

MANITOBA FLOODWAY AUTHORITY



2007 ANNUAL REPORT

FOR THE YEAR ENDED
MARCH 31, 2007

TABLE OF CONTENT

1	CEO'S MESSAGE
2	MANDATE
2	MISSION STATEMENT
2	VISION STATEMENT
2	VALUES
3	THE RED RIVER FLOODWAY EXPANSION PROJECT
3	The Project
3	2006/07 Key Highlights
5	History
6	The Manitoba Floodway Authority
6	Governance
6	Project Components
8	Project Activities
9	MILESTONES AND ACCOMPLISHMENTS
11	COMMUNICATION ACTIVITIES
12	2006/07 OBJECTIVES
13	2007/08 PRIORITIES
	FINANCIAL STATEMENTS
14	Auditors' Report
15	Balance Sheet
16	Statement of Operations
17	Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
18	Statement of Cash Flows
19	Schedule of Capital Assets
21	Notes to the Financial Statements



CEO'S MESSAGE

This year, the Red River Floodway Expansion Project shifted into high gear with over 1000 people and over 50 companies participating in the project. To date, eight major project components have been undertaken, including approximately 31 kms, or 64 per cent of the floodway channel, being excavated.

During 2006/07, the MFA's two main objectives were securing the full funding for the floodway expansion project and securing a one-300 year level of flood protection for the residents of Winnipeg. I am pleased to report that both of these objectives have been achieved.

During the year, the governments of Canada and Manitoba confirmed their support for the floodway project with announcements for commitments of \$84 million and an additional \$341 million to fund the remainder of the \$665 million project. With funding secured, the MFA was able to move forward with the tendering of the 2006/07 construction components.

As a result, this spring the floodway project reached a major milestone when the governments of Canada and Manitoba announced that the project has delivered a 1-in-300 year level of flood protection for the residents of Winnipeg - equivalent to the 1826 flood, or the largest flood in Manitoba's recorded history.

Over the next year, the MFA, along with all of the contractors and workers participating in the project, will continue to move forward with this historic project to meet our final objective of a one-in-700 year flood protection. Major project components that will be undertaken include the remainder of the channel, the Inlet and Outlet Control Structures and the West Dike.

As the project proceeds, we look forward to continuing to work with the construction industry, other levels of government, non-governmental organizations, the Aboriginal community and the general public as we continue to improve flood protection and provide a long lasting legacy for future generations.



A handwritten signature in blue ink, which appears to read "Ernie Gilroy". The signature is stylized and fluid, with a long horizontal line extending from the bottom of the name.

Ernie Gilroy
Chief Executive Officer

MANDATE

As stipulated in the Manitoba Floodway Authority Act:

5(1) The Manitoba Floodway Authority mandate is to:

- a) expand the capacity of the floodway;
- b) ensure that the expansion is carried out in a manner that provides increased benefits to the community;
- c) enhance the benefits the floodway will provide to the community
- d) maintain the land and structures that make up the floodway;

The Act also outlines the responsibilities of the MFA in fulfilling its mandate:

5(2) In carrying out its mandate, the Manitoba Floodway Authority is to:

- a) obtain all approvals required for floodway expansion
- b) retain the services of persons to perform work on the floodway expansion and support training for person working on the floodway expansion
- c) co-ordinate and supervise work on the floodway expansion; and
- d) establish arrangements with the Department of Water Stewardship to co-ordinate the floodway expansion with the department's ongoing operation of the floodway

MISSION STATEMENT

- To provide the maximum flood protection to the most people while respecting our neighbours and the environment.
- To provide excellence in project management by demonstrating sound financial management, achieving project guidelines, following an inclusive people management philosophy, encouraging innovation and maximizing economic benefits.

VISION STATEMENT

- A global leader in engineering and project management through people, innovation, integrity and quality.

VALUES

- Trust, respect, ingenuity, integrity and participation are the core values that will guide corporate behaviour to achieve global leadership in engineering and project management.

THE RED RIVER FLOODWAY EXPANSION PROJECT

The Project

The Red River Floodway Expansion Project will increase flood protection for residents of the City of Winnipeg, East St. Paul and West St. Paul. Once completed the project will protect more than 450,000 Manitobans, over 140,000 homes, over 8,000 businesses, and prevent more than \$12 billion in damages to the provincial economy in the event of a 1-in-700 year flood.

The floodway operates by diverting a portion of the Red River floodwaters around Winnipeg through the floodway channel immediately south of Winnipeg back to the Red River near Lockport. Prior to the start of the project, the floodway provided a 1-in-90 year flood protection while an expanded floodway will increase this level of protection to 1-in-700. On April 5, the governments of Canada and Manitoba announced that the floodway project had already delivered a 1-in-300 year level of flood protection, or equivalent to the greatest flood on record in Manitoba history – the flood of 1826. It is estimated that the risk of Winnipeg flooding with the existing floodway is 37 percent over the next fifty years and with an expanded floodway this risk is reduced to 7 percent.

