





Winnipeg

THE CITY OF WINNIPEG 2006 DETAILED FINANCIAL STATEMENTS

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FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

Management has prepared the following Financial Statement Discussion and Analysis, which comments on The City of Winnipeg's ("the City") activities for the most recent fiscal year ended December 31, 2006 on a comparative basis. This information should be read in conjunction with the audited consolidated financial statements and the notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements provides information about the assets, liabilities, revenues and expenses of the departments, special operating agencies, utilities, and corporations that are controlled by the City, and its investment in government businesses. Below is a brief description of these major funds, entities and investments that are included in the consolidated financial statements.

Funds, Entities, and Investment in Government Businesses

The General Revenue Fund reports on property tax-supported operations, which entails such services to citizens as police, fire, ambulance, library and street maintenance. The General Capital Fund was created to account for tax-supported capital projects. The tax-supported capital program is made up of, but is not limited to, the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility operations are comprised of the Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal Funds. The civic corporations include the Winnipeg Public Library Board, The Convention Centre Corporation, Destination Winnipeg Inc., Winnipeg Enterprises Corporation ("WEC"), Winnipeg Arts Council Inc., and CentreVenture Development Corporation. These corporations are involved in economic development, recreation, tourism, entertainment, and conventions. North Portage Development Corporation and Winnipeg Housing Rehabilitation Corporation are included in the consolidated financial statements as an investment in government businesses.

There are five Special Operating Agencies ("SOA") established within the City's organization. Animal Services (2000), Glacial Sand and Gravel (2001), Winnipeg Golf Services (2002), Fleet Management (2003) and Winnipeg Parking Authority (2005) provide services as special units of the City. They are granted more direct responsibility for results and increased management flexibility needed to attain planned levels of performance.

SOAs have been given the authority to provide direct public services, internal services, or regulatory and enforcement programs. SOA status is granted when it is in the City's interest that they remain within the government but require greater freedom to manage in a more business-like manner. Each SOA is governed by its own operating charter and prepares an annual business plan for adoption by City Council.

City Council has approved the establishment of Reserve Funds that can be categorized into three types. Capital Reserves were established to finance current and anticipated future capital projects that reduce or eliminate the need to issue debt. Special Purpose Reserves were established to account for the use of designated revenue to fund costs, and Stabilization Reserves were created to assist in the funding of major unexpected expenses or deficits recorded in the General Revenue Fund.

Restatement of the Consolidated Financial Statements

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires local governments to record and amortize tangible capital assets on their financial statements. Prior to this change the City recorded its tangible capital assets to match corresponding debt outstanding, equity allocated internally and acquisitions made from Capital Reserves. The tangible capital assets were amortized at amounts equal to the principal repayment of the debt.

The 2005 opening accumulated surplus has increased by $2.6 billion to reflect the application of the provisions of Section 3150. The 2005 excess of revenues over expenses has been restated to include tangible capital assets previously expensed, revenue from contributed tangible capital assets, capital grants recorded as revenue, and an increase in amortization expense.

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to the acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives. The estimated useful lives of tangible capital assets range from 5 to 100 years.

As at December 31 (in thousands of dollars)	2006	2005
General		
Land	$ 171,400	$ 176,158
Buildings	223,801	221,112
Vehicles	125,225	126,254
Computer	44,625	46,557
Other	50,142	40,880
Infrastructure		
Plants and facilities	228,320	230,769
Roads	723,638	693,507
Underground and other networks	1,633,958	1,630,473
Bridges and other structures	315,176	305,621
	3,516,285	3,471,331
Assets under construction	153,460	69,579
	$3,669,745	$3,540,910

During the year there were no write-downs of tangible capital assets. Roads and underground networks contributed to the City totalled $14.3 million (2005 - $17.1 million) and were capitalized at their fair value at the time of receipt along with $1.3 million (2005 - $1.0 million) of interest.

The City had previously recorded capital grants for the purchase of tangible capital assets as a reduction of the cost of the asset. Commencing in 2006, and applied retroactively, the City now records capital grants as revenue in the year that tangible capital assets are acquired.

The opening 2005 accumulated surplus has also been restated by $20.7 million to reflect the investment in government businesses and a wholly-owned corporation. North Portage Development Corporation is one-third owned by the City and is recorded as a government business partnership. Winnipeg Housing Rehabilitation Corporation was created by the City and is reported as a government business enterprise. Both businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting policies are not adjusted to conform with those of the City and intercorporate transactions are not eliminated.

Results of Operations

The Consolidated Statement of Operations reports the City's changes in economic resources, obligations, and accumulated surplus for 2006, on a comparative basis. As the annual excess of revenues over expenses was positive, it indicates that the revenues raised during the year were sufficient to cover costs.

During the year, the City recorded consolidated revenues of $1,105.5 million (2005 - $1,039.1 million), including capital grants, and consolidated expenses of $985.2 million (2005 - $963.4 million). As a result, accumulated surplus increased by $120.3 million (2005 - $75.7 million). Revenues improved by $66.4 million in 2006 from 2005, due to several factors. Government grants and transfers related to the purchase of tangible capital assets increased by $21.4 million. During 2006 the City recorded revenues of $18.7 million under the Federal Gas Tax Funding Agreement and $3.7 million from the Canadian Strategic Infrastructure Fund ("CSIF").

On November 18, 2005, the Government of Canada and the Province of Manitoba ("the Province") entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the agreement, the Province administers the funds on behalf of the Federal Government and conditionally provides the funds to the City subject to receipt of funding from the Federal Government. The funds are intended for eligible projects in the areas of Public Transit and Wastewater.

On April 10, 2006, the Province and The City of Winnipeg signed the Gas Tax Funding Agreement. The agreement was effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier. The CSIF is a Federal and Provincial government program that reimburses the City for 50% of its costs on certain eligible projects.

Government grants and transfers related to operating activities increased by $10.2 million. This was in part due to $3.0 million received from the Province, which provides Winnipeg with similar treatment to other Provincial municipalities that receive 25% of their costs of property assessment from the Province, and $2.4 million from the Province regarding casino revenues.

Sales of services and regulatory fees include revenue sources such as water and sewage services, transit fares, and ambulance services. Increased revenue was generated by sewer service rates that rose to 3.87 per 100 cubic feet from 3.39 per 100 cubic feet. Also Transit raised their fares and ridership increased during the year. Photo enforcement revenue was higher due to the revised fine structure introduced by the Province and increased enforcement.

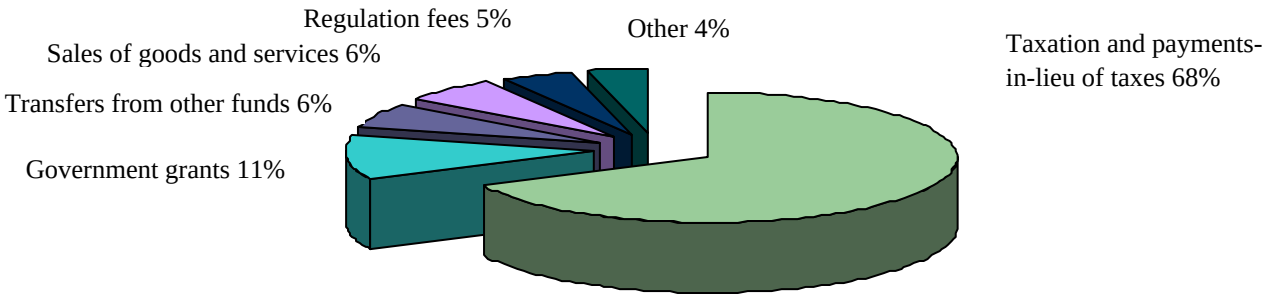
For the years ended December 31 (in thousands of dollars)	2006	2005
Taxation	$ 518,661	$ 503,594
Sales of services and regulatory fees	356,761	339,539
Government grants and transfers		
Operating	109,236	99,040
Capital	43,064	21,685
Investment, land sales, contributions and other revenue	77,811	75,266
	$1,105,533	$1,039,124

The major components of taxation revenue are property, business, local improvements, electricity and natural gas taxes. Municipal property tax revenue, excluding payments to the Province and school divisions, grew from its 2005 level as a result of assessment growth.

Consolidated expenses grew by $21.8 million from the previous year. This resulted from an additional $17.8 million spent on protection and community services, which includes the Police Services and Fire Paramedic Service departments. The increase is mainly caused by increased salaries and employee benefits. Expenses related to public works declined by $11.4 million due primarily to lower costs associated with snow removal resulting from favourable weather conditions.

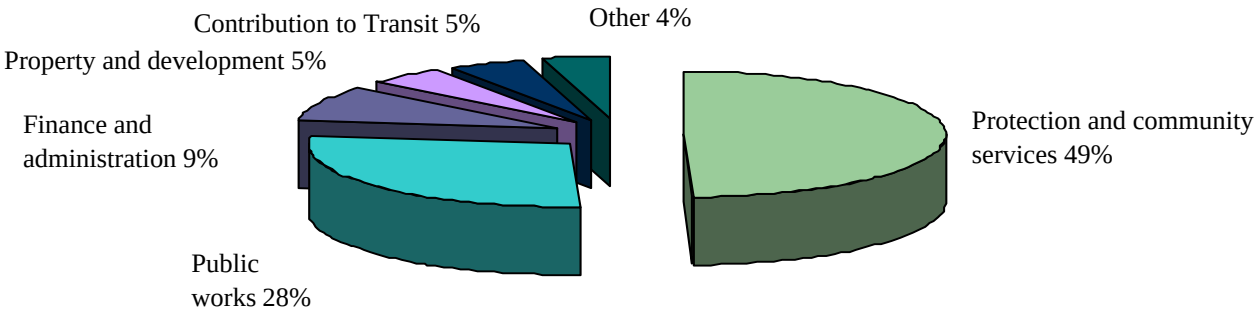
For the years ended December 31 (in thousands of dollars)	2006	2005
Salaries and benefits	$ 530,881	$ 510,928
Goods and services	271,530	270,707
Amortization	125,681	122,718
Interest	45,665	50,283
Grants and other expenses	11,476	8,763
	$ 985,233	$ 963,399

The consolidated financial statements include the services reported in the General Revenue Fund, which are 52% (2005 - 52%) funded by municipal realty tax revenues. The 2006 budget for the property tax-supported operations was adopted by City Council on March 21, 2006. During the budget process the City faced several challenges to produce a balanced budget while maintaining its commitment to a competitive tax environment. The result was the ninth consecutive approved budget without an increase to property taxes. The budget included increased funding for public safety, continued fiscal restraint, and frontline essential services were maintained. The business tax rate for businesses located in the downtown geographic area continued at 7.75%, and the budget included a plan to partially offset business tax increases due to the 2006 general assessment.



General Revenue Fund 2006 Actual Revenues

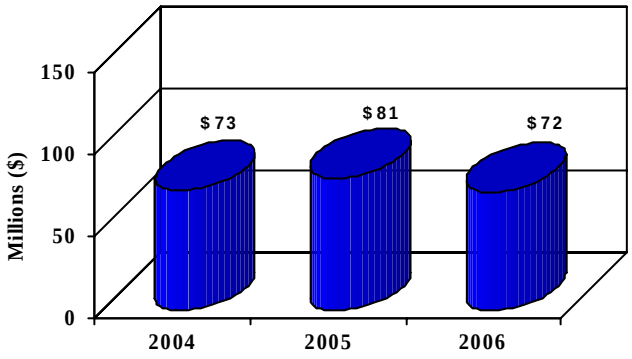
During 2006, the General Revenue Fund incurred revenues and expenses of $724.6 million (2005 - $711.5 million). Several unexpected events occurred that impacted the financial results of the City's property tax-supported operations. The City experienced higher road maintenance costs during the winter and increased flood and fire paramedic service costs. These were offset by savings achieved in other departments, and increased investment and photo radar revenues. At the end of the year, the General Revenue Fund reported a net surplus of $0.7 million, which was transferred to the Mill Rate Stabilization Reserve.



General Revenue Fund 2006 Actual Expenses

Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2006, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. An important indicator on the Statement of Financial Position is the City's net financial assets.



Net Financial Assets

Net financial assets is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2006, the City was in a net financial asset position of $71.8 million (2005 - $81.0 million). The change in this indicator is comprised of various elements including tangible capital assets acquired in the year totalling $263.1 million.

Investment Management

Investments

The City's primary investment is Manitoba Hydro's obligation as a consequence of the sale of Winnipeg Hydro in 2002. The terms of the sale include annual payments of $25 million commencing in 2002 and for the next four years thereafter; $20 million per annum for years six to nine; and $16 million for years ten in perpetuity. The investment is determined based on the discounted sum of future cash flows that have been guaranteed by the Province of Manitoba.

Marketable securities are generally long-term in nature. These securities are being held to finance future anticipated costs such as the construction of the water treatment plant or perpetual maintenance at the three cemeteries that are maintained by the City. City Council has approved an Investment Policy to provide the Administration with a framework for managing its investment program. Safety of principal is the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

As at December 31 (in thousands of dollars)	2006	2005
Marketable securities		
Government of Canada	$ 12,100	$ 44,154
Provincial	8,466	49,754
Municipal	1,457	-
	22,023	93,908
Manitoba Hydro long-term receivable	243,751	253,539
Other	914	742
	$ 266,688	$ 348,189
Market value of marketable securities	$ 23,757	$ 96,838

Accounts Receivable

As at December 31, 2006, property, payments-in-lieu and business tax receivables, net of the allowance, represented 25% (2005 - 23%) of total accounts receivables. Taxation revenue is 47% (2005 - 48%) of total consolidated revenue.

As at December 31 (in thousands of dollars)	2006	2005	2004	2003	2002
Taxes receivable	$ 41,350	$ 37,698	$ 40,436	$ 42,761	$ 47,978
Allowance for tax arrears	(6,326)	(6,364)	(6,394)	(5,056)	(4,023)
	$ 35,024	$ 31,334	$ 34,042	$ 37,705	$ 43,955

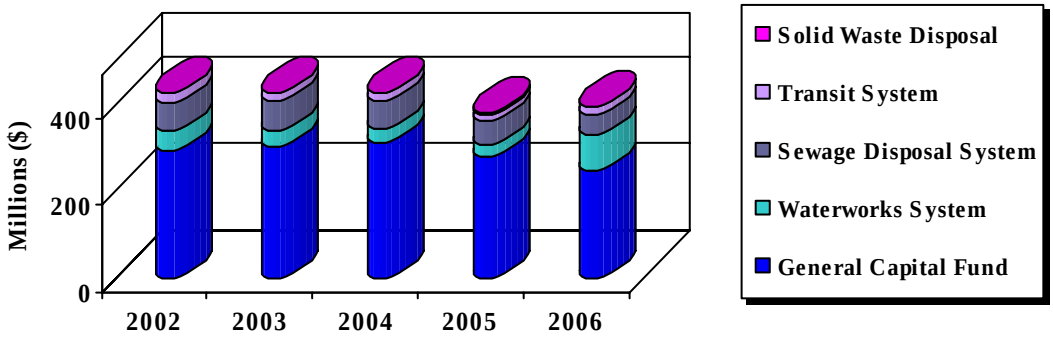
Section 371 of The City of Winnipeg Charter provides Administration with the authority to collect taxes due on real property in the city.

Debt Management

As at December 31 (in thousands of dollars)	2006	2005
Net debt		
Sinking fund debentures	$ 488,500	$ 428,500
Equity in Sinking Fund	(222,723)	(198,965)
	265,777	229,535
Serial and installment debt	130,855	152,726
Bank loans	28,497	8,821
Capital lease obligations	22,478	23,620
	$ 447,607	$ 414,702

The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter the City is required to make annual payments towards the retirement of sinking fund debt. These annual payments are invested primarily in government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures. By investing in bonds and debentures of investees that are considered to be high quality credits, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

On July 10, 2006, the City launched a $60 million 30-year debenture. The yield on the issue was 5.2% and matures on July 17, 2036. This issue will be used to finance the construction of the water treatment plant. Except for the debt issued in 2006, all of the outstanding sinking fund debt will mature by 2017. Repayment of debt will be made in full from the Sinking Fund except for $50.0 million that will become payable in 2009. This debenture will have a sinking fund shortfall of $31.0 million and it is anticipated it will be refinanced.



Net Sinking Fund Debentures, Serial and Installment Debt

The City has also incurred serial and installment debt that have varying maturities up to 2014 and carry a weighted average interest rate of 4.8% (2005 - 4.8%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on capital loans for several third parties that totalled $6.3 million (2005 - $7.3 million). The City does not anticipate incurring future payments relating to these guarantees.

In 2006, Standard & Poor's advised the City that its credit rating would be maintained at AA and Moody's Investors Service announced it would be raising the City's credit rating to Aa1 from Aa2. These debt ratings contribute to the City's ability to access capital markets and should result in future lower borrowing costs.

Beginning in 1998, the City discontinued issuing new tax-supported debt. Under its current capital plan, all new tax-supported projects are financed internally. As a result the level of tax-supported debt decreased by $229.5 million from 1999, and is expected to decrease continuously over the next few years along with the associated debt-servicing costs. Within the utilities, the City anticipates issuing $116.8 million in debt over the next few years to finance a water treatment plant estimated to cost $300 million. The Water Treatment Reserve, which was established on December 17, 1993, had a balance at December 31, 2006 of $25.2 million (2005 - $73.7 million). This Reserve will fund a significant percentage of the cost of this project.

In addition, the 2006 utilities capital budget includes $189.3 million in debt over the next six year period to fund projects mandated by the Province of Manitoba through the Clean Environment Commission ("CEC"). During 2003 the CEC, at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50-year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25-year period, which is estimated to cost $1.2 billion. Partial funding for these improvements will be provided by the Environmental Projects Reserve, which had a balance at December 31, 2006 of $46.9 million.

Tangible Capital Assets

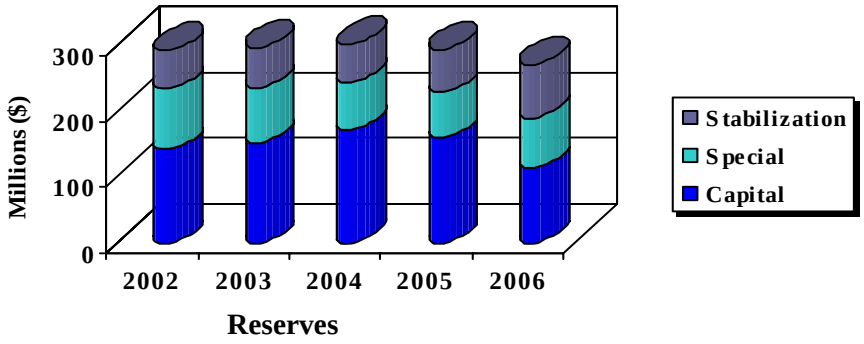
The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment and fiscal responsibility. The 2006 capital budget and the 2007 to 2011 five-year forecast was adopted by Council on February 21, 2006. The capital investment plan committed $1.4 billion in spending over the next six years with $307.6 million in 2006. Priority was given to enhanced investment in roads and bridges, transit and community facilities. Areas of major capital investment included in the six-year plan were $469 million for the sewage and solid waste disposal projects; $284 million for roads and bridges; $184 million for the water system; $142 million each for the transit system and for land drainage and flood control; and $44 million for the recreation and leisure facilities initiative.

The capital budget also includes $87.0 million of funding from the senior levels of government through the CSIF, which was applied towards the Kenaston Underpass project, three pollution control centres and recreation and leisure facilities. It is anticipated the Federal Government will also be providing $28.7 million under Bill C-66 over 2007 to 2008. In addition, the Province of Manitoba has continued with its commitment to fund capital projects through the new framework of the Building Manitoba Fund with approximately $59.6 million dedicated for roads and transit over the next 6 years. The City will also be working with the Province to select projects for funding under the new Manitoba/Winnipeg Infrastructure Program - formerly Urban Capital Project Allocation - totalling $70.0 million over six years.

During 2006, the City spent $263.1 million on capital projects (2005 - $199.3 million), which included $130.1 million for tax-supported projects. Spending on tax-supported projects was made primarily on roads and bridges, water and waste infrastructure, and buildings.

Reserves

Reserve balances have decreased overall by $22.5 million from the prior year. The City's Capital Reserves balance dropped by $45.4 million. In particular, the Water Treatment Reserve declined by $48.5 million as work continued on the water treatment plant. Special Purpose Reserves rose by $5.7 million, while the Stabilization Reserves increased by $17.2 million thereby exceeding, in total, their targeted level of 10% of the property tax-supported adopted budget expenses. During 2006, three reserve funds were consolidated into the financial statements. The Federal Gas Tax Revenue Reserve Fund, which was created to account for the revenue received under the "Agreement on the Transfer of Federal Gas Tax Revenues"; the Public Transit Reserve Fund, which is dedicated for eligible projects to be funded by the Government of Canada through Bill C-66; and the Insect Control Urgent Expenditures Reserve Fund, which was created to absorb unexpected costs in years where the City of Winnipeg experiences above average response levels associated with insect control.



