

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