On September 23, 2005, construction of the Red River Floodway Expansion Project was officially kicked off by Manitoba Premier Gary Doer and former Premier Duff Roblin at a historic groundbreaking ceremony along the floodway near Grand Pointe, Manitoba. To date, work on nine major components has been completed or is currently underway:

- 1) Completion of the excavation of the Floodway Embankment Gap East of Grande Pointe;
- 2) Completion of the replacement and upgrade of the Trans-Canada Highway #1 East Bridge;
- 3) Completion of the relocation of the City of Winnipeg Aqueduct;
- 4) Channel excavation from the Inlet Control Structure to the PTH 59 North Bridge (underway);
- 5) Replacement and upgrade of the PTH 59 South Bridge (underway);
- 6) Replacement and upgrade of the CNR Sprague Railway Bridge (underway),
- 7) Replacement and upgrade of the CPR Redditt Railway Bridge (underway);
- 8) CPR Emerson Embankment (underway); and
- 9) Improvements to the West Dike (underway);

With this work underway, over 50 companies and over 1000 people have worked on the floodway project to date.

2006/07 Key Highlights

One-in-300 Year Flood Protection Delivered

On April 5, 2007, 10 years after the 1997 Flood of the Century, Manitoba Premier, Gary Doer, and member of Parliament for Winnipeg South, Rod Bruinooge, on behalf of the Honourable Lawrence Cannon, Minister of Transport, Infrastructure and Communities, officially announced that the floodway expansion had secured a one-in-300 year flood protection level – equivalent to the largest flood in Manitoba's recorded history – the flood of 1826.

Full Funding Secured for Floodway Expansion Project

In 2006/07, the governments of Canada and Manitoba reaffirmed their commitment to the floodway expansion project by announcing two additional contributions to the project. On July 6, 2006, Canada and Manitoba announced an additional \$84 million bringing total project funding to date to \$324 million. Subsequently, on February 23, 2007, the governments of Canada and Manitoba officially announced that each government would be contributing \$170.5 million for the final phase of funding for the Red River Floodway Expansion Project, bringing the total funding for the project to \$665 million. The governments of Canada and Manitoba are cost-sharing the \$665 million expansion 50-50.

MFA Unveils Plan Ensuring Floodway Project Remains on Budget

In November 2006, the MFA unveiled a revised “Go Forward” plan for floodway expansion that provides a one-in-700 year flood protection while ensuring that the project remains on schedule and on budget. The plan also ensures that key national highway and railway routes remain open during a one-in-700 year flood.

While continuing to move forward with key components already undertaken such as the Trans-Canada Highway #1 East Bridge, the PTH 59 South Bridge and the CNR Sprague Railway Bridge, the plan includes the replacement of the CNR Redditt, CPR Emerson and CPR Keewatin railway bridges – all of which have been determined to pose a significant hydraulic impact on the flow of floodwater within the channel. Engineering analysis has concluded that the hydraulic impact resulting from maintaining the six existing highway and railway bridges, PTH 15, PTH 44, PTH 59 North, the St. Mary’s Road and Greater Winnipeg Water District Bridge and CEMR Railway Bridges could be compensated through additional channel excavation.

The original project plan for the floodway project was considered optimal and a “best case” scenario that proposed enhancements to all of the components of the original floodway construction. Assessing pressures that are impacting construction projects across the country, MFA re-examined its plan to ensure that it remained within its original \$665 million budget.

Aboriginal Set-Aside Initiative Established on West Dike Project

In June 2006, the MFA implemented an Aboriginal Set-Aside Initiative on a section of the flood protection improvements for the West Dike component, south west of Winnipeg. This initiative proved to be a great success with all four successful Aboriginal contractors completing their contracts on time and on budget. This initiative is part of the MFA’s overall Employment Equity Strategy that also includes a 20 per cent employment equity requirement on all contracts and a Floodway Training Initiative. This strategy is designed to help build capacity and develop the resources that will benefit the construction industry and the entire province in the future.

Public Access to Earth Initiative Established

In September 2006, the MFA implemented an Access to Earth Initiative which was designed to make excavated earth from the floodway project available to the public for free. During the month long program, over 2000 loads of earth or approximately 13,000 cubic meters of earth was hauled by the public from the site. The MFA plans to reintroduce the initiative in upcoming years as floodway work progresses.