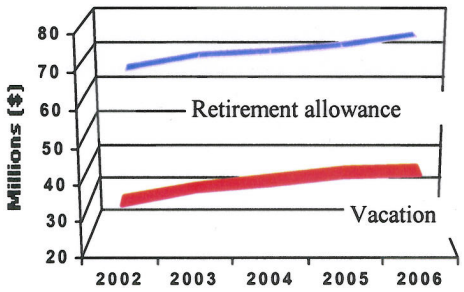
Accounting Policies

The significant accounting policies used in preparing the City's consolidated financial statements are summarized in Note 2 to these statements. The accounting policies section of the financial statements sets out management's decisions concerning estimates that may significantly impact the City's financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. The following is a discussion of these critical accounting estimates.

Employee Benefits

The City provides pension and sick leave benefit plans for qualified employees. The cost of these employee benefits are actuarially determined each year. These calculations use management's best estimate of a number of assumptions. The critical assumptions made by management are the long-term rate of investment return on plan assets, certain employee-related factors such as turnover, retirement age and mortality, salary escalation and the discount rate used to value liabilities. Management applies judgment in the selection of these assumptions based on past experience and on forecasts of future economic and investment conditions. As these assumptions relate to factors that are long term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension and sick leave benefits expense in future years.

The City contributes to a number of pension plans. The two major plans are The Winnipeg Civic Employees' Pension Plan and the Winnipeg Police Pension Plan. Both Plans have funded surpluses that allow the City to take advantage of decreased contributions to the Plans.



The Winnipeg Civic Employees' Pension Plan is similar to a defined contribution pension plan, the terms of which eliminate the City's exposure to future unfunded liabilities. The Plan is a multi-employer contributory plan governed by an independent board of directors. The Police Plan is a defined benefit plan with the City being responsible for unfunded liabilities. The funded surpluses of the Plans are not recorded on the City's consolidated financial statement.

Business Risks

Environmental Matters

As indicated previously, the City is subject to environmental laws including the regulation of water consumption and treatment by the CEC that will result in significant future capital acquisitions. As well, The City of Winnipeg operates one landfill, the Brady Landfill Site, and is required to monitor and maintain several former landfill sites. The City is responsible for future landfill closure and post closure care requirements defined in accordance with the Environmental Act. In determining the City's environmental liability, management has estimated the total cost to cover and landscape the landfill along with site maintenance, available site capacity, and remaining life. The liability is measured on a discounted basis using the long-term cost of borrowing at year-end.

Labour Negotiations

As at December 31, 2006, 54% (2005 - 53%) of the City's expenses related to salaries and employee benefits. The City employed approximately 8,800 staff, which are represented by eight unions and associations. The City has in place labour agreements with its unions and associations as follows:

Union/Association	Agreement Expiry Date
Amalgamated Transit Union - Local 1505 (ATU)	January 12, 2008
Canadian Union of Public Employees - Local 500 (CUPE)	December 30, 2007
Professional Paramedics Association of Winnipeg (PPAW)	February 13, 2007
United Fire Fighters of Winnipeg - Local 867 (UFFW)	December 26, 2005
Winnipeg Association of Public Service Officers (WAPSO)	October 11, 2006
Winnipeg Fire Paramedic Senior Officers' Association (WFPSOA)	February 22, 2007
Winnipeg Police Association (WPA)	December 23, 2006
Winnipeg Police Senior Officers' Association (WPSOA)	December 19, 2006

The collective agreements provides a process to revise wage and employee benefit levels through negotiations. In addition, collective bargaining disputes with certain of the bargaining units are resolved through compulsory arbitration at the request of either or both parties.

Human Resources

The City's workforce has steadily decreased to its current level from 11,000 in 1990. There is potential for significant turnover within the civic service due to the high percentage of the workforce that will be eligible to retire within the next few years. The workforce of the future will require diverse skills to effectively meet the work challenges of tomorrow.

During July 2001, City Council approved the "Human Resource Strategic Plan" that will guide the City as it moves to a smaller, more flexible, more highly skilled workforce. The Plan identifies a long-term vision, supporting success factors, and the most immediate priorities needed to achieve the business strategy. It also provides a long-term strategy for managing human resources that is aligned to the City's corporate goals.

Organizational Changes

On September 27, 2006, City Council approved the cash sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge facilities, equipment, and reserve assets for the price of $11.0 million. The closing date of the sale was January 3, 2007. As at December 31, 2006, Glacial had an accumulated deficiency of approximately $1.0 million. Included in the sale agreement is the City's ability to purchase material for its own purpose at prices paid by preferential clients, along with the ability to be supplied with emergency materials at preferred rates.

Financing Infrastructure

As with other municipalities in North America, the City of Winnipeg is experiencing a decline in the condition of its infrastructure. The City undertook a comprehensive review of its infrastructure and found that there is a considerable deferred maintenance component of the infrastructure that will require future consideration. The "Agreement on the Transfer of Federal Gas Tax Revenues" that was signed between The Governments of Canada and Manitoba provides stable, reliable and predictable funding to the City for environmentally sustainable infrastructure. Eligible projects include public transit, water, wastewater, and solid waste. The 2006 six-year capital plan reflects $101.2 million from the Federal Government, which represents the City's share of the federal gas tax revenue.

Controls and Procedures

Over the past year a number of reviews were conducted by the City Auditor. Reviews included audits of SOAs and consulting and revenue systems. Administration considers all internal control recommendations seriously and balances the cost of implementation against available resources and the extent of controls required to mitigate potential areas of concern. The City has a satisfactory level of controls required to ensure the accuracy of its financial statements.

Looking Forward

Section 284(1) of The City of Winnipeg Charter requires City Council to approve the tax-supported budget before March 31 of each fiscal year. On March 20, 2007, City Council approved the 2007 operating budget that provides for the tenth year of property tax freezes and reductions. The budget continues the plan to reduce business taxes, setting a rate of 7.75% for all city businesses and to partially offset business tax increases as a result of the 2006 general assessment. It included increased funding for clean and green services, public safety and infrastructure along with a continued emphasis on efficiencies.

General Revenue Fund - Budget
For the years ended December 31
(in thousands of dollars)

	2007	2006	2005	2004	2003
Revenues					
Property tax	$ 419,035	$ 404,828	$ 399,507	$ 391,657	$ 388,736
Government grants	81,172	87,991	77,617	73,066	71,527
Sale of goods and services	63,312	65,720	69,900	68,682	66,994
Transfer from other funds	59,730	45,557	31,450	28,278	27,065
Business tax	57,584	62,240	62,273	62,662	62,417
Regulation fees	26,948	23,573	31,678	34,431	34,131
Other taxation	22,943	22,158	22,423	20,975	19,691
Interest	9,310	7,796	11,344	13,608	13,620
Other	1,020	1,096	807	875	730
	741,054	720,959	706,999	694,234	684,911
Expenses					
Public works	169,703	153,567	149,798	147,639	148,117
Police service	159,468	153,312	146,695	140,570	137,944
Fire paramedic service	113,845	108,753	103,785	103,165	99,204
Community services	92,002	88,588	85,814	83,030	80,485
Corporate	59,009	71,203	66,229	65,503	66,438
Planning, property and development	37,126	35,146	38,730	39,294	38,157
Water and waste	31,204	32,140	33,433	33,468	34,456
Corporate information technology	15,609	16,918	16,519	16,260	14,389
City clerks	11,809	11,256	11,356	10,565	9,862
Property assessment	11,427	11,413	12,418	11,972	12,514
Street lighting	10,492	10,128	9,522	9,610	9,463
Corporate services	10,067	9,271	10,421	9,213	8,474
Corporate finance	9,736	9,832	12,883	14,980	16,593
Other departments	9,557	9,432	9,396	8,965	8,815
	741,054	720,959	706,999	694,234	684,911
	$ -	$ -	$ -	$ -	$ -

Section 284(2) of The City of Winnipeg Charter requires City Council to approve the capital budget for that year and a capital forecast for the next five fiscal years before December 31 of each fiscal year. On January 25, 2007, City Council approved the 2007 capital budget and the 2008 to 2012 forecast. The capital budget addresses the infrastructure deficit, estimated at approximately $2 billion, and includes public-private partnerships ("P3") initiatives to facilitate project management and transfer risk. Projects eligible for P3 financing in the 2007 - 2012 plan are the repair of the Disraeli Bridge, widening of McGillivray Boulevard, and construction of police stations.

The plan includes Federal contributions from the Canada Strategic Infrastructure Fund, gas tax agreement and the Federal Public Transit Capital Trust Fund. It also includes Province of Manitoba support through the Manitoba-Winnipeg Infrastructure Program and the Building Manitoba Fund. In late 2006, the Province committed new funding for road improvements for future years.

Consolidated Financial Statements

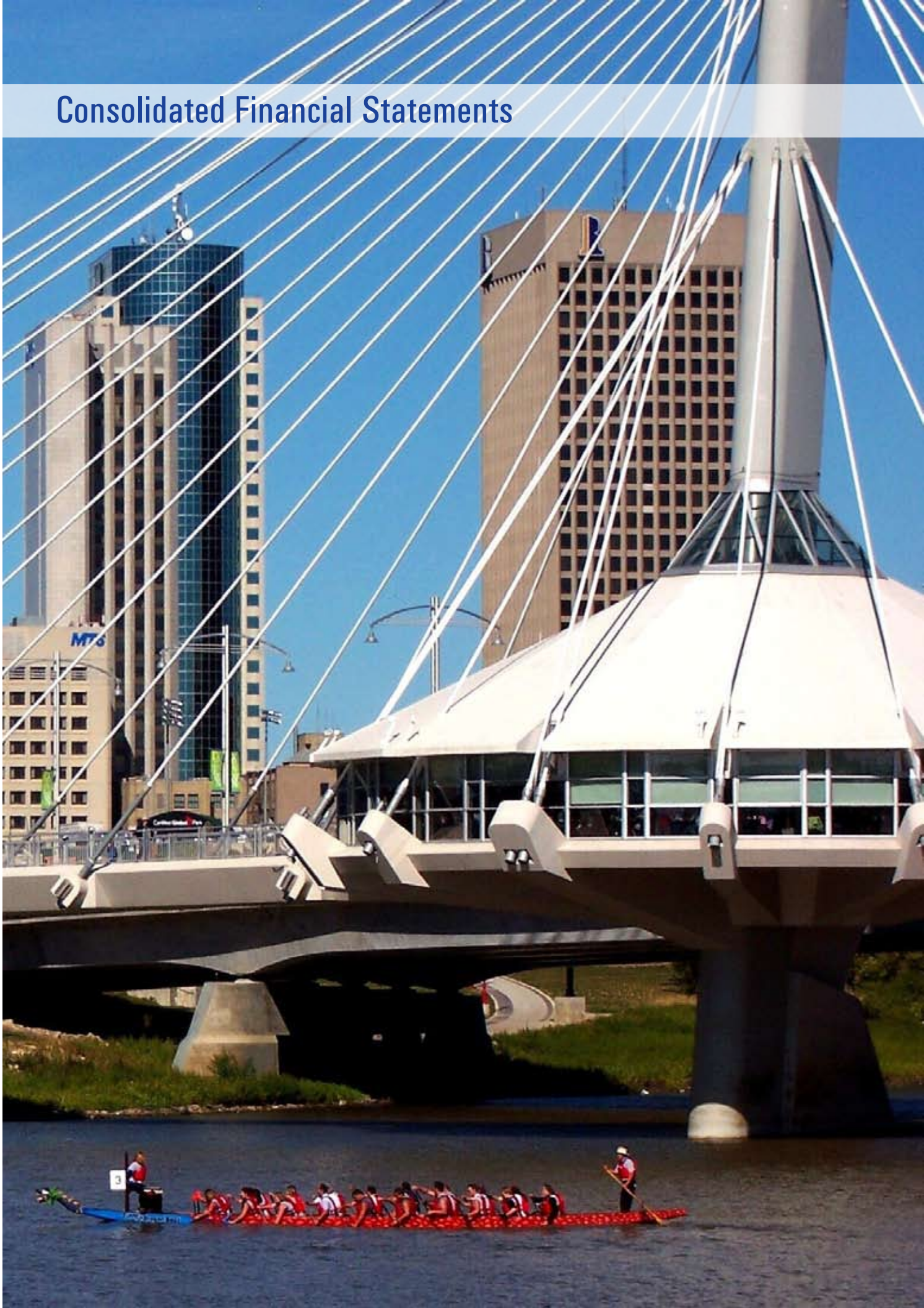


Photo: Destination Winnipeg Inc. / Kevin Wolk

RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee - the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.



Michael P. Ruta, FCA
Acting Chief Financial Officer

AUDITORS' REPORT

To the Mayor and Members of City Council of
The City of Winnipeg

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2006 and the consolidated statements of operations, accumulated surplus, cash flows and change in net financial assets for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2006 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,
April 10, 2007.

Chartered Accountants

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2006	2005 (restated Note 23)
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	**$ 445,049**	$ 291,214
Accounts receivable (Note 4)	**141,204**	136,700
Land held for resale	**13,054**	13,907
Investments (Note 5)	**266,688**	348,189
Investment in government businesses (Note 6)	**22,096**	22,118
	888,091	812,128
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**158,140**	138,676
Deferred revenue (Note 8)	**29,639**	6,512
Debt (Note 9)	**447,607**	414,702
Other liabilities (Note 10)	**38,841**	41,611
Retirement allowance, compensated absences and other (Note 11)	**142,097**	129,607
	816,324	731,108
NET FINANCIAL ASSETS	**71,767**	81,020
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**3,669,745**	3,540,910
Inventories	**13,731**	14,000
Prepaid expenses	**3,969**	2,982
	3,687,445	3,557,892
ACCUMULATED SURPLUS (Note 14)	**$ 3,759,212**	$ 3,638,912

Commitments and contingencies (Notes 10, 15, and 16)

See accompanying notes and schedules to the consolidated financial statements

Approved on behalf of the Audit Committee:

MAYOR

CHAIRPERSON
STANDING POLICY COMMITTEE
ON FINANCE

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)

	2006	2005 (restated Note 23)
REVENUES		
Taxation (Note 16)	**$ 518,661**	$ 503,594
Sales of services and regulatory fees (Note 17)	**356,761**	339,539
Government grants and transfers (Note 18)	**109,236**	99,040
Investment income	**47,123**	41,694
Land sales, contributions and other revenue	**30,688**	33,572
Total Revenues	**1,062,469**	1,017,439
EXPENSES (Note 19)		
Protection and community services	**319,705**	301,872
Public works	**249,201**	260,609
Utility operations	**231,306**	225,133
Finance and administration	**59,677**	60,302
Property and development	**55,206**	55,211
General government	**45,964**	34,636
Civic corporations	**24,174**	25,636
Total Expenses	**985,233**	963,399
Excess Revenues Over Expenses Before Other	**77,236**	54,040
OTHER		
Government grants and transfers related to capital (Note 18)	**43,064**	21,685
Excess Revenues Over Expenses	**$ 120,300**	$ 75,725

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF ACCUMULATED SURPLUS

For the years ended December 31
(in thousands of dollars)

	2006	2005 (restated Note 23)
ACCUMULATED SURPLUS, BEGINNING OF YEAR		
As previously reported	**$ 3,638,912**	$ 930,067
Prior period adjustments (Note 23)	**-**	2,633,120
As restated	**3,638,912**	3,563,187
Excess revenues over expenses	**120,300**	75,725
ACCUMULATED SURPLUS, END OF YEAR	**$ 3,759,212**	$ 3,638,912

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

	2006	2005 (restated Note 23)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	**$ 120,300**	$ 75,725
Non-cash charges to operations		
Amortization	**125,681**	122,718
Other	**6,364**	5,781
Working capital from operations	**252,345**	204,224
Net change in working capital other than cash and cash equivalents	**45,479**	15,375
Cash provided by operating transactions	**297,824**	219,599
CAPITAL		
Acquisition of tangible capital assets	**(263,066)**	(199,313)
Proceeds on disposal of tangible capital assets	**5,406**	1,133
	(257,660)	(198,180)
FINANCING		
Increase in sinking fund investments	**(23,758)**	(25,558)
Debenture and serial debt retired	**(21,871)**	(87,292)
Sinking fund investments applied to debt redemption	**-**	66,424
Sinking fund debenture issued	**60,000**	-
Other	**17,084**	(1,708)
	31,455	(48,134)
INVESTING		
Reduction of investments	**82,216**	18,180
Increase (decrease) in cash and cash equivalents	**153,835**	(8,535)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**291,214**	299,749
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 445,049**	$ 291,214

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the years ended December 31
(in thousands of dollars)

	2006	2005 (restated Note 23)
EXCESS REVENUES OVER EXPENSES	**$ 120,300**	$ 75,725
Amortization of tangible capital assets	**125,681**	122,718
Proceeds on disposal of tangible capital assets	**5,406**	1,133
Change in inventories and prepaid expenses	**(718)**	5,339
(Gain) loss on sale of tangible capital assets	**(2,672)**	1,998
Acquisition of tangible capital assets	**(263,066)**	(199,313)
Other	**5,816**	800
(DECREASE) INCREASE IN NET FINANCIAL ASSETS	**(9,253)**	8,400
NET FINANCIAL ASSETS, BEGINNING OF YEAR	**81,020**	72,620
NET FINANCIAL ASSETS, END OF YEAR	**$ 71,767**	$ 81,020

See accompanying notes and schedules to the consolidated financial statements

1. Status of The City of Winnipeg

The City of Winnipeg ("the City") is a municipality that was created on January 1, 1972 pursuant to **The City of Winnipeg Act,** a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has designated reserves and provides funding support for other entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

2. Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

a) Basis of consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control exercised by the City except for the City's government businesses which are accounted for on the modified equity basis of accounting. Interfund and intercorporate balances and transactions have been eliminated.

i) Consolidated entities

The organizations included in the consolidated financial statements are as follows:

CentreVenture Development Corporation	Winnipeg Arts Council Inc.
Destination Winnipeg Inc.	Winnipeg Enterprises Corporation
The Convention Centre Corporation	Winnipeg Public Library Board

ii) Government businesses

The investment in North Portage Development Corporation is reported as a government business partnership and Winnipeg Housing Rehabilitation Corporation as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the City and intercorporate transactions are not eliminated (Note 6).

These organizations report their activities based on a March 31 year-end.

iii) Funds held in trust

Trust funds administered by the City for the benefit of external parties of $0.2 million (2005 - $0.3 million) are not included in the consolidated financial statements.

2. Significant Accounting Policies (continued)

iv) Other organizations

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements.

Separate financial statements for each of the above-noted entities and trust funds, are included in the 2006 Detailed Financial Statements Report, a companion document to the City's 2006 Financial Report.

b) Basis of accounting

The consolidated financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) School taxes

The City is required by **The Public Schools Act** to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

d) Cash equivalents

Cash equivalents consist of Government of Canada treasury bills, guaranteed commercial paper and promissory notes, provincial government treasury bills and promissory notes, bankers' acceptances and bearer deposits and are recorded at cost, which approximates their quoted market value. These investments are redeemable on demand and have an effective average interest rate of 4.3% (2005 - 3.3%).

e) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

f) Investments

Bonds and debentures are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

g) Assessment appeal costs

The City accrues a liability to reflect future payments related to the four year assessment cycle. This liability is recorded net of certain assessments that will be deferred and amortized over the cycle.

2. Significant Accounting Policies (continued)

h) Solid waste landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites' capacity is used.

i) Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

j) Deferred revenue

Grants, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work, or for the purchase of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed, or the tangible capital assets are acquired.

k) Employee benefit plans

The costs of pensions and other retirement benefits are actuarially determined using the projected benefit method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

l) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the excess of revenues over expenses, provides the Change in Net Financial Assets for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 years
Buildings	10 to 50 years
Transit buses	18 years
Machinery and equipment	10 years
Vehicles	5 to 10 years
Computer hardware and software	5 to 10 years

2. Significant Accounting Policies (continued)

Water and waste plants and networks	
Underground networks	50 to 100 years
Sewage treatment plants and lift stations	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years
Leased assets	5 to 40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

iii) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

m) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

n) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

3. Cash and Cash Equivalents

	2006	2005 (restated Note 23)
Cash	**$ 2,347**	$ 13,328
Cash equivalents	**442,702**	277,886
	$ 445,049	$ 291,214

Cash and cash equivalents are net of $113.2 million (2005 - $137.6 million), which have been received from various entities including the Board of Trustees of the Winnipeg Civic Employees' Benefits Program. The funds are invested on a pooled basis to obtain maximum investment returns.

4. Accounts Receivable

	2006	2005 (restated Note 23)
Property, payments-in-lieu and business taxes receivable	**$ 41,350**	$ 37,698
Allowance for property, payments-in-lieu and business tax arrears	**(6,326)**	(6,364)
	35,024	31,334
Trade accounts and other receivables	**74,150**	70,496
Province of Manitoba	**27,229**	27,185
Government of Canada	**9,586**	10,957
Allowance for doubtful accounts	**(4,785)**	(3,272)
	106,180	105,366
	$ 141,204	$ 136,700

5. Investments

	2006	2005 (restated Note 23)
Marketable securities		
Government of Canada bonds, bond residues, and coupons	**$ 12,100**	$ 44,154
Provincial bonds and coupons	**8,466**	49,754
Municipal bonds	**1,457**	-
	22,023	93,908
Manitoba Hydro long-term receivable	**243,751**	253,539
Other investments	**914**	742
	$ 266,688	$ 348,189

The aggregate market value of marketable securities at December 31, 2006 is $23.8 million (2005 - $96.8 million).