Framework of Public Liaison Committee Outlined

In January 2007, the MFA announced its framework for a Public Liaison Committee (PLC). The purpose of the PLC was to provide an opportunity for community input and information sharing between the community, citizen representatives and the MFA on the floodway project's construction and environmental protection initiatives. The committee consists of 19 members including representatives from the general public, rural municipalities, the City of Selkirk and the City of Winnipeg, the Aboriginal community and the MFA.

MFA Established Mitigation Plan For Endangered Peregrine Falcons

In March 2007, the MFA announced a plan to reduce the impact of West Dike construction on Parkland Mews Falconry & Bird of Prey Education Centre, a bird of prey recovery centre located along the West Dike. This mitigation plan involves delaying construction in the vicinity of the centre to accommodate this year's falcon hatching season and the creation of four new water ponds. This will improve the protection of endangered peregrine falcons that nest in captivity just outside of Winnipeg and help support and promote the social and environmental benefits that the expansion of the floodway can create for those directly impacted.

MFA Established Mitigation Plan for Springhill Ski Facility

In March 2007, the MFA announced a plan to reduce the impact of floodway construction on the operation of Springhill Winter Sports Park – a ski hill operated and leased on Crown land within the floodway right-of-way. This mitigation plan involves completing construction in the vicinity of the facility before the ski season so as not to delay the start of the season and placing excavated earth from the expansion project over the ski hill area. This will improve Springhill's ski and snowboard as well as the social and economic benefits that the expansion of the floodway can create for those directly impacted.

History

Over the years, Manitobans, especially residents of the Red River Valley and the City of Winnipeg, have experienced the devastation of spring floods first hand. Significant Red River flooding in 1950, 1966, 1979, 1996, and, in particular 1997 – when the Floodway came within inches of its limit – reinforced this reality and the need to prepare for larger floods in the future.

Following the 1997 Red River "Flood of the Century", extensive studies and consultations were conducted to identify and evaluate alternatives to improve flood protection for the Winnipeg area. The International Joint Commission (IJC) reviewed flood protection and concluded that the "risk of failure of Winnipeg's existing flood protection infrastructure is high under flow condition similar to or greater than those experienced in 1997." In the IJC's final report, *Living with the Red*, the IJC called for the highest flood protection that can be economically justified or at least sufficient protection to deal with an event similar to the 1826 flood. At the same time, Canada and Manitoba invested \$110 million to improve flood protection in communities in rural Manitoba.

After reviewing all the facts and options, the federal and provincial governments chose the expansion of the current floodway as the most cost-effective and viable solution. As a result, the Government of Canada has recognized the project as a national priority and has partnered with the Province of Manitoba to expand the floodway to protect against a 1-in-700 year flood.

On April 3, 2003, the governments of Canada and Manitoba announced \$80 million each towards the Red River Floodway expansion project. In August 2003, the Government of Canada declared the expansion of the floodway as a national priority project under the Canada Strategic Infrastructure Fund. At the same time, Canada and Manitoba increased their commitments to the project by \$40 million each. On July 6, 2006, Canada and Manitoba announced an additional \$84 million bringing total project funding to \$324 million. Subsequently, on February 23, 2007, both governments announced \$341 million in funding for the remainder of the project bringing total investments for the project to \$665 million.

Since its inception, the MFA has worked on project design and securing environmental approval for the project. In July, 2005, MFA received environmental approval and federal authorization to allow the project to proceed. Subsequently, in September, construction on the project officially commenced on the project and since that time, the MFA has been managing and coordinating construction on all of the components of the project.

The Manitoba Floodway Authority

In October 2003, the Government of Manitoba initially established the Manitoba Floodway Expansion Authority (MFEA) as an incorporated interim agency to prepare for the expansion of the existing Red River Floodway.

In March 2004, the Province of Manitoba introduced the Floodway Authority Act to establish the Manitoba Floodway Authority (MFA). On November 1, 2004, the Floodway Authority Act received Royal Proclamation and the MFA was officially established as a independent crown agency and assumed the operations of the MFEA.

The role of the MFA is to act as a separate, independent, publicly accountable agency to manage the design, construction, and maintenance of the expansion project. Specific responsibilities of the MFA include ongoing project pre-design and engineering, environmental assessment and licensing and identification of potential economic and recreational possibilities that may result from the project.

Governance

On November 1, 2004, a Board of Directors for the Manitoba Floodway Authority (MFA) was established consisting of senior civil servants including Secretary of the Community Economic Development Committee (CEDC), the Secretary to Treasury Board, the Deputy Minister of Intergovernmental Affairs and Trade, Finance, Advanced Education and Training, and Water Stewardship. The role of the Board is to oversee the operations of the MFA as it manages the floodway expansion project.