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included annual payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six-nine; and $16 million for years ten in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City discounted at the City's 2002 average long-term borrowing rate of 6%.

6. Investment in Government Businesses

a) North Portage Development Corporation

North Portage Development Corporation ("NPDC") is a government partnership that is owned equally by the Government of Canada, the Province of Manitoba and The City of Winnipeg. The mission of the Corporation is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency.

6. Investment in Government Businesses (continued)

The condensed supplementary financial information of NPDC is as follows:

	2006	2005
Financial position		
Capital assets	**$ 88,947**	$ 87,720
Current and other assets	**3,747**	4,451
	$ 92,694	$ 92,171
Deferred contributions	**$ 26,463**	$ 26,504
Current and other liabilities	**7,005**	5,932
	33,468	32,436
Shareholders' equity	**59,226**	59,735
	$ 92,694	$ 92,171
Results of operations		
Revenues	**$ 9,008**	$ 8,954
Expenses	**8,040**	8,238
	968	716
Depreciation and amortization	**(1,477)**	(1,397)
Net loss for the year	**$ (509)**	$ (681)

b) Winnipeg Housing Rehabilitation Corporation

Winnipeg Housing Rehabilitation Corporation ("WHRC") is a non-profit developer and manager of affordable housing in Winnipeg. WHRC was founded by The City of Winnipeg. Pursuant to operating agreements, WHRC receives subsidies from Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

The condensed supplementary financial information of WHRC is as follows:

	2006	2005
Financial position		
Capital assets	**$ 31,431**	$ 32,118
Current and other assets	**4,205**	4,392
	$ 35,636	$ 36,510
Long-term debt	**$ 30,945**	$ 31,765
Current and other liabilities	**2,337**	2,539
	33,282	34,304
Replacement Reserves and net assets	**2,354**	2,206
	$ 35,636	$ 36,510

6. *Investment in Government Businesses (continued)*

	2006	2005
Results of operations		
Revenues	**$ 6,858**	$ 6,783
Expenditures	**6,902**	6,686
(Deficiency) excess of revenues over expenditures for the year	**(44)**	97
Change to Replacement Reserves during the year	**192**	111
	$ 148	$ 208

During the year, the City paid WHRC an operating grant of $200 thousand (2005 - $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2005 - $2.0 million).

Summary of investment in government businesses

	2006	2005 (restated Note 23)
North Portage Development Corporation (1/3 share)	**$ 19,742**	$ 19,912
Winnipeg Housing Rehabilitation Corporation	**2,354**	2,206
	$ 22,096	$ 22,118

Summary of results of operations

	2006	2005 (restated Note 23)
North Portage Development Corporation (1/3 share)	**$ (170)**	$ (227)
Winnipeg Housing Rehabilitation Corporation	**148**	208
	$ (22)	$ (19)

The results of operations are included in the consolidated statement of operations as land sales, contributions and other revenue.

7. *Accounts Payable and Accrued Liabilities*

	2006	2005 (restated Note 23)
Accrued liabilities	**$ 83,741**	$ 73,827
Trade accounts payable	**61,754**	53,350
Accrued interest payable	**12,645**	11,499
	$ 158,140	$ 138,676

8. *Deferred Revenue*

	2006	2005 (restated Note 23)
Federal public transit grant	**$ 13,658**	$ -
Federal gas tax grant	**4,649**	-
Other	**11,332**	6,512
	$ 29,639	$ 6,512

9. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2006**	2005 (restated Note 23)
1999-2009	Feb. 2	5.350	VV	7368/99	**$ 50,000**	$ 50,000
1989-2009	Dec. 14	10.000	VH	5286/89	**85,500**	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	**90,000**	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**85,000**	85,000
1995-2015	May 12	9.125	VR	6620/95	**88,000**	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	**60,000**	-
					488,500	428,500
Equity in Sinking Fund					**(222,723)**	(198,965)
Net sinking fund debentures outstanding					**265,777**	229,535

Other debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.83% (2005 - 4.82%)	**130,855**	152,726
Bank loans incurred primarily by Fleet Management - Special Operating Agency and Winnipeg Enterprises Corporation with varying maturities up to 2018 and a weighted average interest rate of 5.33% (2005 - 5.99%)	**28,497**	8,821
Capital lease obligations (Note 9c)	**22,478**	23,620
	$ 447,607	$ 414,702

Debt segregated by fund/organization:

	2006	2005 (restated Note 23)
General Capital Fund	**$ 272,656**	$ 305,588
Waterworks System	**82,890**	27,640
Sewage Disposal System	**51,510**	58,035
Solid Waste Disposal	**976**	1,248
Special operating agencies	**20,785**	353
Transit System	**15,286**	17,183
Other	**3,504**	4,655
	$ 447,607	$ 414,702

9. Debt (continued)

Debt to be retired over the next five years:

	2007	2008	2009	2010	2011	2012+
Sinking fund debentures	$ -	$ -	$ 135,500	$ -	$ -	$ 353,000
Other debt	40,250	17,337	18,307	19,159	19,357	67,420
	$ 40,250	$ 17,337	$ 153,807	$ 19,159	$ 19,357	$ 420,420

a) Sinking fund assets have a market value of $234.3 million (2005 - $216.7 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $27.8 million (2005 - $17.4 million) and a market value of $29.0 million (2005 - $18.9 million).

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater to The Sinking Fund on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

Sinking fund debenture issues provide for full sinking fund at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, will have a sinking fund deficiency requiring the issue to be refinanced at maturity.

Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
2009	7368/99	$ 50,000	$ 30,981

c) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

	Capital Leases
2007	$ 3,707
2008	3,275
2009	3,378
2010	3,378
2011	3,378
Thereafter	26,922
Total future minimum lease payments	44,038
Amount representing interest at a weighted average rate of 9.40%	(21,560)
Capital lease liability	$ 22,478

d) Interest on debt recorded in the Statement of Operations in 2006 is $45.7 million (2005 - $50.3 million).

e) Cash paid for interest during the year is $44.5 million (2005 - $52.7 million).

10. Other Liabilities

	2006	2005 (restated Note 23)
Other liabilities	**$ 15,789**	$ 22,352
Developer deposits	**6,052**	5,259
	21,841	27,611
Environmental liabilities	**17,000**	14,000
	$ 38,841	$ 41,611

In 2006, the City has accrued an overall liability for environmental matters in the amount of $17.0 million (2005 - $14.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Included in environmental liabilities is $14.4 million (2005 - $13.3 million) of the estimated total landfill closure and post closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for closure and post closure care activities discounted at the City's average long-term borrowing rate of 5.3% (2005 - 5.3%).

Landfill closure and post closure care requirements have been defined in accordance with the **Environmental Act** and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 100 year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated capacity of the City's one remaining landfill, the Brady Landfill Site, is 96% of its total capacity and its remaining life is approximately 100 years, after which perpetual post closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2006, the reserve had a balance of $2.4 million (2005 - $2.1 million).

11. Retirement Allowance, Compensated Absences and Other

	2006	2005
Retirement allowance - accrued obligation	**$ 83,409**	$ 80,580
Unamortized net actuarial loss	**(9,011)**	(9,344)
Retirement allowance - accrued liability	**74,398**	71,236
Compensated absences	**48,572**	47,808
Other	**19,127**	10,563
	$ 142,097	$ 129,607

11. Retirement Allowance, Compensated Absences and Other (continued)

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.1 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The City measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was prepared on December 31, 2006.

Information about the City's retirement allowance benefit plan is as follows:

	2006	2005
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 71,236**	$ 69,783
Current service cost	**4,171**	3,649
Interest cost	**3,594**	3,877
Amortization of net actuarial loss	**975**	574
Benefit payments	**(5,578)**	(6,647)
Balance, end of year	**$ 74,398**	$ 71,236

Retirement allowance expense consists of the following:

	2006	2005
Current service cost	**$ 4,171**	$ 3,649
Interest cost	**3,594**	3,877
Amortization of net actuarial loss	**975**	574
	$ 8,740	$ 8,100

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2006	2005
Valuation interest rate	**4.50%**	4.50%
General increases in pay	**3.00%**	3.00%

12. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

The Program is a multi-employer contributory defined benefit program, providing pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. Members are currently required to make contributions of 6.5% of Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, members and employers contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the Program was prepared on December 31, 2005, which indicated an excess of actuarial value of Program assets over actuarial liabilities of $470.5 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employers. However, a portion of the excess of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions.

The balance of the City Account at December 31, 2006 was $129.6 million (2005 - $125.2 million). Total contributions by the City to the Program in 2006 were $13.1 million (2005 - $11.9 million), which were expensed as incurred.

b) Winnipeg Police Pension Plan

Effective January 1, 2003, the City entered into an agreement with its two Police Associations concerning the sharing of surpluses and risks under the Winnipeg Police Pension Plan. Under the terms of the agreement, the existing Regular Account (which financed the Plan's defined pension benefits other than cost-of-living adjustments) and the Supplementary Account (which financed cost-of-living adjustments to pensioners) were merged into a single account and the actuarial surplus was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the inflation rate, as well as establish a contribution stabilization reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that at which police employees contribute to the Plan. Future actuarial surpluses, over and above those required to fully fund future cost-of-living adjustments to pensions at 75% of the inflation rate and the contribution stabilization reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

An actuarial valuation of the Plan was prepared on December 31, 2005 and the results were extrapolated to December 31, 2006. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year; inflation rate of 2.25% per year; and general pay increases of 3.75% per year. The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plan is as follows:

	2006	2005
Pension fund assets, at actuarial value	**$ 844,838**	$ 786,585
Accrued pension obligations	**$ 762,922**	$ 720,810
Contribution stabilization reserve	**61,225**	55,361
	$ 824,147	$ 776,171

The market value of the pension fund assets as at December 31, 2006 was $916.2 million (2005 - $826.9 million).

Total contributions made by the City to the Plan in 2006 were $7.7 million (2005 - $6.8 million). Total employee contributions to the Plan in 2006 were $7.7 million (2005 - $6.8 million). Benefits paid from the Plan in 2006 were $30.3 million (2005 - $28.8 million).

The expected rate of return on Plan assets in 2006 was 6.25% (2005 - 6.25%). The actual rate of return, net of investment expenses, on Plan assets in 2006 was 12.7% (2005 - 12.1%).

12. Pension Costs and Obligations (continued)

c) Councillors' Pension Plan

i) Pension Plan Established Under By-law 3553/83

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2006, the City paid out $0.3 million (2005 - $0.3 million).

ii) Pension Plan Established Under By-law 7869/01

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

13. Tangible Capital Assets

	Net Book Value	
	2006	2005
		(restated Note 23)
General		
Land	**$ 171,400**	$ 176,158
Buildings	**223,801**	221,112
Vehicles	**125,225**	126,254
Computer	**44,625**	46,557
Other	**50,142**	40,880
Infrastructure		
Plants and facilities	**228,320**	230,769
Roads	**723,638**	693,507
Underground and other networks	**1,633,958**	1,630,473
Bridges and other structures	**315,176**	305,621
	3,516,285	3,471,331
Assets under construction	**153,460**	69,579
	$ 3,669,745	$ 3,540,910

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

During the year there were no write-downs of assets (2005 - $nil). Interest capitalized during 2006 was $1,326 thousand (2005 - $988 thousand). In addition, roads and underground networks contributed to the City totalled $14,315 thousand in 2006 (2005 - $17,080 thousand) and were capitalized at their fair value at the time of receipt.

14. Accumulated Surplus

Accumulated surplus consists of individual fund surpluses/(deficits) and reserves as follows:

	2006	2005 (restated Note 23)
Surpluses		
Invested in tangible capital assets	**$ 3,181,870**	$ 3,038,586
Unamortized gain on Winnipeg Hydro sale	**243,751**	253,539
Waterworks System	**104,272**	70,444
Sewage Disposal System	**43,856**	47,688
Fleet Management - Special Operating Agency	**20,390**	28,027
North Portage Development Corporation	**19,742**	19,912
CentreVenture Development Corporation	**10,087**	10,981
Solid Waste Disposal	**7,342**	7,293
General Revenue Enterprises Fund	**4,988**	5,028
Other	**4,706**	2,958
Unfunded		
Environmental liabilities	**(16,280)**	(14,000)
Retirement allowance, compensated absences and other	**(135,779)**	(124,345)
	3,488,945	3,346,111
Reserves		
Capital Reserves		
Environmental Projects Reserve	**46,942**	52,336
Sewer System Rehabilitation Reserve	**25,619**	-
Water Treatment Reserve	**25,217**	73,680
Transit Bus Replacement Reserve	**7,068**	359
Combined Sewer Renewal Reserve	**-**	23,488
Other	**9,513**	9,909
	114,359	159,772
Special Purpose Reserves		
General Purpose Reserve	**13,122**	13,244
Perpetual Maintenance Fund - Brookside Cemetery	**10,485**	9,891
Heritage Investment Reserve	**9,259**	8,744
Land Operating Reserve	**9,038**	5,975
Insurance Reserve	**7,952**	7,340
Workers Compensation Reserve	**7,705**	6,887
Other	**17,118**	16,944
	74,679	69,025
Stabilization Reserves		
Fiscal Stabilization Reserve	**49,259**	35,350
Mill Rate Stabilization Reserve	**31,970**	28,654
	81,229	64,004
	270,267	292,801
	$ 3,759,212	$ 3,638,912

15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2006 are as follows:

a) The City had entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments are as follows:

	Operating Leases
2007	$ 4,910
2008	4,117
2009	2,536
2010	2,142
2011	1,754
Thereafter	3,464
	$ 18,923

b) The City is a defendant in two significant lawsuits as at December 31, 2006. At this time the final liability is not determinable. Other contingent liabilities consisting of routine claims for street and sidewalk accidents, property damage, etc. will be accounted for as an expense in the period which the settlement occurs.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2006 is $6.3 million (2005 - $7.3 million).

16. Taxation

	2006	2005 (restated Note 23)
Municipal and school property taxes	**$ 804,232**	$ 784,395
Payments-in-lieu of property (municipal and school) and business taxes	**39,209**	42,283
	843,441	826,678
Payments to Province and school divisions	**(437,317)**	(435,205)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**406,124**	391,473
Business tax and license-in-lieu of business taxes	**61,029**	61,243
Local improvement and frontage levies	**28,439**	28,042
Electricity and gas sales taxes	**16,941**	16,826
Amusement tax and mobile home license	**6,128**	6,010
	$ 518,661	$ 503,594

The property tax roll includes school taxes of $415.4 million (2005 - $411.0 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2006 totalled $21.9 million (2005 - $24.2 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba. If property taxes are reduced due to an assessment reduction the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

17. Sales of Services and Regulatory Fees

	2006	2005 (restated Note 23)
Water sales and sewage services	**$ 169,265**	$ 156,085
Other sales of goods and services	**88,472**	90,237
Transit fares	**57,319**	55,358
Regulatory fees	**41,705**	37,859
	$ 356,761	$ 339,539

18. Government Grants and Transfers

	2006	2005 (restated Note 23)
Operating		
Province of Manitoba		
Building Manitoba Fund	**$ 49,368**	$ 49,368
Ambulance, libraries and other	**31,136**	25,329
Transit	**22,895**	19,355
Unconditional	**19,887**	19,488
Support	**9,483**	9,061
Support for Provincial programs	**(23,650)**	(23,650)
	109,119	98,951
Government of Canada		
Dutch elm disease program and other	**117**	89
	109,236	99,040
Capital		
Province of Manitoba	**14,581**	14,972
Government of Canada		
Federal gas tax revenue	**18,659**	-
Other capital funding	**9,154**	6,713
Public transit	**670**	-
	28,483	6,713
	43,064	21,685
	$ 152,300	$ 120,725

19. Expenses by Object

	2006	2005 (restated Note 23)
Salaries and benefits	**$ 530,881**	$ 510,928
Goods and services	**271,530**	270,707
Amortization	**125,681**	122,718
Interest	**45,665**	50,283
Grants and other expenses	**11,476**	8,763
	$ 985,233	$ 963,399

20. Property and Liability Insurance

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve Fund that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2006 is $8.0 million (2005 - $7.3 million).

21. Segmented Information

The City of Winnipeg is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance, public transit, and water. For management reporting purposes the Government's operations and activities are organized and reported by Fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Protection - Police Services and Fire Paramedic Service

The mandate of the Police Services department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire Paramedic Service department is responsible to provide fire suppression service; fire prevention programs; training and education related to prevention, detection or extinguishment of fires. It is also responsible for pre-hospital emergency paramedical care and the transport of sick and injured; handling hazardous materials incidents; for the mitigation of calamitous incidents; and for the evacuation of people when in charge at an incident.

Community Services

The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement such as insect control and the regulation of food service establishments. The department also contributes towards the information needs of the City's citizens through the provision of library services.

Planning, Property and Development

The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, heritage matters, local neighourhoods and the downtown through city planning, community development, parks and riverbank planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery services to citizens.

21. Segmented Information (continued)

Public Works, Transit, and Water and Waste

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting. The Transit department is responsible for providing local public transportation service. The Water and Waste department consist of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Winnipeg, collecting and treating wastewater, and providing collection disposal and waste minimization programs and facilities for solid waste. Their land drainage and garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Water segment.

Certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government grants, transfer from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information see the Consolidated Schedule of Segment Disclosure - Service (Schedule 2).

22. Glacial Sand and Gravel - Special Operating Agency

On September 27, 2006, City Council approved the sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge facilities, equipment, and reserve assets for $11.0 million. The closing date of the sale was January 3, 2007.

23. Prior Period Adjustments

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions have been included in income. Revisions have also been made to record the City's investment in government businesses. These adjustments are as follows:

Adjustments to opening 2005 accumulated surplus

Net book value of tangible capital assets recorded	$ 2,612,400
Investment in government businesses and wholly-owned corporations	20,720
	$ 2,633,120

23. Prior Period Adjustments (continued)

Adjustments to 2005 excess revenues over expenses

Excess revenues over expenses, as previously reported	$	44,658
Add:		
Assets capitalized but previously expensed		39,050
Revenue from contributed tangible capital assets		17,080
Capital grants received and recorded as revenue		21,685
Less:		
Increase in amortization expense		(44,540)
Increase in loss on disposal of tangible capital assets		(1,916)
Loss from government business enterprises, government business partnerships and wholly-owned corporations		(292)
Excess revenues over expenses, as restated	$	75,725

Adjustments to 2005 tangible capital assets

Net book value of tangible capital assets, as previously reported	$	942,408
Add:		
Net book value of tangible capital assets resulting from the adjustment of opening 2005 accumulated surplus		2,612,400
Assets capitalized but previously expensed		39,050
Revenue from contributed tangible capital assets		17,080
Capital grants received and recorded as revenue		21,685
Less:		
Increase in accumulated amortization		(44,540)
Decrease from government businesses		(32,925)
Adjustment of land held for resale and other		(12,332)
Increase in loss on disposal of tangible capital assets		(1,916)
Net book value of tangible capital assets, as restated	$	3,540,910

Adjustment to 2005 investment in government businesses

Investment in government businesses, as previously reported	$	-
Increase in the amount recorded relating to government business enterprises and government business partnerships		22,118
Investment in government businesses, as restated	$	22,118

Adjustment to 2005 debt

Debt, as previously reported	$	447,857
Reduction in the amount recorded relating to government business enterprises		(33,155)
Debt, as restated	$	414,702

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

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land	**Buildings**	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	**$ 176,158**	**$ 407,217**	**$ 223,123**	**$ 90,574**	**$ 78,534**
Add:					
Additions during the year	**1,488**	**14,117**	**15,767**	**6,816**	**14,263**
Less:					
Disposals during the year	**396**	**-**	**3,177**	**342**	**-**
Other	**(5,850)**	**-**	**-**	**-**	**34**
Balance, end of year	**171,400**	**421,334**	**235,713**	**97,048**	**92,831**
Accumulated amortization					
Balance, beginning of year	**-**	**186,105**	**96,869**	**44,017**	**37,654**
Add:					
Amortization	**-**	**11,428**	**15,174**	**8,748**	**5,035**
Less:					
Accumulated amortization on disposals	**-**	**-**	**1,555**	**342**	**-**
Balance, end of year	**-**	**197,533**	**110,488**	**52,423**	**42,689**
Net Book Value of Tangible Capital Assets	**$ 171,400**	**$ 223,801**	**$ 125,225**	**$ 44,625**	**$ 50,142**

Schedule 1

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2006**	2005
$ 384,897	**$ 1,422,470**	**$ 2,351,683**	**$ 462,019**	**$ 69,579**	**$ 5,666,254**	$ 5,498,184
4,736	**67,169**	**35,755**	**19,074**	**83,881**	**263,066**	199,313
-	**21,455**	**1,610**	**-**	**-**	**26,980**	30,443
-	**-**	**-**	**-**	**-**	**(5,816)**	(800)
389,633	**1,468,184**	**2,385,828**	**481,093**	**153,460**	**5,896,524**	5,666,254
154,128	**728,963**	**721,210**	**156,398**	**-**	**2,125,344**	2,029,938
7,185	**37,038**	**31,554**	**9,519**	**-**	**125,681**	122,718
-	**21,455**	**894**	**-**	**-**	**24,246**	27,312
161,313	**744,546**	**751,870**	**165,917**	**-**	**2,226,779**	2,125,344
$ 228,320	**$ 723,638**	**$ 1,633,958**	**$ 315,176**	**$ 153,460**	**$ 3,669,745**	$ 3,540,910

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2006
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	**$ 179,782**	**$ 55,820**	**$ 11,696**	**$ 148,039**
Sales of services and regulatory fees	**35,770**	**15,377**	**13,110**	**3,491**
Government grants and transfers	**32,642**	**11,291**	**3,246**	**19,023**
Transfer from other funds	**12,767**	**2,404**	**5,637**	**21,606**
Other	**9,351**	**3,189**	**1,484**	**7,149**
	270,312	**88,081**	**35,173**	**199,308**
EXPENSES				
Salaries and benefits	**221,526**	**42,773**	**18,947**	**53,893**
Goods and services	**32,547**	**11,709**	**3,841**	**77,731**
Interest	**1,782**	**1,269**	**2,035**	**40,904**
Transfer to other funds	**8,627**	**25,309**	**6,396**	**5,599**
Other	**5,830**	**7,021**	**3,954**	**21,181**
	270,312	**88,081**	**35,173**	**199,308**
NET SURPLUS (DEFICIT)	**$ -**	**$ -**	**$ -**	**$ -**

For the year ended December 31, 2005
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	$ 169,121	$ 54,587	$ 12,184	$ 160,760
Sales of services and regulatory fees	30,735	14,827	12,114	3,084
Government grants and transfers	29,669	10,549	3,448	18,177
Transfer from other funds	14,295	3,027	6,020	19,777
Other	8,941	3,129	1,614	7,118
	252,761	86,119	35,380	208,916
EXPENSES				
Salaries and benefits	207,885	42,091	18,443	56,580
Goods and services	31,800	13,490	3,401	79,952
Interest	2,062	1,213	2,559	40,510
Transfer to other funds	6,568	22,398	6,665	4,711
Other	4,446	6,927	4,312	27,163
	252,761	86,119	35,380	208,916
NET SURPLUS (DEFICIT)	$ -	$ -	$ -	$ -

Schedule 2

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 96,128	**$ -**	**$ -**	**$ 42,832**	**$ (15,636)**	**$ 518,661**
9,529	**59,355**	**186,997**	**67,022**	**(33,890)**	**356,761**
14,760	**24,292**	**4,573**	**85,547**	**(43,074)**	**152,300**
3,450	**35,197**	**87,738**	**214,080**	**(382,879)**	**-**
7,875	**507**	**13,500**	**74,968**	**(40,212)**	**77,811**
131,742	**119,351**	**292,808**	**484,449**	**(515,691)**	**1,105,533**
38,015	**70,947**	**43,493**	**34,181**	**7,106**	**530,881**
13,312	**34,326**	**58,185**	**72,443**	**(32,564)**	**271,530**
6,039	**2,755**	**14,214**	**57,527**	**(80,860)**	**45,665**
43,503	**7,081**	**49,964**	**159,822**	**(306,301)**	**-**
30,873	**8,551**	**20,594**	**108,862**	**(69,709)**	**137,157**
131,742	**123,660**	**186,450**	**432,835**	**(482,328)**	**985,233**
$ -	**$ (4,309)**	**$ 106,358**	**$ 51,614**	**$ (33,363)**	**$ 120,300**

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 94,020	$ -	$ -	$ 28,278	$ (15,356)	$ 503,594
8,922	57,939	175,630	71,523	(35,235)	339,539
12,406	24,410	786	65,209	(43,929)	120,725
5,314	40,279	46,308	186,835	(321,855)	-
7,691	594	11,125	72,897	(37,843)	75,266
128,353	123,222	233,849	424,742	(454,218)	1,039,124
33,881	69,193	40,955	36,295	5,605	510,928
13,292	34,189	58,103	65,306	(28,826)	270,707
5,163	2,989	14,728	58,043	(76,984)	50,283
43,101	5,429	51,896	116,219	(256,987)	-
32,916	8,627	20,322	115,517	(88,749)	131,481
128,353	120,427	186,004	391,380	(445,941)	963,399
$ -	$ 2,795	$ 47,845	$ 33,362	$ (8,277)	$ 75,725

THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars, except as noted)
(Unaudited)

			2006	2005	2004	2003	2002
1.	Population (as restated per Statistics Canada)		**648,600**	647,600	646,700	642,700	639,700
	Unemployment rate (per Statistics Canada)						
	- Winnipeg		**4.6%**	4.8%	5.5%	5.2%	5.3%
	- National average		**6.3%**	6.8%	7.2%	7.6%	7.7%
2.	Average total employees		**8,836**	8,749	8,788	8,385	8,333
3.	Number of taxable properties		**206,658**	206,170	205,366	204,494	204,304
	Payments-in-lieu						
	Number of properties		**922**	874	853	940	894
4.	Assessment (see notes) - Residential	**$**	**22,800,354**	18,460,471	18,277,925	18,069,819	17,803,696
	- Commercial and industrial		**7,959,866**	7,209,121	7,132,230	7,099,635	7,046,756
	- Farm and golf		**162,390**	102,742	101,769	104,099	106,062
		$	**30,922,610**	25,772,334	25,511,924	25,273,553	24,956,514
	Assessment per capita (in dollars)	**$**	**47,676**	39,797	39,449	39,324	39,013
	Commercial and industrial as a percentage of assessment		**25.74%**	27.97%	27.96%	28.09%	28.24%
5.	Tax arrears	**$**	**41,350**	37,698	40,436	42,761	47,978
6.	Tax arrears - per capita (in dollars)	**$**	**63.75**	58.21	62.53	66.53	75.00
7.	Municipal mill rate		**25.448**	29.686	29.686	29.686	29.686
	- Percentage change adjusted for portioning and reassessment		**0.00%**	0.00%	0.00%	0.00%	-2.00%
8.	Winnipeg consumer price index (annual average)						
	- 1992 base year 100		**133.80**	131.20	127.90	125.50	123.30
	- Percentage increase		**1.98%**	2.58%	1.91%	1.78%	1.48%
9.	Consolidated revenues (see notes)						
	- Taxation	**$**	**518,661**	503,594	491,698	489,996	484,220
	- User charges		**356,761**	339,539	328,206	318,605	295,893
	- Government grants and transfers		**152,300**	120,725	94,100	97,082	94,026
	- Interest and other revenue		**77,811**	75,266	54,879	55,746	56,769
	- Gain on sale of Hydro		**-**	-	-	-	227,476
		$	**1,105,533**	1,039,124	968,883	961,429	1,158,384
10.	Consolidated expenses by function (see notes)						
	- Municipal operations	**$**	**729,753**	712,630	681,533	662,902	640,692
	- Public utilities		**231,306**	225,133	217,171	218,246	223,814
	- Civic corporations		**24,174**	25,636	31,214	29,855	30,307
		$	**985,233**	963,399	929,918	911,003	894,813
11.	Growth in accumulated surplus (see notes)	**$**	**120,300**	75,725	38,965	50,426	263,571

(Note: In 2002, the City conducted a general reassessment which moved from a 1996 level of value to a 1999 level of value.)
(Note: In 2006, the City conducted a general reassessment which moved from a 1999 level of value to a 2003 level of value.)
(Note: For 2002 - 2003, the revenues, expenses, accumulated surplus, and net financial assets (liabilities) figures have not been restated for compensated absences.)
(Note: For 2002 - 2004, the revenues, expenses, net financial assets (liabilities), accumulated surplus and acquisition of tangible capital assets figures have not been restated to reflect the change in accounting policy concerning tangible capital assets, revenues from contributed assets and government grants and transfers related to tangible capital assets acquisitions, and to record the City's investment in government businesses.)

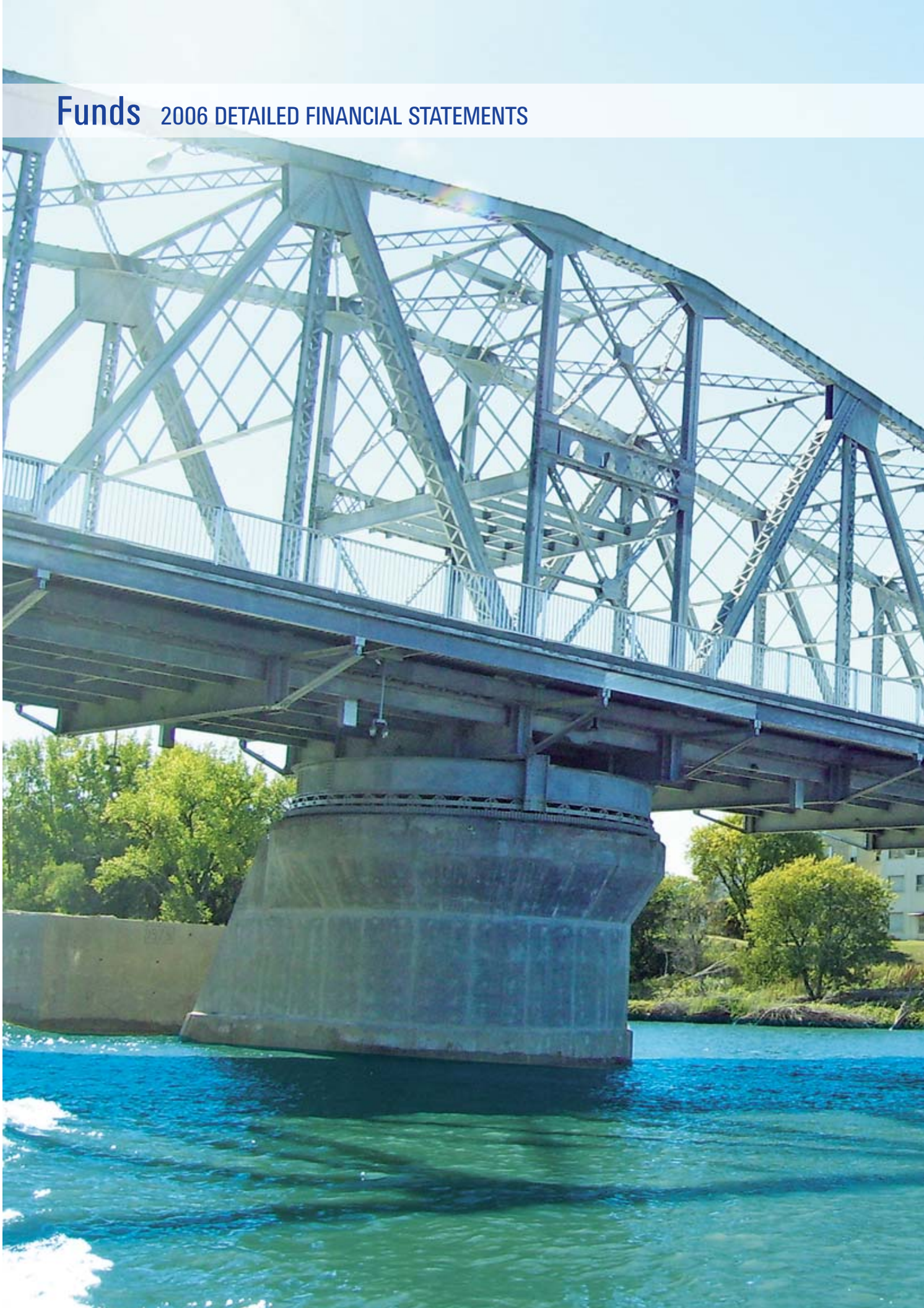
THE CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW - continued

As at December 31
("$" amounts in thousands of dollars, except as noted)
(Unaudited)

		2006	2005	2004	2003	2002
12. Consolidated expenses by object (see notes)						
Salaries and benefits	**$**	**530,881**	510,928	496,048	465,442	433,185
Goods and services		**271,530**	270,707	285,594	290,573	283,703
Amortization		**125,681**	122,718	-	-	-
Interest		**45,665**	50,283	-	-	-
Grants and other expenses		**11,476**	8,763	19,234	21,451	34,069
Debt interest and repayment		**-**	-	129,042	133,537	143,856
	$	**985,233**	963,399	929,918	911,003	894,813
13. Payments to school authorities	**$**	**437,317**	435,205	439,062	425,053	414,140
14. Debt						
Tax-supported	**$**	**411,043**	429,287	486,790	489,974	576,659
Transit		**26,813**	27,520	35,092	33,606	38,007
City-owned utilities		**207,581**	151,700	175,050	177,429	204,833
Other		**24,893**	5,160	5,743	6,293	6,866
Total gross debt		**670,330**	613,667	702,675	707,302	826,365
Less: Sinking Fund		**222,723**	198,965	239,831	245,709	363,097
Total net long-term debt	**$**	**447,607**	414,702	462,844	461,593	463,268
Percentage of total assessment		**1.45%**	1.61%	1.81%	1.83%	1.86%
15. Acquisition of tangible capital assets						
Acquisitions (see notes)	**$**	**263,066**	199,313	143,286	164,384	157,511
16. Net financial assets (liabilities) (see notes)	**$**	**71,767**	81,020	72,620	(46,874)	(98,690)
17. Accumulated surplus (see notes)						
Surpluses						
Invested in tangible capital assets	**$**	**3,181,870**	3,038,586	335,267	305,951	274,317
Unamortized gain on Winnipeg Hydro sale		**243,751**	253,539	262,772	271,483	279,701
Other surpluses		**215,383**	192,331	145,050	137,575	104,712
Unfunded liabilities		**(152,059)**	(138,345)	(129,490)	(118,725)	(108,642)
		3,488,945	3,346,111	613,599	596,284	550,088
Reserves						
Capital		**114,359**	159,772	179,679	152,804	141,744
Stabilization		**81,229**	64,004	62,325	60,588	58,279
Special Purpose		**74,679**	69,025	72,224	82,364	91,743
Other		**-**	-	2,240	2,145	1,905
		270,267	292,801	316,468	297,901	293,671
	$	**3,759,212**	3,638,912	930,067	894,185	843,759
18. Area in square kilometers at the end of the year		**476**	476	476	476	476
19. Construction						
- Permits issued		**8,987**	8,931	8,977	8,344	8,719
- Value	**$**	**849,758**	656,350	674,619	649,071	427,028
Housing starts		**3,289**	2,177	2,335	2,208	1,451

Funds 2006 DETAILED FINANCIAL STATEMENTS



THE CITY OF WINNIPEG
GENERAL REVENUE FUND

The City is a single-tier municipality created on January 1, 1972, pursuant to **The City of Winnipeg Act,** a statute of the Legislature of the Province of Manitoba ("the Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, parks and recreation, library and other general government operations. The City is required by **The Public Schools Act** to bill, collect and remit provincial support and school division special levies on behalf of the Province and school divisions. The City also bills, collects, and remits taxes on behalf of local business improvement zones. Activities related to these billing functions are not included in the Statement of Operations.

For the year-ended December 31, 2006, the General Revenue Fund reported a net surplus of $0.7 million (2005 - $nil), which was transferred to the Mill Rate Stabilization Reserve. Factors that contributed to the General Revenue Fund's position were as follows:

- Public Works department's expenses were $3.9 million over budget primarily due to road maintenance during the winter and flood costs;
- Corporate expenses were $5.7 million over budget for various reasons including unrealized alternative service delivery initiative savings, provincial payroll taxes, increased disability premiums and year-end accruals. The increased corporate expenses are offset by revenues of $1.5 million related to entertainment tax and $0.7 million to transfers from various Funds;
- Net revenue from the photo radar program was $2.9 million in excess of budget;
- Fire Paramedic Services department's expenses were $3.4 million over budget mainly because of salary and employee benefit costs to maintain staffing levels, increased rehabilitation costs and increased write-off of uncollectible accounts. This was offset by improved revenues of $1.8 million;
- Short-term interest revenue was over budget by $1.2 million due to the investment portfolio being positioned to take advantage of the Bank of Canada consecutive interest rate increase and realized portfolio gains;
- Property Assessment department's expenses were $1.0 million under budget mainly because of unfilled positions including retirements; and
- Other departmental revenues and expenses provided $4.6 million to the bottom line.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars, except as noted)
(unaudited)

	2006	2005	2004	2003	2002
Planning, Property and Development					
Construction					
-Permits issued	**8,987**	8,931	8,977	8,344	8,719
-Value	**$ 849,758**	$ 656,350	$ 674,619	$ 649,071	$ 427,028
Housing starts	**3,289**	2,177	2,335	2,208	1,451
Community Services					
Libraries Provincial Grant	**$ 1,910**	$ 1,910	$ 1,910	$ 1,963	$ 1,780
Library circulation	**5,532,720**	5,228,670	5,518,469	5,730,808	5,695,355
Taxes Receivable					
Property, payments-in-lieu and business taxes	**$ 41,350**	$ 37,698	$ 40,436	$ 42,761	$ 47,978
Allowance for tax arrears	**(6,326)**	(6,364)	(6,394)	(5,056)	(4,023)
	$ 35,024	$ 31,334	$ 34,042	$ 37,705	$ 43,955
Tax Revenues					
Municipal realty taxes	**$ 374,268**	$ 373,187	$ 365,486	$ 360,248	$ 364,045
Payments-in-lieu of taxes	**$ 31,575**	$ 32,040	$ 30,334	$ 29,918	$ 29,802
Business and licenses-in-lieu of business taxes	**$ 61,029**	$ 61,243	$ 60,891	$ 60,853	$ 62,564
Statement of Operations					
Revenues	**$ 724,616**	$ 711,529	$ 697,668	$ 681,512	$ 666,011
Expenses	**723,933**	711,529	697,668	681,512	665,161
	683	-	-	-	850
Contribution to the Mill Rate Stabilization Reserve	**(683)**	-	-	-	(850)
Surplus	**$ -**	$ -	$ -	$ -	$ -
Debt and finance charges	**$ 103,850**	$ 108,887	$ 112,265	$ 116,983	$ 122,918
% of total expenses	**14.33%**	15.30%	16.09%	17.17%	18.46%

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005
ASSETS		
Current		
Cash and short-term investments	**$ 547,563**	$ 416,093
Accounts receivable (Note 3)	**73,894**	68,682
Materials and supplies	**6,418**	6,500
Prepaid expenses	**1,529**	2,052
	629,404	493,327
Contributed surplus and other assets (Note 4)	**45,521**	44,071
	$ 674,925	$ 537,398
LIABILITIES		
Current		
Notes payable (Note 5)	**$ 140,730**	$ 144,027
Due to other funds (Note 6)	**371,428**	240,259
Accounts payable and accrued liabilities (Note 7)	**119,934**	109,303
Deferred revenue (Note 8)	**37,069**	37,307
Performance and other deposits	**5,764**	6,502
	$ 674,925	$ 537,398

Commitments and contingent liabilities (Note 9)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget (Note 16)	2006 Actual	2005 Actual
REVENUES (Schedule 1)			
Taxation (Note 10)	**$ 457,993**	**$ 459,890**	$ 458,632
Government grants	**79,919**	**80,962**	74,249
Contributions and transfers	**46,256**	**45,864**	48,433
Sale of goods and services (Note 11)	**40,699**	**43,216**	40,759
Regulation fees	**28,425**	**34,061**	28,923
Payments-in-lieu of taxes (Note 10)	**31,582**	**31,575**	32,040
Sale of Winnipeg Hydro and other	**26,117**	**25,855**	26,068
Interest	**1,896**	**3,193**	2,425
Total Revenues	**712,887**	**724,616**	711,529
EXPENSES (Schedules 2 and 3)			
Protection and community services	**355,278**	**359,134**	339,599
Public works	**195,835**	**199,308**	208,916
Finance and administration	**67,697**	**65,655**	68,377
Property and development	**35,146**	**35,173**	35,380
Contribution to Transit System	**33,721**	**34,479**	35,217
Employee benefits and payroll tax	**9,866**	**12,829**	9,936
Debt and finance charges	**10,421**	**10,254**	10,400
Grants and payments to other authorities	**7,367**	**8,874**	7,530
Other	**(2,444)**	**(1,773)**	(3,826)
Total Expenses	**712,887**	**723,933**	711,529
Surplus for the year before the contribution to the Mill Rate Stabilization Reserve	**-**	**683**	-
Contribution to the Mill Rate Stabilization Reserve	**-**	**(683)**	-
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The General Revenue Fund follows the fund basis of reporting. This Fund was created for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The accrual basis of accounting is modified for expenses relating to accrued vacation costs, legal claims, retirement allowance, workers compensation claims, insurance claims, councillors' pension plan costs, and environmental costs which are recorded when payment is incurred.

c) Short-term investments

Short-term investments consist of Government of Canada treasury bills, guaranteed commercial paper and promissory notes, provincial government treasury bills and promissory notes, bankers' acceptances and bearer deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to November 1, 2007, and have an effective average interest rate of 4.3% (2005 - 3.3%).

d) Materials and supplies

Materials and supplies are recorded at the lower of cost or net realizable value.

e) Assessment appeal costs

The City accrues a liability to reflect future payments related to the four year assessment cycle. This liability is stated net of certain assessments that will be deferred and amortized over the cycle.