Project Components

The Floodway Expansion Project involves a major expansion of the existing flood protection system including excavation of the floodway channel, the replacement and upgrading of highway and rail bridges that cross the floodway, modifications to the inlet and outlet structures, utilities and services and improvements to the West Dike. Floodway expansion will more than double the amount of water diverted around Winnipeg by increasing the capacity of the floodway channel from 1,700 cubic metres (60,000 cubic feet) of water per second to 4,000 cubic metres (140,000 cubic feet) per second.

The floodway expansion budget includes the following proposed and approved Project Components that will be undertaken over the life of the project:

- **Project Design and Environmental Assessment (PDEA)** – Preliminary design studies were required to be completed that will be refined to define the project in detail and assess the environmental impacts. This component has included an environmental licensing process including public consultation, establishment of an Environmental Impact Statement (EIS) and financial support for the licensing process including provision for the Clean Environment Commission public hearings, and participant assistance funding.
- **Final Design** – Final design engineering will be undertaken based on the PDEA process to define and identify the detailed design of the project and to incorporate environmental mitigation measures identified during the PDEA stage.
- **Administration** – Ongoing administration costs for the Manitoba Floodway Authority (MFA) including operations, insurance, establishment of site office etc.
- **Excavation** – The floodway channel will be enlarged by widening in varying amounts along its 48 kilometre (30 mile) length. The total volume of excavation is estimated to be 21 million cubic metres (27 million cubic yards). The outlet channel will be expanded and reshaped to permit the increased floodway flow to re-enter the Red River with minimum impact on the riverbanks. As required and appropriate by the expansion, drainage structures, transmission lines, miscellaneous crossings (including pipelines) and the Aqueduct under the floodway, will be extended, adjusted or replaced.
- **Outlet Structure** – The east retaining wall of the existing structure will be demolished, and the Outlet Structure will be widened approximately 52 meters (170 feet) towards the east. Side walls will also be constructed in the channel to prevent erosion and chute and baffle blocks will be constructed on the downstream end of the outlet to further reduce the speed of water re-entering the Red River. These improvements will help to ensure that the speed of water passing through the outlet remains largely unchanged from the pre-expansion condition
- **Inlet Control Structure** – The improvements required include: the selective placement of additional riprap on the downstream slopes and upstream face of embankments adjacent to the concrete structure to protect them from erosive damage; installation of a fire protection system, addition of redundant emergency backup electrical and mechanical systems, and refurbishment of the Gate Control servo motors.
- **Road and Rail Bridges** – Specific highway bridges over the floodway channel will be replaced with new structures configured to minimize hydraulic interference. Railway Bridges will be raised and rehabilitated.
- **Expansion of the West Dike** – The freeboard of the existing West Dike, which extends over 45 kilometres (28 miles) from the Floodway Inlet Control Structure and ties into high ground at the west side of the Red River Valley, will be increased and the length of the Dike will be extended. The dike will be increased in height in varying amounts up to 1.5 metres (6 feet), and extended beyond the current location at the west end by between 10 kilometres (6 miles) and 15 kilometres (9 miles) in length. Once completed, the West Dike will be capable of protecting against from a 100 year wind storm which could occur concurrently with a 700 year Red River Flood.

Project Activities

On an ongoing basis, MFA will continue to focus on the following activities as the project proceeds:

- **Project Management** – MFA will manage construction work on the project. As part of this responsibility, MFA will ensure that workers and contractors comply with the conditions outlined in the Project Management Agreement for the project. MFA will also be responsible for the managing and implementing the Employment Equity Strategy (i.e., including the Floodway Training Initiative).
- **Ongoing Communications** – MFA is committed to ongoing communications throughout the life of the project to promote the project, recognize the partnership and contribution of both levels of government and maximize the level of visibility and importance of the program for all Manitobans.
- **Ongoing Public Outreach and Consultation** – MFA is committed to ongoing consultation with local municipalities, non-government organizations, Aboriginal and other equity groups, labour and the construction industry as the project proceeds.

2006/07 MILESTONES AND ACCOMPLISHMENTS

The Floodway Expansion Project

- Secured a one-in-300 year level of flood protection
- Completed the final design engineering on project components to be constructed in 2007/08.