1. Summary of Significant Accounting Policies (continued)

f) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

g) Corporate debt and finance charges

Tax-supported tangible capital assets financed by debt including internal financing through the Equity in Capital Assets Fund, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund and the interest expense is recorded in the General Capital Fund.

h) Local improvement taxes

As defined in **The City of Winnipeg Charter**, local improvement "means a work or service intended to be paid for or maintained wholly or partly by special assessments against the land benefited". The property owner's portion of the costs may be added to taxes over the length of the debt incurred by the City of Winnipeg ("the City") to cover the costs of the improvement or may be fully paid at anytime. Local improvement taxes which have been paid by the property owners are recognized as revenue in the year paid.

i) Taxes collected for others

The City collects taxes for the Public Schools' Finance Board, Winnipeg's school divisions and on behalf of local business improvement zone boards. These taxes are remitted to the respective board and divisions and are not included as revenues and expenses in the General Revenue Fund's Statement of Operations.

j) Administration and interest on capital work

In certain circumstances, capital project work capitalized in the General Capital Fund includes an administration fee of 1% of specific costs of the project to a maximum of $0.1 million on any individual project. In addition, financing charges of 2% are also capitalized as part of the project. The administration fee and financing charge revenues are recorded in the General Revenue Fund.

k) Debenture discounts and issue expenses

Debenture issue expenses are charged to operations in the General Revenue Fund in the year of the related debenture issue. Commencing in 1996, discounts on debenture issues are amortized over the term of the debenture.

l) Deferred gain on sale of assets to Special Operating Agencies

Golf Services - Special Operating Agency and Winnipeg Parking Authority - Special Operating Agency commenced operations on January 1, 2002 and January 1, 2005, respectively. The City of Winnipeg sold assets, including land, to these Agencies. The gain on the sale of these assets is being realized over the same time period as the assets are being amortized by the Agencies.

2. Status of the General Revenue Fund

The City is a municipality which was created on January 1, 1972, pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of **The City of Winnipeg Charter** on January 1, 2003. The City provides municipal services such as street system maintenance, police, fire, urban planning, parks and recreation, library and other general government operations. The City also bills, collects and remits taxes on behalf of local business improvement zones.

The City is required by **The Public Schools Act** to bill, collect and remit provincial education support and school division special levies on behalf of the Province of Manitoba and the school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases and therefore, the financial statements of the school divisions do not form part of the General Revenue Fund's financial statements.

3. Accounts Receivable

	2006	2005
Property, payments-in-lieu and business taxes	**$ 41,350**	$ 37,698
Allowance for tax arrears	**(6,326)**	(6,364)
	35,024	31,334
Trade accounts and other receivables	**20,549**	18,526
Province of Manitoba	**12,148**	9,959
Government of Canada	**5,657**	5,453
Accrued interest receivable	**2,724**	1,857
The Sinking Fund Trustees of The City of Winnipeg	**702**	3,802
The Convention Centre Corporation	**214**	258
	41,994	39,855
Allowance for doubtful accounts	**(3,124)**	(2,507)
	38,870	37,348
	$ 73,894	$ 68,682

4. Contributed Surplus and Other Assets

	2006	2005
Contributed surpluses:		
Golf Services - Special Operating Agency	**$ 20,090**	$ 20,090
Land Operating Reserve	**8,425**	8,425
Winnipeg Parking Authority - Special Operating Agency	**172**	172
Loan receivables:		
Winnipeg Parking Authority - Special Operating Agency, start-up loan, interest at 6%, with no specific terms of repayment	**12,218**	12,218
Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of $264 thousand, commencing in 2007	**3,133**	3,133
Deferred election costs	**1,460**	-
Deferred charges, other	**23**	33
	$ 45,521	$ 44,071

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was $188 thousand (2005 - $188 thousand).

4. Contributed Surplus and Other Assets (continued)

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was $733 thousand (2005 - $753 thousand).

5. Notes Payable

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 4.0% (2005 - 2.6%). These notes are callable by the issuers.

	2006	2005
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**$ 67,462**	$ 98,666
The Sinking Fund Trustees of The City of Winnipeg	**22,036**	11,639
Winnipeg Police Pension Plan	**21,782**	23,572
Water Treatment Reserve	**18,526**	2,987
Workers Compensation Reserve	**4,935**	2,072
Perpetual Maintenance Reserve Funds:		
- Brookside Cemetery	**2,381**	89
- Transcona Cemetery	**197**	46
- St. Vital Cemetery	**(12)**	-
The Civic Employees' Group Life Insurance Plan	**1,927**	3,693
Insurance Reserve	**1,404**	811
Brady Landfill Site Rehabilitation Reserve	**92**	452
	$ 140,730	$ 144,027

6. Due to Other Funds

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Bank transactions are credited or charged to the "Due (from)/to" account in each fund when they are processed through the bank. Interest is credited or charged to other funds based on the City's average short-term earnings (cost of funds) on the single bank account.

	2006	2005
Capital Reserves	**$ 109,004**	$ 82,892
Waterworks System	**98,910**	24,946
Stabilization Reserves	**81,229**	64,004
Special Purpose Reserves	**46,233**	39,959
Sewage Disposal System	**29,442**	23,336
Equity in Capital Assets	**12,532**	14,913
Solid Waste Disposal	**6,408**	6,556
General Revenue Enterprises	**6,119**	6,201
Fleet Management - Special Operating Agency	**2,392**	991
Building Services	**341**	426
Trusts	**223**	256
Civic Accommodations	**83**	98
Equipment and Material Services	**77**	77
Winnipeg Enterprises Corporation	**73**	(1,244)
Animal Services - Special Operating Agency	**(275)**	(197)
Transit System	**(995)**	(7,844)
Glacial Sand and Gravel - Special Operating Agency	**(1,412)**	(2,095)
Golf Services - Special Operating Agency	**(1,436)**	(1,160)
Winnipeg Parking Authority - Special Operating Agency	**(7,757)**	(2,606)
General Capital	**(9,763)**	(9,250)
	$ 371,428	$ 240,259

7. Accounts Payable and Accrued Liabilities

	2006	2005
Trade accounts payable	**$ 45,995**	$ 40,314
Provincial education support and school division special levies payable	**25,341**	22,346
Wages and employee benefits payable	**22,751**	20,412
Provision for assessment appeals	**11,724**	12,401
Other accrued liabilities	**8,061**	7,575
Accrued interest on long-term debt	**6,062**	6,255
	$ 119,934	$ 109,303

8. Deferred Revenue

	2006	2005
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	**$ 22,692**	$ 22,855
Winnipeg Parking Authority - Special Operating Agency	**11,323**	12,025
Province of Manitoba, Federal Government and other	**2,006**	1,540
Registration fees	**963**	813
Rentals	**85**	74
	$ 37,069	$ 37,307

9. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2006:

a) Lease commitments

The City has entered into a number of lease agreements mainly for the lease of office equipment. Future minimum lease payments are as follows:

2007	$ 109
2008	67
2009	36
	$ 212

9. Commitments and Contingent Liabilities (continued)

b) Loan guarantees

The City has unconditionally guaranteed the payment of principal and interest on outstanding capital improvement loans for the following organizations:

	2006	2005
Winnipeg Enterprises Corporation	**$ 4,866**	$ 5,894
Dakota Community Centre Inc.	**2,376**	2,462
Gateway Recreation Centre Inc.	**1,812**	1,965
Winnipeg Housing Rehabilitation Corporation	**719**	598
Garden City Community Centre Inc.	**651**	709
St. Norbert Community Club	**396**	440
Maples Recreation Association Inc.	**305**	333
Glenwood Community Centre Inc.	**248**	274
Kirkfield-Westwood Community Centre Inc.	**96**	134
Manitoba Opera Association Inc.	**90**	193
Springer's Gymnastics Club Inc.	**88**	104
Granite Curling Club	**81**	85
St. Norbert Children's Centre Inc.	**77**	94
Richmond Kings Community Centre Inc.	**49**	76
East Side Eagles Football Club	**11**	16
Transcona East End Community Club Inc.	**-**	384
	$ 11,865	$ 13,761

When an organization has failed to meet debt covenants on existing debt obligations and factors known at the time of reporting are likely to affect the ability of the borrower to repay the loan in the future, then a provision for losses on loan guarantees will be accrued in the financial statements. As at December 31, 2006, an accrual has not been made to the financial statements.

c) Lawsuits

The City is defendant in two significant lawsuits as at December 31, 2006. At this time the ultimate liability is not determinable.

Normal contingent liabilities exist consisting of routine claims for street and sidewalk accidents, property damage, etc.. Any loss will be accounted for to the period in which settlement occurs.

10. Taxation

The property tax roll recorded in the General Revenue Fund for the year totalled $789.6 million (2005 - $784.2 million). This included school taxes of $415.4 million (2005 - $411.0 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $53.5 million (2005 - $56.2 million). Included were payments-in-lieu of school taxes assessed in 2006 of $21.9 million (2005 - $24.2 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenses in these financial statements. When an assessment is reduced the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes with applicable interest.

10. Taxation (continued)

Included in payments-in-lieu of taxes and business taxes are amounts levied against other funds for realty and business taxes. Taxes are assessed on these properties as if they were privately owned. The amounts levied are as follows:

	2006	2005
Sewage Disposal System	**$ 9,716**	$ 8,501
Waterworks System	**3,009**	3,216
Winnipeg Parking Authority - Special Operating Agency	**758**	758
Transit System	**537**	1,203
Golf Services - Special Operating Agency	**240**	239
Solid Waste Disposal	**32**	32
	$ 14,292	$ 13,949

11. General Government Charges from Related Parties

Included in the sale of goods and services is general government charges levied against other funds for administrative services as follows:

	2006	2005
Transit System	**$ 777**	$ 792
Waterworks System	**612**	615
Sewage Disposal System	**467**	467
Fleet Management - Special Operating Agency	**421**	421
Civic Accommodations	**306**	306
Building Services	**252**	252
Solid Waste Disposal	**79**	79
Animal Services - Special Operating Agency	**70**	70
Golf Services - Special Operating Agency	**62**	62
Winnipeg Parking Authority - Special Operating Agency	**28**	29
Glacial Sand and Gravel - Special Operating Agency	**-**	26
	$ 3,074	$ 3,119

12. Contributions and Appropriations from Related Parties

In addition to those disclosed elsewhere in the financial statements, included in the fund's expenses are the following:

Included in Community Services department's expenses are transfers to various funds as follows: Library Reserve $281 thousand (2005 - $230 thousand); Animal Services - Special Operating Agency net transfer $940 thousand (2005 - $816 thousand); Assiniboine Park Enterprises Reserve $nil (2005 - $6 thousand); Concession Equipment Reserve $13 thousand (2005 - $12 thousand); Insect Control Urgent Expenditures Reserve $600 thousand (2005 - $nil); Fleet Management - Special Operating Agency $nil (2005 - $37 thousand); and Recreation Programming Reserve $490 thousand (2005 - $nil).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserve Funds in the amount of $236 thousand (2005 - $225 thousand).

Included in Public Works department's expenses is a recovery from Fleet Management - Special Operating Agency in 2006 of $406 thousand (2005 - $691 thousand) relating to the Autopac rebate.

Included in Corporate Information Technology department's expenses is a recovery from Winnipeg Parking Authority - Special Operating Agency in 2006 of $175 thousand (2005 - $74 thousand) for support services.

12. Contributions and Appropriations from Related Parties (continued)

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $130 thousand (2005 - $126 thousand) from the Stabilization Reserves, $104 thousand (2005 - $103 thousand) from the Special Purpose Reserves, $277 thousand (2005 - $292 thousand) from the Capital Reserves, and $31 thousand (2005 - $63 thousand) from the Equity in Capital Assets Fund.

Included in various department expense categories are a transfer to the Civic Accommodations Fund of $28.3 million (2005 - $28.1 million) for facilities costs, a transfer to the Computer Replacement Reserve of $566 thousand (2005 - $540 thousand), and a transfer to the Building Services Fund of $16.7 million (2005 - $16.7 million).

Included in various expense categories in 2006 are a contribution to the Commitment Reserve of $2.6 million (2005 - $2.4 million), a transfer from the Insurance Reserve of $107 thousand (to 2005 - $191 thousand), and a transfer to the General Capital Fund of $3.5 million (2005 - $4.9 million).

13. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program and Winnipeg Police Pension Plan

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The City of Winnipeg allocates its benefit costs to various departments. During the year $22.3 million (2005 - $21.6 million) of benefit costs were allocated to the Fund.

b) Councillors' Pension Plan Established Under By-law 3553/83

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2006 has been estimated to be $4.5 million (2005 - $4.5 million). In 2006, the City paid out $0.3 million (2005 - $0.3 million).

c) Councillors' Pension Plan Established Under By-law 7869/2001

The City of Winnipeg Council Pension Plan was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Plan to have come into existence on January 1, 2001. The Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg Council members. All members of Council were required to become members of the Plan on January 1, 2001.

In 2005, the City paid out $0.1 million (2005 - $0.1 million).

14. Other Employee Benefits

a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2006 at $64.5 million (2005 - $62.8 million).

b) Employees accrue compensated absences that are not recorded as a liability on the Statement of Financial Position. The amount of this unrecorded liability at December 31, 2006 is estimated at $38.8 million (2005 - $38.2 million).

c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at $5.6 million (2005 - $2.5 million).

d) Employees of the City who are members of the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan respectively. These plans provide life insurance coverage for members while employed and coverage can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance coverage. An actuarial valuation indicated that this post-retirement liability is fully funded.

15. Related Party Transactions

Included in these financial statements are revenue and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the General Revenue Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

16. Budget

The 2006 budget has been adjusted in the categories noted as follows: government grant revenues have been reduced by $8,072 thousand; Police Services department's expenses has been increased by $3,900 thousand, which represents the negotiated settlement of the collective agreement; Corporate Services department's expenses has been increased by $300 thousand, the contribution to Transit System has been decreased by $3,540 thousand; and other expense has been reduced by $8,732 thousand, which represents the balance.

17. Comparative Figures

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

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget (Note 16)	2006 Actual	2005 Actual
Taxation			
Municipal realty taxes	**$ 374,268**	**$ 374,268**	$ 373,187
Business and licenses-in-lieu of business taxes	**61,219**	**61,029**	61,243
Electricity and gas sales taxes	**16,733**	**16,941**	16,826
Entertainment taxes	**4,175**	**5,638**	5,566
Local improvement taxes	**1,192**	**1,524**	1,366
Licenses-in-lieu of realty taxes	**348**	**352**	350
Local improvement taxes commuted	**11**	**94**	48
Billboard taxes	**47**	**44**	46
	457,993	**459,890**	458,632
Government grants			
Provincial			
Building Manitoba Fund	**49,368**	**49,368**	49,368
Unconditional	**19,888**	**19,887**	19,488
Video lottery terminal	**8,820**	**8,820**	8,820
Support	**6,611**	**6,945**	6,819
Other grants	**6,114**	**6,216**	3,448
Ambulance	**5,480**	**6,081**	4,973
Casino	**4,458**	**4,458**	2,084
Libraries	**1,910**	**1,910**	1,910
Dutch elm disease control	**900**	**900**	900
Services transferred to the Province	**(23,650)**	**(23,650)**	(23,650)
	79,899	**80,935**	74,160
Federal government grants	**20**	**27**	89
	79,919	**80,962**	74,249

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget (Note 16)	2006 Actual	2005 Actual
Contributions and transfers			
Sewage Disposal System	**14,643**	**14,970**	10,355
Waterworks System	**12,067**	**12,123**	13,458
Fleet Management - Special Operating Agency	**6,904**	**6,965**	3,419
Winnipeg Parking Authority - Special Operating Agency	**5,745**	**6,070**	5,606
Civic Accommodations	**3,499**	**2,884**	3,243
Solid Waste Disposal	**1,964**	**876**	3,309
The Sinking Fund Trustees of the City of Winnipeg	**700**	**700**	3,800
Glacial Sand and Gravel - Special Operating Agency	**200**	**519**	573
Golf Services - Special Operating Agency	**312**	**312**	318
Commitment Reserve	**-**	**300**	184
General Revenue Enterprises	**57**	**79**	222
Building Services	**32**	**54**	15
Transit System	**-**	**12**	-
Snow Clearing Reserve	-	**-**	3,351
Idea Bank Reserve	**-**	**-**	500
General Capital	**-**	**-**	80
Other	**133**	**-**	-
	46,256	**45,864**	48,433
Sale of goods and services	**40,699**	**43,216**	40,759
Regulation fees			
Fines	**11,642**	**15,496**	11,825
Permits and fees	**8,535**	**9,991**	8,698
Tax penalties	**5,200**	**5,467**	5,371
Licenses	**3,048**	**3,107**	3,029
	28,425	**34,061**	28,923
Payments-in-lieu of taxes	**31,582**	**31,575**	32,040
Sale of Winnipeg Hydro and other			
Manitoba Hydro	**25,000**	**25,000**	25,000
Accounts payable write-offs, commissions, etc.	**1,117**	**855**	1,068
	26,117	**25,855**	26,068

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget (Note 16)	2006 Actual	2005 Actual
Interest			
Interest earned	**482**	**1,654**	1,135
Interest capitalized	**914**	**1,039**	790
Debt charges recovered	**500**	**500**	500
	1,896	**3,193**	2,425
Total Revenues	**$ 712,887**	**$ 724,616**	$ 711,529

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget (Note 16)	2006 Actual	2005 Actual
Protection and community services			
Police services	**$ 157,212**	**$ 158,157**	$ 146,646
Fire paramedic service	**108,753**	**112,155**	106,115
Community services	**88,587**	**88,081**	86,119
Museums	**726**	**741**	719
	355,278	**359,134**	339,599
Public works			
Public works	**163,695**	**167,636**	174,464
Water and waste	**32,140**	**31,672**	34,452
	195,835	**199,308**	208,916
Finance and administration			
Corporate information technology	**16,918**	**16,832**	18,875
City clerks	**11,256**	**11,137**	10,873
Property assessment	**11,413**	**10,369**	10,791
Corporate finance	**9,832**	**9,603**	9,662
Corporate services	**9,571**	**9,442**	10,138
CAO secretariat	**3,015**	**2,799**	2,519
Council	**2,645**	**2,597**	2,583
EPC secretariat	**1,488**	**1,436**	1,409
Audit	**1,066**	**960**	1,028
Mayor's office	**493**	**480**	499
	67,697	**65,655**	68,377
Property and development			
Planning, property and development	**35,146**	**35,173**	35,380
Contribution to Transit System	**33,721**	**34,479**	35,217

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget (Note 16)	2006 Actual	2005 Actual
Employee benefits and payroll tax			
Provincial payroll tax	**6,400**	**7,277**	6,963
Employee benefits	**3,466**	**5,552**	2,973
	9,866	**12,829**	9,936
Debt and finance charges			
Transfer to General Capital	**102,121**	**97,494**	99,949
Transfer to Equity in Capital Assets	**-**	**4,627**	6,852
Other interest and finance charges	**1,896**	**1,729**	2,086
Transfer to departments	**(93,596)**	**(93,596)**	(98,487)
	10,421	**10,254**	10,400
Grants and payments to other authorities			
Grants	**3,825**	**5,333**	3,897
The Convention Centre Corporation	**2,075**	**2,075**	2,200
Destination Winnipeg	**1,288**	**1,288**	1,228
Children's Museum and other payments	**104**	**103**	130
Winnipeg Enterprises Corporation	**75**	**75**	75
	7,367	**8,874**	7,530
Other			
Insurance and damage claims	**3,567**	**3,568**	3,392
Government affairs, pension contribution and other	**(6,011)**	**(5,341)**	(7,218)
	(2,444)	**(1,773)**	(3,826)
Contribution to the Mill Rate Stabilization Reserve	**-**	**683**	-
Total Expenses	**$ 712,887**	**$ 724,616**	$ 711,529

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 3

EXPENSES BY OBJECT

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget (Note 16)	2006 Actual	2005 Actual
Salaries and employee benefits	**$ 366,065**	**$ 375,154**	$ 358,880
Services	**105,280**	**105,399**	109,389
Debt and finance charges - departmental and corporate	**104,191**	**104,047**	109,079
Transfers	**81,352**	**89,434**	88,404
Materials, parts and supplies	**26,050**	**26,100**	24,377
Grants	**12,899**	**13,270**	12,669
Assets - purchases and renovations	**8,107**	**7,641**	6,111
Payments to other authorities	**6,317**	**7,364**	6,629
Provincial payroll tax	**6,400**	**7,277**	6,962
Municipal tax, amortization, and other expenses	**13,984**	**7,269**	8,048
Assessment appeals	**1,992**	**1,992**	2,500
Recoveries	**(19,750)**	**(20,331)**	(21,519)
	$ 712,887	**$ 724,616**	$ 711,529

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 4

SCHOOL TAXES LEVIED

For the years ended December 31
(unaudited)

In addition to the tax revenues required to be raised for Municipal purposes, Council under the continuing provisions of **The Public Schools Act,** must fix and impose taxes sufficient to meet that portion of the cost of education that is to be raised through levies on assessable property within the City of Winnipeg.

The amounts that were required to be raised in 2006 included the City's share of the Province's Education Support Program and the requirements of the school divisions (located wholly or in part within the City) representing the portion of their costs that were determined to be the entire responsibility of the City. Levies for 2006 with 2005 comparative figures are as follows:

	2006	2005
Provincial education support program levy		
Other property	**$ 74,484,507**	$ 68,550,644
Residential	**-**	20,032,611
	74,484,507	88,583,255
Special levies (by school division)		
Winnipeg No. 1	**125,562,776**	121,561,671
Pembina Trails No. 7	**62,929,729**	60,531,950
Louis Riel No. 51	**60,343,702**	57,485,571
River East - Transcona No. 72	**48,691,998**	46,653,468
St. James - Assiniboia No. 2	**36,042,769**	33,158,488
Seven Oaks No. 10	**26,459,801**	24,783,202
Seine River No. 14	**2,789,550**	2,436,288
Interlake No. 21	**11,797**	10,670
	362,832,122	346,621,308
	$ 437,316,629	$ 435,204,563
Allocated as follows:		
Realty taxes	**$ 415,362,512**	$ 411,006,754
Payments-in-lieu of taxes	**21,954,117**	24,197,809
	$ 437,316,629	$ 435,204,563

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 5

PROJECTED 2006 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 17, 2006
(unaudited)

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	$ 8,704,482,471	$ 30,803,381	$ 19,992,591	$ 8,755,278,443
Residential 2	45.0%	847,526,851	107,383,411	1,836,040	956,746,302
Residential 3	45.0%	569,964,738	-	81,541	570,046,279
Farm	26.0%	16,820,061	1,353,300	8,252,577	26,425,938
Institutional	65.0%	339,914,985	66,976,650	1,070,681,193	1,477,572,828
Designated higher education	13.0%	-	-	-	-
Pipelines	50.0%	7,243,300	-	-	7,243,300
Railways	25.0%	22,681,514	-	-	22,681,514
Designated recreational facilities	10.0%	9,117,995	131,300	1,039,410	10,288,705
Other	65.0%	4,105,567,748	364,426,118	732,062,546	5,202,056,412
Legislative buildings	65.0%	-	4,675,800	-	4,675,800
		$ 14,623,319,663	$ 575,749,960	$ 1,833,945,898	$ 17,033,015,521

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

The General Revenue Enterprises Fund was originally created to account for commercial activities in which The City of Winnipeg was in competition with the private sector. However, over time these activities are now recorded in various other funds. Meanwhile, the use of this Fund has been expanded to include programs funded by grants from the senior levels of government or by their own revenue sources. These programs include Libraries Book Replacement and Literacy Centre Collection, Historical Buildings and Riverbanks Administration.

FIVE-YEAR REVIEW

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Internal service operations and other programs:					
Revenues	**$ 3,282**	$ 4,228	$ 5,649	$ 3,081	$ 3,299
Expenditures	**3,322**	4,645	4,651	2,881	2,886
(Deficit)/Surplus	**$ (40)**	$ (417)	$ 998	$ 200	$ 413

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 6,119**	$ 6,201
Inventories	**13**	15
	$ 6,132	$ 6,216
LIABILITIES		
Current		
Interest payable - Idea Bank Reserve	**$ 5**	$ 6
Current portion of loan payable (Note 4)	**45**	45
Deferred revenue	**1,014**	1,019
	1,064	1,070
Loan payable (Note 4)	**80**	118
	1,144	1,188
RETAINED EQUITY	**4,988**	5,028
	$ 6,132	$ 6,216

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF OPERATIONS AND RETAINED EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005
REVENUES		
Permits and fees	**$ 2,172**	$ 3,039
Transfer from Land Operating Reserve	**668**	815
Sales of goods and services	**439**	374
Other revenue	**3**	-
Total Revenues	**3,282**	4,228
EXPENDITURES		
Street cuts operations (Note 5)	**2,695**	2,957
Printing and duplicating operations (Note 5)	**316**	289
Libraries programs	**240**	11
Riverbank management operations	**37**	36
Real estate enterprises	**34**	19
Transfer to General Capital Fund	**-**	853
Transfer to Contributions in Lieu of Land Dedication Reserve	**-**	300
Transfer to General Revenue Fund (Note 5)	**-**	180
Total Expenditures (Note 5)	**3,322**	4,645
(DEFICIT) FROM OPERATIONS	**(40)**	(417)
RETAINED EQUITY, BEGINNING OF YEAR	**5,028**	5,445
RETAINED EQUITY, END OF YEAR	**$ 4,988**	$ 5,028

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of the accounting policies summarized below.

a) Basis of presentation

General Revenue Enterprises Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) Inventories

Inventories of material and supplies are recorded at the lower of cost or net realizable value.

d) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

2. Status of the General Revenue Enterprises Fund

The General Revenue Enterprises Fund was originally created to account for commercial activities in which The City of Winnipeg was in competition with the private sector. However, over time the majority of these activities are now recorded in various other funds. Meanwhile, the use of this Fund has been expanded to include programs funded by grants from the senior levels of government or by their own revenue sources.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Loan Payable

A loan has been negotiated with the Idea Bank Reserve with an interest rate of 4.5%, annual payments of $45 thousand, due March 2009.

5. Expenditures by Object

	2006	2005
Goods and services	**$ 3,169**	$ 3,218
Transfer to General Revenue Fund	**79**	222
Transfer to Idea Bank Reserve	**44**	44
Grants	**30**	8
Transfer to General Capital Fund	**-**	853
Transfer to Contributions in Lieu of Land Dedication Reserve	**-**	300
	$ 3,322	$ 4,645

Included in street cuts operations expenditures is a transfer to the General Revenue Fund of $22 thousand (2005 - $nil).

Included in printing and duplicating operations expenditures is a transfer to the General Revenue Fund of $57 thousand (2005 - $42 thousand). Also included is a transfer to the Idea Bank Reserve of $44 thousand (2005 - $44 thousand) representing interest and principal payments on the loan.

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

The General Capital Fund was created to account for tax-supported capital transactions of The City of Winnipeg. The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements.

By December 31 of each year, Council is required under **The City of Winnipeg Charter** to approve a budget for the General Capital Fund. The 2006 budget for the General Capital Fund of $135.3 million was a 28.36% increase from the 2005 budget of $105.4 million. Capital expenditures in 2006 relating to 2006 and previous years capital budgets, increased from $117.1 million in 2005 to $130.1 million in 2006.

Of the $130.1 million of total capital expenditures, $86.2 million was for Roads and Bridges, $22.9 million was for Water and Waste infrastructure, $13.5 million related to Buildings and $6.3 million related to Information Technology.

Additions to major Roads and Bridges projects during the year were as follows:

- Regional Streets Renewal program	$	22.0	million
- Kenaston Underpass	$	18.5	million
- Local Streets Renewal program	$	13.9	million
- Redwood Bridge rehabilitation	$	7.8	million
- Maryland Twin Bridges rehabilitation	$	4.0	million

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

	2006	2005	2004 *	2003 *	2002 *
Tangible Capital Assets	**$ 2,200,807**	$ 2,153,671	$ 662,784	$ 690,503	$ 687,135
% change in tangible capital assets	**2.19%**	224.94%	-4.01%	0.49%	0.49%
Debt					
Internal financing	**$ 366,792**	$ 338,188	$ 298,481	$ 278,546	$ 233,599
External financing (net of Sinking Fund)	**250,178**	281,968	315,523	306,991	297,486
Other long-term debt	**36,428**	43,420	45,302	48,719	49,248
Total long-term debt	**$ 653,398**	$ 663,576	$ 659,306	$ 634,256	$ 580,333
% change in total debt	**-1.53%**	0.65%	3.95%	9.29%	-5.96%
Internal Debt as a % of Total Debt	**56.14%**	50.96%	45.27%	43.92%	40.25%
External Debt as a % of Total Debt	**43.86%**	49.04%	54.73%	56.08%	59.75%
Interest Expense					
Internal	**$ 24,499**	$ 21,843	$ 20,527	$ 20,228	$ N/A
External	**28,714**	32,684	36,789	38,017	N/A
Interest Expense	**$ 53,213**	$ 54,527	$ 57,316	$ 58,245	$ N/A
% change in external interest expense	**-12.15%**	-11.16%	-3.23%	N/A	N/A
Summary of Cash Flows					
Operating activities	**$ 137,402**	$ 113,783	$ 49,230	$ 44,482	$ 64,912
Long-term debt issued, net	**$ 11,502**	$ (16,715)	$ 17,969	$ (40,308)	$ (30,271)
Payments to The Sinking Fund Trustees, net	**$ (8,274)**	$ 29,948	$ 18,369	$ 103,290	$ 6,693
Due to General Revenue Fund	**$ 513**	$ (2,103)	$ (43,080)	$ (35,930)	$ 37,718
Capital acquisitions	**$ (130,052)**	$ (117,083)	$ (91,433)	$ (110,075)	$ (120,345)
Other	**$ (11,091)**	$ (7,830)	$ 48,945	$ 38,541	$ 41,293

* Balances prior to January 1, 2005 have not been restated to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook.

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 9)
FINANCIAL ASSETS		
Accounts receivable (Note 3)	**$ 16,471**	$ 22,549
LIABILITIES		
Due to General Revenue Fund (Note 4)	**9,763**	9,250
Accounts payable and accrued liabilities (Note 5)	**1,992**	1,298
Deferred revenue	**3,856**	-
Debt (Note 6)	**653,398**	663,576
Deferred liabilities	**1,168**	1,461
Developer deposits	**6,052**	5,259
	676,229	680,844
NET FINANCIAL LIABILITIES	**(659,758)**	(658,295)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**2,200,807**	2,153,671
ACCUMULATED SURPLUS (Note 8)	**$ 1,541,049**	$ 1,495,376

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 9)
REVENUES		
Transfer from General Revenue Fund		
Debt and finance	**$ 97,494**	$ 99,949
Other	**3,520**	4,916
Frontage levies	**19,580**	-
Transfer from Federal Gas Tax Revenue Reserve	**16,776**	-
Developer contributions-in-kind	**14,315**	17,080
Province of Manitoba capital grants	**12,724**	11,131
Transfer from Civic Accommodations Fund	**7,491**	5,883
Government of Canada capital grants	**7,297**	6,713
Interest income	**6,414**	7,081
Other	**2,982**	3,888
Gain on sale of assets	**1,919**	-
Transfer from Sewage Disposal Fund	**958**	-
Transfer from General Purpose Reserve	**629**	-
Developer deposit	**466**	781
Transfer from Commitment Reserve	**464**	660
Transfer from Sewer System Rehabilitation Reserve	**240**	-
Transfer from Combined Sewer Renewal Reserve	**-**	21,163
Transfer from General Revenue Enterprise Fund	**-**	853
Transfer from Economic Development Reserve	**-**	800
Transfer from Library Reserve	**-**	300
	193,269	181,198
EXPENSES		
Amortization	**82,520**	79,464
Interest - External debt	**28,714**	32,684
Interest - Equity in Capital Assets Fund	**24,499**	21,843
Infrastructure maintenance	**4,399**	6,958
Other	**2,453**	2,523
Transfer to Winnipeg Enterprises Corporation	**2,134**	-
Grants	**2,087**	1,267
Transfer to Housing Rehabilitation Investment Reserve	**550**	-
Transfer to Land Operating Reserve	**180**	-
Transfer to Combined Sewer Renewal Reserve	**60**	-
	147,596	144,739
SURPLUS FOR THE YEAR	**45,673**	36,459
ACCUMULATED SURPLUS, BEGINNING OF YEAR		
As previously reported	**1,495,376**	4,474
Prior period adjustments (Note 9)	**-**	1,454,443
As restated	**1,495,376**	1,458,917
ACCUMULATED SURPLUS, END OF YEAR	**$ 1,541,049**	$ 1,495,376

See accompanying notes and schedule to the consolidated financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 9)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 45,673**	$ 36,459
Non-cash charges to operations		
Amortization	**82,520**	79,464
(Gain) Loss on disposal of assets	**(1,919)**	42
Working capital from operations	**126,274**	115,965
Net change in working capital	**6,772**	2,744
Net change in deferred liabilities, deferred revenue and deposits	**4,356**	(4,926)
	137,402	113,783
FINANCING		
Debenture debt retired	**(17,102)**	(56,422)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(6,414)**	(7,081)
Payments from The Sinking Fund Trustees for long-term debt retired	**-**	40,078
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(8,274)**	(10,130)
Net increase in Equity in Capital Assets Fund debt	**28,604**	39,707
Due to General Revenue Fund	**513**	(2,103)
Other	**(6,992)**	(1,882)
	(9,665)	2,167
INVESTING		
Net purchase of capital assets (Schedule 1)	**(130,052)**	(117,083)
Net proceeds on disposal of tangible capital assets	**2,315**	1,133
	(127,737)	(115,950)
Cash, end of year	**$ -**	$ -

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The General Capital Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The General Capital Fund was created to account for all financial transactions related to the City's tax-supported capital budget (excluding Transit).

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting.

c) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	15 years
Buildings	10 to 50 years
Machinery and equipment	10 years
Vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Water and waste	
Underground networks	75 to 100 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years
Leased assets	5 to 40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost.

1. Summary of Significant Accounting Policies (continued)

d) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

e) Deferred revenue

The City receives grants dedicated to the acquisition of specific tangible capital assets. Where capital grants are received but the funding has not been used in the year to acquire tangible capital assets, the funding is reported as deferred revenue and taken into income in future years when the cost is incurred.

f) Debenture discount and issue expense

Debenture issue expenses are charged to operations in the year of the related debenture issue and these costs are recorded in the General Revenue Fund.

g) Deferred liabilities

Deferred liabilities consist of developer repayments as well as contributions received but not yet earned. Under the terms of development agreements, the City is required to repay developers for local improvements installed which benefit property outside the development area.

h) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

2. Status of the General Capital Fund

The General Capital Fund was created to account for tax-supported capital transactions (excluding Transit) of the City of Winnipeg. The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements, to name a few.

3. Accounts Receivable

	2006	2005
Province of Manitoba	**$ 11,150**	$ 17,049
Government of Canada	**3,850**	5,500
Other	**1,471**	-
	$ 16,471	$ 22,549

4. Due to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. The General Capital Fund charges interim financing on individual capital projects and credits the interest to the General Revenue Fund.

5. Accounts Payable and Accrued Liabilities

	2006	2005
Contractors' holdbacks	**$ 1,969**	$ 1,182
Trade accounts payable	**23**	116
	$ 1,992	$ 1,298

6. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2006**	Amount of Debt 2005
1999-2009	Feb. 2	5.350	VV	7368/99	**$ 50,000**	$ 50,000
1989-2009	Dec. 14	10.000	VH	5286/89	**68,065**	68,065
1993-2013	Feb. 11	9.375	VN	6090/93	**40,000**	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**30,500**	30,500
1995-2015	May 12	9.125	VR	6620/95	**55,000**	55,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
					273,565	273,565
Equity in Sinking Fund (Note 6c)					**(138,387)**	(123,699)
Net sinking fund debentures outstanding					**135,178**	149,866

Other long-term debt outstanding

Serial and instalment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.75% (2005 - 4.39%)	**115,000**	132,102
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2024 and a weighted average interest rate of 5.91% (2005 - 5.88%)	**366,792**	338,188
Capital lease obligations with varying maturities up to 2028 and a weighted average interest rate of 9.40% (2005 - 9.40%) (Note 6d)	**22,478**	23,620
Other long-term debt	**13,950**	19,800
	$ 653,398	$ 663,576

6. Debt (continued)

Debt to be retired over the next five years:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures	$ -	$ -	$ 118,065	$ -	$ -	$ 155,500
Serial, other and instalment debt	29,725	11,854	12,434	13,044	13,684	48,209
Equity in Capital Assets Fund	25,211	24,615	23,461	20,779	20,297	252,429
Capital lease obligations	1,643	1,342	1,565	1,702	1,852	14,374
	$ 56,579	$ 37,811	$ 155,525	$ 35,525	$ 35,833	$ 470,512

a) Sinking fund debenture issues provide for full sinking fund at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, will have a sinking fund deficiency requiring the issue to be refinanced at maturity.

Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
2009	7368/99	$ 50,000	$ 30,981

b) All debentures are general obligations of the City. Debenture debt is allocated to the General Capital Fund and utilities in the amounts shown in the issuing by-law.

c) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

d) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

2007	$ 3,707
2008	3,275
2009	3,378
2010	3,378
2011	3,378
thereafter	26,922
Total future minimum lease payments	44,038
Amount representing interest at a weighted average interest rate of 9.40%	(21,560)
Balance of the capital lease obligations	$ 22,478

7. Tangible Capital Assets

	2006	2005 (Restated Note 9)
Land	**$ 161,649**	$ 167,172
Buildings	**197,215**	193,352
Vehicles	**9,206**	10,246
Computer	**39,388**	40,529
Other	**33,095**	27,341
Plants and facilities	**11,713**	9,172
Roads	**723,638**	693,507
Underground and other networks	**700,320**	693,180
Bridges and other structures	**315,176**	305,621
Assets under construction	**9,407**	13,551
	$ 2,200,807	$ 2,153,671

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, there were no write-downs of tangible capital assets (2005 - $nil). Administration fees and interim financing charges capitalized during 2006 were $1.5 million (2005 - $1.4 million). In addition, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled $14.3 million in 2006 (2005 - $17.1 million) and were capitalized at their fair value at the time of receipt.

8. Accumulated Surplus

Accumulated surplus is comprised of amounts invested in tangible capital assets.

9. Prior Period Adjustments

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions have been included in income. These adjustments are as follows:

Adjustments to opening accumulated surplus,	
Net book value of tangible capital assets recorded	**$ 1,454,443**
Adjustments to 2005 surplus for the year	
Surplus for the year, as previously reported	**$ -**
Add:	
Revenue from contributed tangible capital assets	**17,080**
Capital grants received and recorded as revenue	**51,422**
Less:	
Increase in amortization expense	**(21,295)**
Increased expenses for items with an estimated useful life of less than one year	**(10,748)**
Surplus for the year, as restated	**$ 36,459**

9. Prior Period Adjustments (continued)

Adjustments to 2005 tangible capital assets

Net book value of tangible capital assets, as previously reported	**$**	**663,550**
Add:		
Net book value of tangible capital assets resulting from the adjustment of opening 2005 accumulated surplus		**1,454,443**
Assets capitalized but previously expensed		**41,068**
Revenue from contributed tangible capital assets		**17,080**
Less:		
Increase in accumulated amortization		**(21,295)**
Increase in the disposal of tangible capital assets		**(1,175)**
Net book value of tangible capital assets, as restated	**$**	**2,153,671**

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)
(unaudited)

	General				
	Land	Buildings	Vehicles	Computer	Other
Cost					
Balance, beginning of year	$ 167,172	$ 347,233	$ 33,041	$ 68,896	$ 43,885
Add: Additions during the year	723	13,533	1,458	6,347	8,813
Less: Disposals during the year	396	-	-	342	-
Settlements and other	(5,850)	-	-	-	-
Balance, end of year	161,649	360,766	34,499	74,901	52,698
Accumulated amortization					
Balance, beginning of year	-	153,881	22,795	28,367	16,544
Add: Amortization	-	9,670	2,498	7,488	3,059
Less: Accumulated amortization on disposals	-	-	-	342	-
Balance, end of year	-	163,551	25,293	35,513	19,603
Net Book Value of Tangible Capital Assets	$ 161,649	$ 197,215	$ 9,206	$ 39,388	$ 33,095

Schedule 1

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2006**	2005
$ 13,789	$ 1,422,470	$ 968,045	$ 462,019	$ 13,551	**$ 3,540,101**	$ 3,445,667
2,759	67,169	20,170	19,074	(4,144)	**135,902**	117,883
-	21,455	-	-	-	**22,193**	22,649
-	-	-	-	-	**(5,850)**	(800)
16,548	1,468,184	988,215	481,093	9,407	**3,647,960**	3,540,101
4,617	728,963	274,865	156,398	-	**1,386,430**	1,328,440
218	37,038	13,030	9,519	-	**82,520**	79,464
-	21,455	-	-	-	**21,797**	21,474
4,835	744,546	287,895	165,917	-	**1,447,153**	1,386,430
$ 11,713	$ 723,638	$ 700,320	$ 315,176	$ 9,407	**$ 2,200,807**	$ 2,153,671

THE CITY OF WINNIPEG
STABILIZATION RESERVES

The City of Winnipeg has two reserves whose purpose is to stabilize the effect of certain expenses on the current operations of the City. They are as follows:

The Future Tax Levies Reserve Fund was created by City Council on May 16, 1973, to counteract the budgetary effects of fluctuations from year to year in tax revenue caused by additions to and deletions from the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council, through the adoption of the Financial Stability Plan, approved changing the name of the fund to the Fiscal Stabilization Reserve Fund and the establishment of the Mill Rate Stabilization Reserve Fund to fund deficits recorded in the General Revenue Fund in order to assist in the stabilization of the City's mill rate and/or property tax requirements.