Environmental Licensing

- Continue to comply with all environmental requirements outlined in the Environment Act License and Federal Government authorizations
- Established an Environmental Mitigation Plan to protect endangered peregrine falcons
- Established an Environmental Mitigation Plan to mitigate the impact on Springhill Winter Sports Park

Construction

- Completed the Trans-Canada Highway #1 East Bridge
- Completed the relocation of the City of Winnipeg Aqueduct
- Undertook construction of the CPR Emerson Embankment
- Undertook channel excavation from the PTH 59 South Bridge to PTH 59 North Bridge
- Undertook the first 10 km section of the West Dike
- Undertook construction of the CNR Sprague Railway Bridge

Public Consultation

- Undertook another round of consultations with rural municipalities
- Distributed 60,000 MFA newsletters on the project
- Updated the Manitoba Floodway Authority Website (www.floodwayauthority.mb.ca)

Funding

- Received funding from Manitoba and Canada for an additional \$84 million of the \$665 million floodway project
- Received commitments from Manitoba and Canada for the \$341 million balance of funding for the \$665 million floodway project

Dates of Significance

April 24, 2006	Manitoba Engineering Firms Recognized for Work on floodway Expansion Project
May 19, 2006	Aboriginal Set-aside Initiative Established for the Red River Floodway Expansion Project
May 23, 2006	Safe Roads Aims to Prevent Road Construction Injuries
July 6, 2006	Federal and Provincial Government Invest \$84 Million to Continue Floodway Expansion Work
August 17, 2006	Four Aboriginal Firms Awarded Work on Red River Floodway Expansion Project
November, 2006	Construction of the Trans-Canada Highway #1 East Bridges completed and opened to vehicle traffic
November 13, 2006	Floodway "Go Forward" Plan to Ensure 1-in-700 flood Protection for Winnipeg
November 13, 2006	Approximately \$60 Million in Floodway Channel Excavation Contracts Awarded
November 15, 2006	Manitoba Floodway Authority Receives COR Safety Certification
January 30, 2007	PCL Constructors Begins Replacement of CN Redditt Railway Bridge
January 31, 2007	Floodway Authority Invites Local Residents to Apply to Participate in Public Liaison Committee
February 23, 2007	Canada and Manitoba Each Contribute Up to \$170.5 Million to Complete the Red River Floodway Expansion
March, 2007	Completion of the Relocation of the City of Winnipeg Aqueduct project
March 8, 2007	Floodway Authority Unveils Mitigation Plan for Springhill Winter Sports Park
March 16, 2007	Five Point Environmental Mitigation Plan to Protect Endangered Peregrine Falcons Unveiled

2006/07 COMMUNICATION ACTIVITIES

April 24, 2006	Manitoba Engineering Firms Recognized for Work on floodway Expansion Project
May 19, 2006	Aboriginal Set-aside Initiative Established for the Red River Floodway Expansion Project
May 23, 2006	Safe Roads Aims to Prevent Road Construction Injuries
July 6, 2006	Federal and Provincial Government Invest \$84 Million to Continue Floodway Expansion Work
August 17, 2006	Four Aboriginal Firms Awarded Work on Red River Floodway Expansion Project
November 13, 2006	Floodway "Go Forward" Plan to Ensure 1-in-700 flood Protection for Winnipeg
November 13, 2006	Approximately \$60 Million in Floodway Channel Excavation Contracts Awarded
November 15, 2006	Manitoba Floodway Authority Receives COR Safety Certification
December 11, 2006	Public Notice - Floodway Construction and Groundwater Action Response Plan
December 21, 2006	Public Notice - Snowmobilers Should Avoid Floodway Construction Zones
January 30, 2007	PCL Constructors Begin Replacement of CN Redditt Railway Bridge
January 31, 2007	Floodway Authority Invites Local Residents to Apply to Participate in Public Liaison Committee
February 23, 2007	Canada and Manitoba Each Contribute Up to \$170.5 Million to Complete the Red River Floodway Expansion
March 8, 2007	Floodway Authority Unveils Mitigation Plan for Springhill Winter Sports Park
March 16, 2007	Five Point Environmental Mitigation Plan to Protect Endangered Peregrine Falcons Unveiled
March 21, 2007	2007 Aboriginal Set-Aside Initiative Tenders Announced

2006/07 OBJECTIVES

The Floodway Expansion Project

- Undertake Final Design Engineering
- Secure one-in-300 year flood protection of the one-in-700 year flood protection

Environmental Licensing

- Fulfill all environmental requirements as part of environmental licensing process
- Continue to comply with ongoing monitoring procedures to ensure compliance with environmental licensing conditions
- Continue to monitor and comply with groundwater protection protocols to address any potential floodway construction impacts

Construction

- Issue and award construction tenders for various components of the project
- Coordinate construction activity to meet the project schedule

Public Consultation

- Continue public consultation process
- Continue to meet with local governments, special interest groups and other interested parties on the floodway expansion project
- Continually update the Manitoba Floodway Authority website www.floodwayauthority.mb.ca
- Produce and distribute periodic newsletters on the project

Funding

- Secure the balance of the funding from Canada and Manitoba to complete the floodway expansion project

2007/08 PRIORITIES

For **2007/08**, the MFA has identified the following strategic core and emerging priorities:

Project Management

- **Completion of Final Design** – MFA anticipates completing the final design and contract administration for the project in 2007/08.
- **Aboriginal Set-Aside Initiative** – MFA will continue to undertake an Aboriginal Set-Aside Initiative for the West Dike project in an effort to help address the future skilled labour shortage and to provide economic development opportunities for the Aboriginal construction industry.
- **Recreation** – Ongoing discussions on the future of an expanded floodway

Construction

- **Maintaining Construction Schedule** – Maintaining the construction schedule including work already underway:
 - Channel excavation from the PTH 59 South Bridge to the PTH 59 North Bridge;
 - Replacement and upgrade of the PTH 59 South Bridge;
 - Replacement and upgrade of the CNR Sprague Railway Bridge;
 - Replacement and upgrade of the CPR Redditt Railway Bridge;
 - Replacement and upgrade of the PTH 100 Ramp Structure;
 - CPR Emerson Embankment;
 - Improvements to the West Dike;

Commence construction on new components, focusing on channel excavation, including:

- Channel Excavation (PTH 59 North Bridge to the Outlet Control Structure);
- The Inlet Control Structure
- The Outlet Control Structure
- The West Dike
- CPR Keewatin Railway Bridge

Environmental Licensing

- **Ongoing Environmental Commitment** – Ensuring ongoing compliance with conditions outlined in the Manitoba Environment Act License and Federal Government authorizations.

Funding

- **Ongoing Discussions** – Finalizing Financial Funding Agreement between Canada and Manitoba for the remainder of the full floodway funding.

AUDITOR'S REPORT

To the Minister of Finance of the
Province of Manitoba and the Directors of the
Manitoba Floodway Authority

We have audited the balance sheet of the **Manitoba Floodway Authority** as at March 31, 2007 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the management of the Authority. 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 presents fairly, in all material respects, the financial position of the Authority as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst + Young LLP

Winnipeg, Canada,
May 11, 2007.

Chartered Accountants

**Manitoba Floodway Authority
Balance Sheet
As at March 31, 2007**

	2007	2006
ASSETS		
Current Assets		
Funds on deposit with Minister of Finance	<u>\$ 24,926,873</u>	<u>\$ 22,349,624</u>
Total Assets	<u><u>\$ 24,926,873</u></u>	<u><u>\$ 22,349,624</u></u>
 LIABILITIES and EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 20,139,276	\$ 11,941,558
Interest payable	1,359,686	173,606
Due to the Province of Manitoba (Note 3b)	<u>3,427,911</u>	<u>10,234,460</u>
	<u>24,926,873</u>	<u>22,349,624</u>
Total Liabilities	<u><u>\$ 24,926,873</u></u>	<u><u>\$ 22,349,624</u></u>

Contractual Obligations and Contingencies (Notes 6 and 9)

(see accompanying notes and schedules to the financial statements)

On behalf of the Board:

Aminden

AB Eluon

**Manitoba Floodway Authority
Statement of Operations
Year ended March 31, 2007**

	2007	2006
Expenses		
Salaries and Benefits	<u>\$ 2,609,267</u>	<u>\$ 2,229,318</u>
Other Operating Expenses		
Transportation	125,404	72,485
Communications	176,624	133,964
Supplies and Services	816,814	1,291,933
Minor Capital	24,899	435,683
Other Operating	<u>257,234</u>	<u>259,427</u>
	<u>1,400,975</u>	<u>2,193,492</u>
Total Expenses	<u>4,010,242</u>	<u>4,422,810</u>
Recoveries		
Capital Assets under Construction on behalf of the Province (Schedule 1)	3,320,730	3,729,044
Operating Grants, Province of Manitoba (Note 5)	<u>689,512</u>	<u>693,766</u>
	<u>4,010,242</u>	<u>4,422,810</u>
Net Operating Results	<u>\$ -</u>	<u>\$ -</u>

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Schedule of Capital Assets Constructed on Behalf of the Province of Manitoba
Year ended March 31, 2007

	2007	2006
Funding from the Province of Manitoba (Note 4)	<u>\$145,664,474</u>	<u>\$ 58,274,527</u>
Capital Expenditures by Component (Note 4):		
Administration	3,320,730	3,729,044
Aqueduct Modifications	9,026,237	-
Contract Administration	6,380,899	1,024,055
Environmental Mitigation	219,532	-
Final Design	8,963,737	10,413,530
Floodway Channel	47,577,004	6,062,190
Inlet Structure	372,798	-
Insurance	251,014	4,591,900
Interest	1,359,686	403,349
Land	342,334	300
Project Description and Environmental Assessment	-	336,875
Railway Bridges	25,027,536	6,807,123
Roadway Bridges	34,480,909	22,961,563
Utility Relocations	1,241,815	1,944,598
West Dike	<u>7,100,243</u>	<u>-</u>
	<u>145,664,474</u>	<u>58,274,527</u>
Net Expenditures	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