On December 13, 2000, Council amended the regulations governing the Fiscal Stabilization Reserve Fund to provide for transfers to/from the General Revenue Fund necessary to offset any variances in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

Fiscal Stabilization Reserve Fund

The Fiscal Stabilization Reserve Fund is subject to the following regulations:

- That no transfers from the Reserve be made to the General Revenue Fund to fund current operations;
- That the target level be established at a minimum level of 5% of the General Revenue Fund's adopted budget expenses;
- That the Reserve provide for transfers to or from the General Revenue Fund to offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year;
- That, subject to the Stabilization Reserves Fund - Combined Regulation, once the Reserve balance exceeds 5% of the General Revenue Fund's adopted budget expenses, the excess amount be considered for utilization only to provide for major unforeseen expenses;
- That any use of these funds be contingent upon approval by two-thirds of Council; and
- The use of these funds in any given year be limited to no more than 20% of the prior year's reserve balance.

The City Treasurer is the Fund Manager.

Mill Rate Stabilization Reserve Fund

The Mill Rate Stabilization Reserve Fund is subject to the following regulations:

- Charges in any one-year are limited to no more than 20% of the prior year's Reserve balance to a maximum of 50% of any deficit in the General Revenue Fund; and
- That subject to the Stabilization Reserves Fund - Combined Regulation, no charges to the Reserve should be made unless the reserve balance exceeds 5% of the General Revenue Fund expenses, in which case, half the excess is automatically transferred in the following year.

The City Treasurer is the Fund Manager.

Stabilization Reserves Fund - Combined Regulations

On May 23, 2001, City Council adopted the Financial Management Plan - Review of Reserves, which modified some of the original regulations of the individual reserves to a combined regulation as follows:

- That if either reserve has achieved its 5% target but the total of 10% tax-supported expenditures of the General Revenue Fund has yet to be achieved, then excess interest revenue of either Reserve be redirected to the Reserve which has yet to reach its individual target of 5%;
- That if the Stabilization Reserves are in excess of the 10% target then the excess funds be identified as available for one-time expenditures; and
- That if the Stabilization Reserves are reduced below the 10% target or that the pace of increase in the stabilization funds, as approved in the Financial Management Plan, are not being met, that a replenishment plan be adopted by City Council, which may include using net added taxes in addition to surplus and interest to achieve the 10% target.

THE CITY OF WINNIPEG
STABILIZATION RESERVES

FIVE-YEAR REVIEW

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Fiscal Stabilization Reserve Fund					
Net realty taxes added to the assessment roll	**$ 13,981**	$ 167	$ 511	$ 604	$ 69
Interest earned net of investment management fee	**$ 1,352**	$ 843	$ 694	$ 970	$ 789
Transfer to Mill Rate Stabilization Reserve	**$ 1,424**	$ 372	$ 739	$ 456	$ 268
Mill Rate Stabilization Reserve Fund					
Transfer from Fiscal Stabilization Reserve	**$ 1,424**	$ 372	$ 739	$ 456	$ 268
Transfer from General Revenue Fund	**$ 683**	$ -	$ -	$ -	$ 850
Transfer from Commitment Reserve	**$ 113**	$ -	$ -	$ -	$ 107
Interest earned net of investment management fee	**$ 1,096**	$ 669	$ 532	$ 735	$ 567

THE CITY OF WINNIPEG
STABILIZATION RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	Fiscal Stabilization Reserve	Mill Rate Stabilization Reserve	Totals 2006	Totals 2005
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 49,259**	**$ 31,970**	**$ 81,229**	$ 64,004
EQUITY				
Unallocated	**$ 49,259**	**$ 31,970**	**$ 81,229**	$ 64,004

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
STABILIZATION RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	Fiscal Stabilization Reserve	Mill Rate Stabilization Reserve	Totals 2006	Totals 2005
Balance, beginning of year	**$ 35,350**	**$ 28,654**	**$ 64,004**	$ 62,325
Add:				
Net realty taxes added to the assessment roll	**13,981**	**-**	**13,981**	167
Interest earned	**1,424**	**1,154**	**2,578**	1,638
Transfer from Fiscal Stabilization Reserve	**-**	**1,424**	**1,424**	372
Transfer from General Revenue	**-**	**683**	**683**	-
Transfer from Commitment Reserve	**-**	**113**	**113**	-
	15,405	**3,374**	**18,779**	2,177
Deduct:				
Transfer to Mill Rate Stabilization Reserve	**1,424**	**-**	**1,424**	372
Transfer to General Revenue Fund - investment management fee	**72**	**58**	**130**	126
	1,496	**58**	**1,554**	498
Balance, end of year	**$ 49,259**	**$ 31,970**	**$ 81,229**	$ 64,004

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
STABILIZATION RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Stabilization Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Stabilization Reserves Fund include the following:

Fiscal Stabilization Reserve Fund

Mill Rate Stabilization Reserve Fund

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

2. Status of the Stabilization Reserves Fund

The Future Tax Levies Reserve Fund was created by City Council on May 16, 1973, to counteract the budgetary effects of fluctuations from year to year in tax revenue caused by additions to and deletions from the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council, through the adoption of the Financial Stability Plan, approved changing the name of the fund to the Fiscal Stabilization Reserve Fund and the establishment of the Mill Rate Stabilization Reserve Fund to fund deficits recorded in the General Revenue Fund in order to assist in the stabilization of the City's mill rate and/or property tax requirements.

On December 13, 2000, Council amended the regulations governing the Fiscal Stabilization Reserve Fund to provide for transfers to/from the General Revenue Fund necessary to offset any variances in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

2. Status of the Stabilization Reserves Fund (continued)

Fiscal Stabilization Reserve Fund

The Fiscal Stabilization Reserve Fund is subject to the following regulations:

- That no transfers from the Reserve be made to the General Revenue Fund to fund current operations;
- That the target level be established at a minimum level of 5% of the General Revenue Fund's adopted budget expenses;
- That the Reserve provide for transfers to or from the General Revenue Fund to offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year;
- That, subject to the Stabilization Reserves Fund - Combined Regulation, once the Reserve balance exceeds 5% of the General Revenue Fund's adopted budget expenses, the excess amount be considered for utilization only to provide for major unforeseen expenses;
- That any use of these funds be contingent upon approval by two-thirds of Council; and
- The use of these funds in any given year be limited to no more than 20% of the prior year's reserve balance.

The City Treasurer is the Fund Manager.

Mill Rate Stabilization Reserve Fund

The Mill Rate Stabilization Reserve Fund is subject to the following regulations:

- Charges in any one-year are limited to no more than 20% of the prior year's Reserve balance to a maximum of 50% of any deficit in the General Revenue Fund; and
- That subject to the Stabilization Reserves Fund - Combined Regulation, no charges to the Reserve should be made unless the reserve balance exceeds 5% of the General Revenue Fund expenses, in which case, half the excess is automatically transferred in the following year.

The City Treasurer is the Fund Manager.

Stabilization Reserves Fund - Combined Regulations

On May 23, 2001, City Council adopted the Financial Management Plan - Review of Reserves, which modified some of the original regulations of the individual reserves to a combined regulation as follows:

- That if either reserve has achieved its 5% target but the total of 10% tax-supported expenditures of the General Revenue Fund has yet to be achieved, then excess interest revenue of either Reserve be redirected to the Reserve which has yet to reach its individual target of 5%;
- That if the Stabilization Reserves are in excess of the 10% target then the excess funds be identified as available for one-time expenditures; and
- That if the Stabilization Reserves are reduced below the 10% target or that the pace of increase in the stabilization funds, as approved in the Financial Management Plan, are not being met, that a replenishment plan be adopted by City Council, which may include using net added taxes in addition to surplus and interest to achieve the 10% target.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

THE CITY OF WINNIPEG
CAPITAL RESERVES

The City of Winnipeg operates thirteen Capital Reserves to account for the use of designated revenue for specific purposes. The thirteen funds included are as follows:

Water Main Renewal Reserve Fund

On February 18, 1981, City Council authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established by the transfer of $2.0 million of frontage levy revenue from the Waterworks System and is maintained by the transfer of frontage levy revenue and interest earned.

Since 1974, The City of Winnipeg has used a frontage levy to raise revenue for water main renewals. Frontage is that part of the property which abuts onto a public roadway. Irregular shaped lots and corner lots pay a levy based upon an equivalent frontage footage determined by a conversion formula. The total length of frontage for the City increases as new subdivisions are constructed. This growth adds to the inventory of water mains which must be maintained and also increases the revenue from the frontage levy.

On December 17, 1997, City Council passed By-law No. 7138/97 which clarifies that the frontage levy is "for the purpose of renewal, replacement, enlargement, rehabilitation, corrosion mitigation, and non-destructive testing" of water mains.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds)

On May 27, 1992, City Council authorized the establishment of a Combined Sewer Renewal Reserve Fund for the renewal and rehabilitation of combined sewers with funding to be provided from the frontage levy identified for this purpose in By-law 549/73 (amended by By-law 7138/97). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers (as defined by the Sewer Utility By-law 5058/88).

On May 27, 1992, City Council also authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers with funding to be provided from the frontage levy identified for this purpose in By-law 549/73 (amended by By-law 7138/97). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding was allocated by City Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements.

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

During the 2006 capital budget process, Council allocated the frontage levy to the repair and replacement of streets and sidewalks. Frontage levy revenue was replaced with funding from the Federal Gas Tax Revenue Reserve for the renewal and rehabilitation of sewers in accordance with the capital program requirements.

Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds) (continued)

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

The Director of Water and Waste is the Fund Manager.

Water Treatment Reserve Fund

On December 17, 1993, City Council authorized the establishment of a Water Treatment Reserve Fund for the purpose of providing 50% of the funding for the cost of building a water treatment plant estimated then at $204 million. The Reserve is financed through a monthly transfer from the Waterworks System Fund based on the amount of water consumption billed.

In 1999, the Executive Policy Committee held public consultations regarding the need for a proposed water treatment plant, and Council approved the water treatment program on November 22, 2000. On July 17, 2002, Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant.

On June 25, 2003, Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility. On March 23, 2005, Council approved additional funds of $13.3 million for on-site generation of sodium hypochlorite and standby power generation, and on November 23, 2005, Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of $2.8 million.

The construction of the ultraviolet disinfection facility at the Deacon Booster Pumping Station started in 2004 and will become operational in 2007. The current water treatment plant capital cost estimate is now $300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is late 2008.

The Director of Water and Waste is the Fund Manager.

Environmental Projects Reserve Fund

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the nature of the projects this Reserve was set up to fund.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

Environmental Projects Reserve Fund (continued)

River quality is under the jurisdiction of the Province of Manitoba and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50 year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period, which was subsequently ordered by the Minister of Conservation on September 26, 2003.

On September 3, 2004, the Province of Manitoba issued Environment Act License No. 2669 for the West End Water Pollution Control Centre, which provided for the plan as directed by the Minister of Conservation. Certain provisions of this license were appealed by the City. Revised License No. 2669 E R and No. 2684 R, for the North End Water Pollution Control Center, were issued August 17, 2005, incorporating the City's requested changes. On March 3, 2006, similar license (No. 2716) was issued for the South End Water Pollution Control Centre. This Reserve partially funds capital projects to bring the City in compliance with the license requirements.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

On December 17, 1993, City Council authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site. The Reserve is financed through a monthly transfer from the Solid Waste Disposal Utility Fund based on tonnages processed at the landfill.

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

The Golf Course Reserve Fund was created by City Council on April 28, 1994, to provide funding for enhancements to the Municipal Golf Courses in order to keep them competitive with those in the private sector.

The Director of Planning, Property and Development is the Fund Manager.

Library Reserve Fund

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City Council further approved that all over due fines, replacement fees, room rental, non-resident and photocopy fees revenues be realized in the reserve. The Director of Community Services is the Fund Manager.

Transit Bus Replacement Reserve Fund

On December 15, 1994, City Council approved the establishment of the Transit Bus Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement or refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and insurance claims on bus equipment written off. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards that purchase. The Director of Transit is the Fund Manager.

Concession Equipment Replacement Reserve Fund

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase and replacement of concession equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

Computer Replacement Reserve Fund

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

Aqueduct Rehabilitation Reserve Fund

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003. The Aqueduct project will end in 2007.

The Director of Water and Waste is the Fund Manager.

Federal Gas Tax Revenue Reserve Fund

City Council, on January 25, 2006, authorized the establishment of the Federal Gas Tax Revenue Reserve Fund. The purpose of the Reserve is to account for funds received from the Province of Manitoba ("Province") under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under this deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are intended specifically for eligible projects such as: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and The City of Winnipeg signed the Gas Tax Funding Agreement. The agreement was effective as of April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

The agreement stipulates the following payment to The City of Winnipeg as follows:

2005/06	$ 11.7 million
2006/07	$ 11.7 million
2007/08	$ 16.0 million
2008/09	$ 21.0 million
2009/10	$ 41.0 million

The Director of Water and Waste is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES (continued)

Public Transit Reserve Fund

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve Fund dedicated for eligible projects to be funded by the Government of Canada through Bill C-66. The Government of Canada and the Province have entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives.

Subsequent to this, the Province and The City of Winnipeg entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010. Funds totalling $14.3 million were fully paid to the City and are reported in this Reserve. The Province has committed to extend the existing agreement to provide additional funding. This is pursuant to the Government of Canada also providing additional funding to the Province through the Public Transit Capital Trust.

As approved by City Council, this reserve will dissolved once eligible projects have been completed.

The Director of Transit is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Water Main Renewal Reserve Fund					
Frontage levy revenue	**$ 6,912**	$ 6,871	$ 6,805	$ 6,753	$ 2,713
Water main renewals funded	**$ 7,836**	$ 7,299	$ 6,281	$ 6,541	$ 8,964
Kilometres of water mains	**2,447**	2,436	2,427	2,420	2,418
Water main repairs	**727**	484	511	1,009	589
Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds)					
Frontage levy revenue	**$ 423**	$ 19,805	$ 19,249	$ 19,999	$ 13,427
Sewer renewals funded	**$ 568**	$ 21,986	$ 16,582	$ 15,945	$ 18,147
Kilometres of sewers	**2,463**	2,513	2,505	2,490	2,481
Kilometres of sewer renewed	**5.90**	5.61	6.78	6.05	7.42
Water Treatment Reserve Fund					
Transfer from Waterworks System	**$ 10,089**	$ 10,098	$ 11,174	$ 10,114	$ 9,651
Transfer to Waterworks System - capital projects	**$ 61,457**	$ 23,846	$ 8,385	$ -	$ 301
Environmental Projects Reserve Fund					
Transfer from Sewage Disposal System	**$ 8,501**	$ 13,533	$ 12,109	$ 7,047	$ 6,810
Transfer to Sewage Disposal System - capital projects	**$ 15,839**	$ 13,755	$ 950	$ 1,187	$ 935
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid Waste Disposal	**$ 175**	$ 192	$ 196	$ 168	$ 169
Golf Course Reserve Fund					
Equity	**$ 1,860**	$ 1,773	$ 1,714	$ 1,683	$ 1,631
Library Reserve Fund					
Transfer from General Revenue Fund	**$ 281**	$ 230	$ 44	$ 392	$ 520
Transit Bus Replacement Reserve Fund					
Transfer from/(to) Transit System, net	**$ 6,530**	$ 217	$ (1,123)	$ (3,708)	$ (2,788)
Number of buses financed	**-**	40	40	50	32
Concession Equipment Replacement Reserve Fund					
Contributions	**$ 13**	$ 12	$ 11	$ 13	$ 13
Purchase of equipment	**$ 8**	$ 20	$ 2	$ 13	$ 4

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Finance	**$ 878**	$ 776	$ 724	$ 617	$ 507
Community Services	**365**	271	190	413	279
Public Works	**264**	249	156	84	-
Planning, Property and Development	**140**	101	-	-	-
Corporate Information Technology	**57**	-	-	-	-
Corporate Services	**22**	-	-	-	-
EPC Secretariat	**10**	7	7	9	4
CAO Secretariat	**9**	3	15	20	14
Audit	**8**	-	-	-	-
Mayor's Office	**3**	6	-	-	-
	$ 1,756	$ 1,413	$ 1,092	$ 1,143	$ 804
Aqueduct Rehabilitation Reserve Fund					
Transfer from Waterworks System	**$ -**	$ -	$ -	$ 2,639	$ 5,812
Transfer to Waterworks System - capital projects	**$ 68**	$ 416	$ 1,120	$ 3,458	$ 8,242
Federal Gas Tax Revenue Reserve Fund					
Government of Canada funding	**$ 23,308**	$ -	$ -	$ -	$ -
Transfer to General Capital Fund	**$ 16,776**	$ -	$ -	$ -	$ -
Transfer to Sewage Disposal System - capital projects	**$ 1,883**	$ -	$ -	$ -	$ -
Public Transit Reserve Fund					
Government of Canada funding	**$ 14,328**	$ -	$ -	$ -	$ -
Transfer to Transit System - capital projects	**$ 670**	$ -	$ -	$ -	$ -

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	Water Main Renewal Reserve	Combined Sewer Reserve	Wastewater Sewer Reserve	Sewer System Rehabilitation Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 970**	**$ -**	**$ -**	**$ 25,619**
Call loans - General Revenue Fund	**-**	**-**	**-**	**-**
Accounts receivable	**-**	**-**	**-**	**-**
	970	**-**	**-**	**25,619**
Investments (Note 4)	**-**	**-**	**-**	**-**
Due from Golf Services - Special Operating Agency (Note 5)	**-**	**-**	**-**	**-**
	$ 970	**$ -**	**$ -**	**$ 25,619**
LIABILITIES				
Deferred revenue	**$ -**	**$ -**	**$ -**	**$ -**
EQUITY				
Allocated	**810**	**-**	**-**	**19,574**
Unallocated	**160**	**-**	**-**	**6,045**
	970	**-**	**-**	**25,619**
	$ 970	**$ -**	**$ -**	**$ 25,619**

See accompanying notes to the financial statements

Water Treatment Reserve	Environmental Projects Reserve	Brady Landfill Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Sub-total
$ 4,940	$ 46,942	$ 196	$ 1,084	$ 1,091	$ 7,068	$ 87,910
18,526	-	92	-	-	-	18,618
-	-	3	-	429	-	432
23,466	46,942	291	1,084	1,520	7,068	106,960
1,751	-	2,085	-	-	-	3,836
-	-	-	776	-	-	776
$ 25,217	$ 46,942	$ 2,376	$ 1,860	$ 1,520	$ 7,068	$ 111,572
$ -	$ -	$ -	$ -	$ -	$ -	$ -
25,217	46,942	2,376	-	-	6,990	101,909
-	-	-	1,860	1,520	78	9,663
25,217	46,942	2,376	1,860	1,520	7,068	111,572
$ 25,217	$ 46,942	$ 2,376	$ 1,860	$ 1,520	$ 7,068	$ 111,572

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	Sub-total Brought Forward	Concession Equipment Reserve	Computer Replacement Reserve	Aqueduct Rehabilitation Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 87,910**	**$ 113**	**$ 1,756**	**$ 407**
Call loans - General Revenue Fund	**18,618**	**-**	**-**	**-**
Accounts receivable	**432**	**-**	**-**	**-**
	106,960	**113**	**1,756**	**407**
Investments (Note 4)	**3,836**	**-**	**-**	**-**
Due from Golf Services - Special Operating Agency (Note 5)	**776**	**-**	**-**	**-**
	$ 111,572	**$ 113**	**$ 1,756**	**$ 407**
LIABILITIES				
Deferred revenue	**$ -**	**$ -**	**$ -**	**$ -**
EQUITY				
Allocated	**101,909**	**-**	**1,756**	**407**
Unallocated	**9,663**	**113**	**-**	**-**
	111,572	**113**	**1,756**	**407**
	$ 111,572	**$ 113**	**$ 1,756**	**$ 407**

See accompanying notes to the financial statements

Federal Gas Tax Reserve	Public Transit Reserve	Totals 2006	Totals 2005
$ 4,895	**$ 13,923**	**$ 109,004**	$ 82,892
-	**-**	**18,618**	3,439
-	**-**	**432**	989
4,895	**13,923**	**128,054**	87,320
-	**-**	**3,836**	71,959
-	**-**	**776**	493
$ 4,895	**$ 13,923**	**$ 132,666**	$ 159,772
$ 4,649	**$ 13,658**	**$ 18,307**	$ -
246	**-**	**104,318**	151,290
-	**265**	**10,041**	8,482
246	**265**	**114,359**	159,772
$ 4,895	**$ 13,923**	**$ 132,666**	$ 159,772