(see accompanying notes and schedules to the financial statements)

Manitoba Floodway Authority
Statement of Cash Flows
Year Ended March 31, 2007

	2007	2006
Operating transactions		
Net operating results	\$ -	\$ -
Net changes in non-cash working capital balances related to operations		
Accounts receivable - Province of Manitoba	171,667	(344,762)
Accounts payable and accrued liabilities	<u>(67,559)</u>	<u>(226,479)</u>
Cash provided by (used in) operating transactions	<u>104,108</u>	<u>(571,241)</u>
Financing transactions		
Due to the Province of Manitoba	<u>(7,769,243)</u>	<u>11,255,140</u>
Capital transactions		
Capital assets constructed on behalf of the Province	(145,664,474)	(58,274,527)
Net changes in non-cash working capital balances related to capital		
Accounts receivable - Province of Manitoba	791,027	(791,027)
Accounts payable and accrued liabilities	8,265,277	11,858,186
Interest payable	1,186,080	173,606
Contributions related to capital assets	<u>145,664,474</u>	<u>58,274,527</u>
Cash applied to capital transactions	<u>10,242,384</u>	<u>11,240,765</u>
Increase in funds on deposit with Minister of Finance	\$ 2,577,249	\$21,924,664
Funds on deposit with Minister of Finance, beginning of year	<u>22,349,624</u>	<u>424,960</u>
Funds on deposit with Minister of Finance, end of year	<u>\$ 24,926,873</u>	<u>\$22,349,624</u>

(see accompanying notes and schedules to the financial statements)

**Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2007**

Schedule 2

	<u>Cost</u>	<u>Federal Contributions</u>	<u>Cost net of Federal Contributions</u>	<u>Accumulated Amortization</u>	<u>2007 Net Book Value</u>
Land	\$ 6,975,528	\$ -	\$ 6,975,528	\$ -	\$ 6,975,528
Floodway Infrastructure - 1969	49,905,100	28,804,900	21,100,200	18,990,180	2,110,020
Floodway Infrastructure - Improvements - 2001	1,943,000	-	1,943,000	97,150	1,845,850
Improvements - 2000	3,348,116	2,338,951	1,009,165	75,687	933,478
Improvements - 1997	1,830,607	915,304	915,303	137,295	778,008
Assets Under Construction - 2004	64,002,351	32,059,155	31,943,196	19,300,312	12,642,884
Assets Transferred from the Province March 31, 2004	850,424	-	850,424	-	850,424
Manitoba Floodway Authority - Assets Under Construction - 2004	64,852,775	32,059,155	32,793,620	19,300,312	13,493,308
Capital Assets at March 31, 2004	4,248,615	2,105,742	2,142,873	-	2,142,873
Assets Transferred to the Province April 1, 2004	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Capital Assets at March 31, 2005	69,101,390	34,164,897	34,936,493	19,300,312	15,636,181
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2005	9,854,899	4,658,228	5,196,671	-	5,196,671
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2006	58,274,527	28,842,008	29,432,519	-	29,432,519

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Notes to the Financial Statements
For the Year ended March 31, 2007

Schedule 2
(cont'd)

Manitoba Floodway Authority
Schedule of Capital Assets
As at March 31, 2007

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2007 Net Book Value</u>
Manitoba Floodway Authority - Capital Assets Constructed on behalf of the Province - 2007 (Note)	<u>\$ 145,664,474</u>	<u>-</u>	<u>\$ 145,664,474</u>

Note: Due to changes in public sector accounting standards, applied on a prospective basis, Federal contributions are no longer netted against the cost of the assets. (Note 5)

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Notes to the Financial Statements
For the Year ended March 31, 2007

Note 1 - Nature of Operations

The Manitoba Floodway Authority Act was proclaimed into effect on November 1, 2004. The Act established a crown corporation, the Manitoba Floodway Authority (the Authority) and dissolved the Manitoba Floodway Expansion Authority Inc. (MFEA) which had been incorporated October 3, 2003. The one outstanding share of the MFEA was redeemed upon dissolution for \$1. The purpose of the Authority is to assume the existing operations of the MFEA and to act as the agent of the Manitoba Government in the construction and maintenance of the Red River Floodway.

Note 2 - Significant Accounting Policies

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

Capital Assets

Purchased capital assets in excess of \$10,000 are recorded at cost and are amortized on a straight line basis according to their estimated useful life. Purchases under \$10,000 are expensed in the year of purchase. The Authority follows the same capital asset policy as the Province.

Pension Plan

In accordance with the provisions of The Civil Service Superannuation Act (Act), employees of the Authority are eligible for pension benefits in accordance with the Civil Service Superannuation Act. Plan members are required to contribute to the Civil Service Superannuation Fund (Fund) at prescribed rates for defined benefits and will receive benefits based on the lengths of services and on the average of annualized earnings calculated on the best five years prior to retirement, termination or death that provides the highest earnings. The Authority is required to make contributions equal to the amounts contributed to the Fund by the employees. Under this Act, the Authority has no further pension liability. Contributions during the year amounted to \$102,660 (2005 - \$95,250).

Accounting Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenditures recorded in the period, and the disclosure of contingencies at the date of the financial statements. Actual results could differ from those estimates.

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Notes to the Financial Statements
For the Year ended March 31, 2007

Financial Instruments

Financial instruments include funds on deposit with the Minister of Finance, amounts due to the Province of Manitoba, accounts payable and accrued liabilities. It is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Authority's financial assets and liabilities approximates their fair value.

Note 3 - Working Capital Advance and Due to the Province of Manitoba

a) Working Capital Advance

The Manitoba Floodway Authority is included under the provision of Manitoba's Loan Act Authority. Advances from the Province of Manitoba bear interest at rates established by the Minister of Finance. The advances are repayable on demand at the option of the Lieutenant Governor in Council. A maximum line of credit of \$5 million has been established. At March 31, 2007, there were no advances outstanding.

b) Due to the Province of Manitoba

In addition, the Authority may receive interest bearing advances of approved funding from the Province at rates established by the Minister of Finance. At March 31, 2007, \$3,427,911 (2006 - \$10,234,460) was payable to the Province.

Note 4 - Capital Assets Constructed on behalf of the Province of Manitoba

As an agent of the Province, capital expenditures incurred and transferred to the Province during 2007 and 2006 are as follows:

	2007	2006
Administration	\$ 3,320,730	\$ 3,729,044
Aqueduct Modifications	9,026,237	-
Contract Administration	6,380,899	1,024,055
Environmental Mitigation	219,532	-
Final Design	8,963,737	10,413,530
Floodway Channel	47,577,004	6,062,190
Inlet Structure	372,798	-
Insurance	251,014	4,591,900
Interest	1,359,686	403,349
Land	342,334	300
Project Description and Environmental Assessment	-	336,875
Railway Bridges	25,027,536	6,807,123
Roadway Bridges	34,480,909	22,961,563
Utility Relocations	1,241,815	1,944,598
West Dike	7,100,243	-
Total	\$145,664,474	\$58,274,527

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Notes to the Financial Statements
For the Year ended March 31, 2007

Note 5 - Transactions related to Operations and Capital

The Province has a shared cost agreement with the Government of Canada for both capital and operating expenditures related to the Red River floodway expansion project. All eligible costs are shared equally. The Authority receives its funding from the Province of Manitoba. Claims under the shared cost agreement are submitted by the Authority on behalf of the Province with funds received from the Government of Canada recorded in the Operating Fund of the Province of Manitoba.

During the year, as a result of changes in public sector accounting standards applied on a prospective basis, government transfers from the Government of Canada under this shared cost agreement in the amount of \$71,876,877 were no longer netted against the cost of capital assets but were recorded as revenue in the Operating Fund of the Province of Manitoba.

Grants from the Province of Manitoba of \$689,512 (2006 - \$693,766) related to operating expenses were reflected in the operations of the Authority. \$342,852 (2006 - \$344,595) of these operating grants were received as government transfers under the shared cost agreement and were recorded as revenue in the Operating Fund of the Province of Manitoba.

Note 6 – Contractual Obligations

As an agent of the Province the Authority has entered into various contracts in the stages of the Floodway expansion project. Contractual obligations relating to the project total \$96,453,102 at March 31, 2007 (2006 - \$122,831,122).

Contractual obligations for the lease of office space to the Province of Manitoba Department of Transportation and Government Services for the next three years are as follows:

2008	\$151,458
2009	75,729

Note 7 - Economic Dependence

The Authority is economically dependent on funding received from the Province of Manitoba.

Note 8 – Public Sector Compensation Disclosure

For the purpose of the Public Sector Compensation Disclosure Act, all compensation for employees is disclosed in a separate audited statement available on request.

Manitoba Floodway Authority
(formerly Manitoba Floodway Expansion Authority Inc.)
Notes to the Financial Statements
For the Year ended March 31, 2007

Note 9 - Contingencies

A claim and other appeals relating to the granting of an environmental license to the Authority have been filed, and an individual accident claim is pending filing against the Authority. As the outcomes of these matters are not determinable and amounts are not reasonably estimable at this time, liabilities have not been recorded in the financial statements.

Note 10 – Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.