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	Water Main Renewal Reserve	Combined Sewer Reserve	Wastewater Sewer Reserve	Sewer System Rehabilitation Reserve
Balance, beginning of year	**$ 1,710**	**$ 23,488**	**$ 861**	**$ -**
Add:				
Government of Canada grants	**-**	**-**	**-**	**-**
Transfer from Combined Sewer Renewal Reserve	**-**	**-**	**-**	**24,769**
Transfer from Waterworks System	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal System	**-**	**-**	**-**	**-**
Interest earned	**190**	**841**	**24**	**625**
Frontage levies	**6,912**	**423**	**-**	**-**
Transfer from Transit System	**-**	**-**	**-**	**-**
Transfer from General Revenue Fund	**-**	**-**	**-**	**-**
Transfer from Wastewater Sewer Renewal Reserve	**-**	**-**	**-**	**812**
Transfer from Solid Waste Disposal	**-**	**-**	**-**	**-**
Transfer from Building Services Fund	**-**	**-**	**-**	**-**
Transfer from General Capital Fund	**-**	**60**	**-**	**-**
Other	**3**	**-**	**-**	**-**
	8,815	**24,812**	**885**	**26,206**
Deduct:				
Transfer to Waterworks System	**7,836**	**-**	**-**	**-**
Transfer to Sewer System Rehabilitation Reserve	**-**	**24,769**	**812**	**-**
Transfer to Sewage Disposal System	**-**	**-**	**72**	**316**
Transfer to General Capital Fund	**-**	**-**	**-**	**240**
Transfer to Transit System	**-**	**-**	**-**	**-**
Purchase of equipment	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**9**	**43**	**1**	**31**
Other	**-**	**-**	**-**	**-**
	7,845	**24,812**	**885**	**587**
Balance, end of year	**$ 970**	**$ -**	**$ -**	**$ 25,619**

See accompanying notes to the financial statements

Water Treatment Reserve	Environmental Projects Reserve	Brady Landfill Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Sub-total
$ 73,680	$ 52,336	$ 2,114	$ 1,773	$ 1,477	$ 359	$ 157,798
90	-	-	-	-	-	90
-	-	-	-	-	-	24,769
10,089	-	-	-	-	-	10,089
-	8,501	-	-	-	-	8,501
2,886	2,048	89	90	33	188	7,014
-	-	-	-	-	-	7,335
-	-	-	-	-	6,530	6,530
-	-	-	-	281	-	281
-	-	-	-	-	-	812
-	-	175	-	-	-	175
-	-	-	-	-	-	-
-	-	-	-	-	-	60
-	-	-	-	-	-	3
86,745	62,885	2,378	1,863	1,791	7,077	223,457
61,457	-	-	-	-	-	69,293
-	-	-	-	-	-	25,581
-	15,839	-	-	-	-	16,227
-	-	-	-	-	-	240
-	-	-	-	-	-	-
-	-	-	-	269	-	269
70	104	2	3	2	9	274
1	-	-	-	-	-	1
61,528	15,943	2	3	271	9	111,885
$ 25,217	$ 46,942	$ 2,376	$ 1,860	$ 1,520	$ 7,068	$ 111,572

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	Sub-total Brought Forward	Concession Equipment Reserve	Computer Replacement Reserve	Aqueduct Rehabilitation Reserve
Balance, beginning of year	**$ 157,798**	**$ 104**	**$ 1,413**	**$ 457**
Add:				
Government of Canada grants	**90**	**-**	**-**	**-**
Transfer from Combined Sewer Renewal Reserve	**24,769**	**-**	**-**	**-**
Transfer from Waterworks System	**10,089**	**-**	**-**	**-**
Transfer from Sewage Disposal System	**8,501**	**-**	**-**	**-**
Interest earned	**7,014**	**4**	**63**	**18**
Frontage levies	**7,335**	**-**	**-**	**-**
Transfer from Transit System	**6,530**	**-**	**-**	**-**
Transfer from General Revenue Fund	**281**	**13**	**566**	**-**
Transfer from Wastewater Sewer Renewal Reserve	**812**	**-**	**-**	**-**
Transfer from Solid Waste Disposal	**175**	**-**	**-**	**-**
Transfer from Building Services Fund	**-**	**-**	**11**	**-**
Transfer from General Capital Fund	**60**	**-**	**-**	**-**
Other	**3**	**-**	**-**	**-**
	223,457	**121**	**2,053**	**475**
Deduct:				
Transfer to Waterworks System	**69,293**	**-**	**-**	**68**
Transfer to Sewer System Rehabilitation Reserve	**25,581**	**-**	**-**	**-**
Transfer to Sewage Disposal System	**16,227**	**-**	**-**	**-**
Transfer to General Capital Fund	**240**	**-**	**-**	**-**
Transfer to Transit System	**-**	**-**	**-**	**-**
Purchase of equipment	**269**	**8**	**294**	**-**
Transfer to General Revenue Fund - investment management fee	**274**	**-**	**3**	**-**
Other	**1**	**-**	**-**	**-**
	111,885	**8**	**297**	**68**
Balance, end of year	**$ 111,572**	**$ 113**	**$ 1,756**	**$ 407**

See accompanying notes to the financial statements

Federal Gas Tax Reserve	Public Transit Reserve	Totals 2006	Totals 2005
$ -	**$ -**	**$ 159,772**	$ 171,294
18,659	**670**	**19,419**	-
-	**-**	**24,769**	-
-	**-**	**10,089**	10,098
-	**-**	**8,501**	13,533
246	**265**	**7,610**	5,458
-	**-**	**7,335**	26,676
-	**-**	**6,530**	5,232
-	**-**	**860**	782
-	**-**	**812**	-
-	**-**	**175**	192
-	**-**	**11**	15
-	**-**	**60**	-
-	**-**	**3**	-
18,905	**935**	**245,946**	233,280
-	**-**	**69,361**	31,561
-	**-**	**25,581**	-
1,883	**-**	**18,110**	14,578
16,776	**-**	**17,016**	21,463
-	**670**	**670**	5,015
-	**-**	**571**	595
-	**-**	**277**	292
-	**-**	**1**	4
18,659	**670**	**131,587**	73,508
$ 246	**$ 265**	**$ 114,359**	$ 159,772

THE CITY OF WINNIPEG
CAPITAL RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Capital Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

Water Main Renewal Reserve Fund
Sewer System Rehabilitation Reserve Fund
Water Treatment Reserve Fund
Environmental Projects Reserve Fund
Brady Landfill Site Rehabilitation Reserve Fund
Golf Course Reserve Fund
Library Reserve Fund
Transit Bus Replacement Reserve Fund
Concession Equipment Replacement Reserve Fund
Computer Replacement Reserve Fund
Aqueduct Rehabilitation Reserve Fund
Federal Gas Tax Revenue Reserve Fund
Public Transit Reserve Fund

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received result in a constant effective yield on the amortized book value.

d) Bond coupons

Bond coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

e) Deferred revenue

The City receives grants dedicated to the acquisition of specific tangible capital assets. When capital grants are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

2. Status of the Capital Reserves

Water Main Renewal Reserve Fund

City Council, on February 18, 1981, authorized the establishment of a Water Main Renewal Reserve Fund for the purpose of financing, from one source, the renewal of water mains. The Reserve was established in 1981 by the transfer of $2.0 million of frontage levy revenue from the Waterworks System and will be maintained by the transfer of frontage levy revenue and interest earned.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds)

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the renewal and rehabilitation of combined sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

Also on May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

The Director of Water and Waste is the Fund Manager.

Water Treatment Reserve Fund

City Council, on December 17, 1993, authorized the establishment of a Water Treatment Reserve Fund for the purpose of providing funding for a water treatment program.

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2006 water rates include a provision of 40.63 cents (2005 - 39.40 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

2. Status of the Capital Reserves (continued)

Environmental Projects Reserve Fund

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The Reserve has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2006 sewer rate include a provision of 31.3 cents (2005 - 55.0 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2005 - 50 cents) per tonne for each tonne disposed at Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency. The Director of Planning, Property and Development is the Fund Manager.

Library Reserve Fund

City Council, on December 14, 1994, authorized the establishment of the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, Council further approved that all over due fines, replacement fees, room rental, non-resident and photocopy fees revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

Transit Bus Replacement Reserve Fund

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.

2. Status of the Capital Reserves (continued)

Concession Equipment Replacement Reserve Fund

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase and replacement of concession equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

Computer Replacement Reserve Fund

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

Aqueduct Rehabilitation Reserve Fund

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct.

The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in 2007.

The Director of Water and Waste is the Fund Manager.

Federal Gas Tax Revenue Reserve Fund

City Council, on January 25, 2006, authorized the establishment of Federal Gas Tax Revenue Reserve. The purpose of the reserve is to administer and account for funds received from the Province of Manitoba ("Province") under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and The City of Winnipeg signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

The Director of Water and Waste is the Fund Manager.

2. Status of the Capital Reserves (continued)

Public Transit Reserve Fund

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve dedicated for eligible projects to be funded by the Government of Canada through Bill C-66.

The Government of Canada and the Province entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government.

These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives.

Subsequent to this, the Province of Manitoba and the City of Winnipeg entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010. Funds totalling $14.3 million were fully paid to the City under this agreement. In accordance with this agreement, the funds were deposited to this Reserve.

As approved by Council, this reserve will terminate once eligible projects have been completed.

The Director of Transit is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Investments

	2006	2005
Marketable securities		
Provincial bonds and bond coupons	**$ 2,933**	$ 46,246
Government of Canada bonds and bond coupons	**903**	25,713
	$ 3,836	$ 71,959

The aggregate market value of marketable securities at December 31, 2006 is $4,258 thousand (2005 - $72,687 thousand).

5. Due from Golf Services - Special Operating Agency

	2006	2005
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 57**	$ 63
- 2005	**63**	69
- 2006	**106**	115
- 2007	**245**	246
- 2008	**305**	-
	$ 776	$ 493

Included in interest earned is $39 thousand (2005 - $23 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

6. Accounting Presentation

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

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

The City of Winnipeg operates eighteen Special Purpose Reserves to account for the use of designated revenue for specific purposes. These Reserves are as follows:

Workers Compensation Reserve Fund

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former **City of Winnipeg Act**.

The City of Winnipeg administers its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

Perpetual Maintenance Funds
(Brookside, St. Vital and Transcona Cemeteries)

Under the terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, created a fund for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to The City of Winnipeg. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, **The City of Winnipeg Act** was replaced with new legislation entitled **The City of Winnipeg Charter**. Under this new legislation the investment and administration of the funds has been transferred to the administration of The City of Winnipeg.

The Director of Planning, Property and Development is the Funds Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Insurance Reserve Fund

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

On January 10, 1973, City Council adopted the policy that cash payments received by the City in lieu of land dedication for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended that policy to permit proceeds from the sale of surplus Parks and Recreation lands to be deposited to the Contributions in Lieu of Land Dedication Reserve Fund account of the respective community. On September 19, 1990, City Council adopted the recommendation that revenue would be apportioned among the communities on the basis of 75% to the account of the community in which the revenue was collected and 25% to be divided equally among all communities. This change was phased in over three years commencing in 1991.

Expenses are limited to the acquisition or improvement of land for parks, recreation facilities, or open space.

The Director of Planning, Property and Development is the Fund Manager.

Land Operating Reserve Fund

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale.

Disbursements from this Reserve are limited to the acquisition cost of properties for resale, and any other expenses directly related to the acquisition, sale and improvement of disposable City properties. Use of the Reserve's funds for any other purpose requires the authorization of City Council. This Reserve is maintained by the proceeds from the sale of City-owned properties and interest earned.

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program and another 5% of gross sales revenue is allocated to the Enhanced Land Marketing Program to finance those activities necessary to facilitate the sale of surplus lands.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Fund adheres to full accrual accounting procedures in accordance with the guidelines as recommended by the Canadian Institute of Public Real Estate Companies (CIPREC).

The Director of Planning, Property and Development is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Recreation Programming Reserve Fund

The Recreation Programming Reserve Fund was created by City Council on October 6, 1976 from cumulative surpluses and deficits of former Parks and Recreation Boards and Commissions as at December 31, 1976. These funds along with any forthcoming revenues and expenses were to be segregated by Community Committee and used for recreation programming projects in that Community.

The Reserve fund balance is annually affected by the amount of the unexpended budgets in the recreation programming centres in the General Revenue Fund (or reduced by any over expenditure) and by interest earned. Expenses are limited to goods and services of the recreation programming type under the delegated authority of the Community Committee. The Director of Community Services is the Fund Manager.

Snow Clearing Reserve Fund

On March 22, 1995, City Council approved the establishment of the Snow Clearing Reserve Fund. The purpose of the fund is to absorb unexpected snowfall costs in years where the City of Winnipeg experienced above average snowfall levels. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. Charges in any one year should be limited to the lesser of 20% of the Reserve balance, or to the amount of snow clearing expenses in excess of 120% of the cost of a normal year's snowfall. However, no charges to the Reserve should be made until the Reserve has reached a level of $5.0 million, and the Reserve balance should never exceed $10.9 million.

On December 15, 2004, City Council further approved, that at their discretion, they may transfer from the Reserve a greater amount than or other than as stipulated by the reserve.

The Director of Public Works is the Fund Manager.

Idea Bank Reserve Fund

City Council, on April 30, 1997, authorized the establishment of the Idea Bank Reserve Fund to provide financing for innovative ideas presented outside of the normal budget process. The Idea Bank is set up as a revolving fund, which is self-sustaining. City Council, on November 17, 1999, approved an amendment to the Idea Bank Reserve whereby the purpose of the Reserve has been expanded to provide funding/financing support for Alternative Service Delivery (ASD) initiatives.

The Corporate Controller is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Commitment Reserve Fund

On March 12, 1998, City Council approved the establishment of the Commitment Reserve Fund. The purpose of the fund is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Mill Rate Stabilization Reserve.

On July 19, 1999, City Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve be transferred to the Commitment Reserve Fund, which can than only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Mill Rate Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of ongoing funding for the Reserve will be incremental tax revenues that will flow from projects in which the Reserve has invested.

The Director of Planning, Property and Development is the Fund Manager.

Housing Rehabilitation Investment Reserve Fund

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It is intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve has invested would be returned to the Reserve to finance future projects.

The Director of Planning, Property and Development is the Fund Manager.

Economic Development Investment Reserve Fund

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. This Reserve invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Assiniboine Park Enterprise Reserve Fund

City Council, on September 15, 1982, approved the establishment of the Zoo Animals Reserve Fund for the purpose of replacing animal losses and of improving breeding stock at the Assiniboine Park Zoo ("the Zoo"). The Zoo Animals Reserve Fund was maintained by revenue from the sale of surplus animals and interest earned. Expenditures were limited to the acquisition costs of zoo animals and any costs directly related to the acquisition, as well as the planning, improving or building of new individual animal enclosures.

The Zoo Purposes Reserve Fund was created by City Council on December 14, 1983, to retain certain revenues received by the Zoo to be used to augment the operating and capital budgets of the Zoo. Such revenues included donation box receipts, coin operated feed dispensers, animal adoption program, concessions and other promotions as well as a portion of Zoological Society single pass memberships.

City Council, on May 23, 2001, approved that the Zoo Animals and Zoo Purposes Reserves be combined. In addition, the combined reserve be expanded to include a new purpose, which is to enhance the maintenance, operation, planning and minor infrastructure for Assiniboine Park. This would include additional revenues from the net profit of new initiatives, services and products arising from the operation and programming of Assiniboine Park as a business unit as well as revenue sharing from the existing agreement with the Pavilion Gallery Museum Inc.. City Council also approved that the new combined reserve be renamed the Assiniboine Park Enterprise Reserve.

Due to restructuring, City Council also approved the Concession Equipment Reserve balances accumulated for golf courses and Assiniboine Park be transferred to the Golf Course Reserve and the Assiniboine Park Enterprise Reserve respectively.

The Director of Community Services is the Fund Manager.

General Purpose Reserve Fund

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

On May 23, 2001, City Council approved the recommendation that the Pension Stabilization and Pension Surplus Reserves be combined and renamed the General Purpose Reserve.

The City Treasurer is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Multiple-Family Dwelling Tax Investment Reserve Fund

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

The Director of Planning, Property and Development is the Fund Manager.

Insect Control Urgent Expenditures Reserve Fund

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels. The Reserve is funded annually by $0.6 million and the amount of the unexpended insect control budget included in the General Revenue Fund. The Reserve balance should never exceed $3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of $3.0 million in the event of insufficient funds.

The Director of Community Services is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Workers Compensation Reserve Fund					
Call loans - General Revenue Fund	**$ 4,935**	$ 2,072	$ 3,765	$ 2,712	$ 1,350
Investments	**$ 2,750**	$ 4,733	$ 2,360	$ 2,866	$ 3,272
Interest earned	**$ 291**	$ 229	$ 236	$ 251	$ 232
Brookside Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 2,381**	$ 89	$ 119	$ 236	$ 132
Investments	**$ 8,044**	$ 9,787	$ 9,389	$ 9,032	$ 8,914
Interest earned	**$ 827**	$ 584	$ 540	$ 707	$ 1,023
St. Vital Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ (12)**	$ -	$ 15	$ 26	$ 35
Investments	**$ 649**	$ 588	$ 532	$ 481	$ 436
Interest earned	**$ 61**	$ 56	$ 52	$ 47	$ 43
Transcona Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 197**	$ 46	$ 49	$ 53	$ 56
Investments	**$ 249**	$ 365	$ 332	$ 302	$ 274
Interest earned	**$ 37**	$ 35	$ 30	$ 30	$ 27
Insurance Reserve Fund					
Call loans - General Revenue Fund	**$ 1,404**	$ 811	$ 1,252	$ 697	$ 2,611
Investments	**$ 6,495**	$ 6,476	$ 5,445	$ 6,416	$ 7,599
Interest earned	**$ 383**	$ 378	$ 415	$ 460	$ 567
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	**$ 783**	$ 1,784	$ 953	$ 628	$ 1,162
Interest earned	**$ 173**	$ 94	$ 60	$ 74	$ 56
Park improvement expenses	**$ 1,317**	$ 955	$ 499	$ 906	$ 619
Land Operating Reserve Fund					
Number of properties sold	**156**	174	89	88	65
Number acquired - tax sale	**23**	32	82	78	133
Number exchanged	**1**	1	1	2	4

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Recreation Programming Reserve Fund					
Transfer from					
General Revenue Fund	**$ 490**	$ -	$ -	$ -	$ 100
Total approved					
projects/programs	**$ 504**	$ 28	$ 22	$ 75	$ 68
Number approved	**4**	7	6	18	21
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	**$ -**	$ (3,351)	$ (6,075)	$ 58	$ 1,933
Idea Bank Reserve Fund					
Approved loans	**$ -**	$ 500	$ 200	$ 108	$ 240
Loan repayments	**$ 64**	$ 44	$ 15	$ 18	$ 2
Commitment Reserve Fund					
Allocation of equity:					
Planning, Property and Development	**$ 866**	$ 601	$ 520	$ 880	$ 1,321
Winnipeg Fire Paramedic Service	**764**	536	353	394	91
Winnipeg Police Service	**723**	-	-	960	1,112
Corporate and other	**660**	1,387	1,044	737	2,810
Public Works	**572**	1,182	998	933	1,679
Community Services	**423**	100	343	413	244
Corporate Services	**358**	504	586	698	646
Property Assessment	**95**	-	330	-	28
Corporate Finance	**-**	-	-	232	255
	$ 4,461	$ 4,310	$ 4,174	$ 5,247	$ 8,186
Heritage Investment Reserve Fund					
Transfer from General					
Revenue Fund	**$ -**	$ -	$ 700	$ 1,300	$ 1,700
Housing Rehabilitation Investment Reserve Fund					
Transfer from General					
Revenue Fund	**$ -**	$ -	$ -	$ 705	$ 1,000
Economic Development Investment Reserve Fund					
Transfer (to) from General					
Revenue Fund	**$ -**	$ -	$ (300)	$ (265)	$ 4,975
Transfer to General					
Capital Fund	**$ -**	$ 800	$ -	$ -	$ -

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Assiniboine Park Enterprise Reserve Fund					
Animals sold	**68**	77	55	58	74
Animals purchased	**284**	68	56	43	9
Exhibits	**144**	106	106	106	106
Zoo attendance (persons)	**351,920**	415,533	381,699	321,385	324,352
General Purpose Reserve Fund					
Transfer to (from) General Revenue Fund	**$ -**	$ -	$ 2,000	$ 2,158	$ -
Net transfer General Capital Fund	**$ 629**	$ -	$ 1,192	$ 2,470	$ -
Transfer to Transit System Fund	**$ -**	$ -	$ -	$ 1,700	$ -
Transfer to Housing Rehabilitation Investment Reserve	**$ -**	$ 940	$ -	$ -	$ -
Grants	**$ -**	$ 200	$ -	$ 3,500	$ 3,500
Interest earned	**$ 534**	$ 351	$ 362	$ 669	$ 647
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax	**$ 337**	$ 274	$ 247	$ -	$ -
Interest earned	**$ 18**	$ 7	$ 3	$ -	$ -
Insect Control Urgent Expenditures Reserve Fund					
Transfer from General Revenue Fund	**$ 600**	$ -	$ -	$ -	$ -

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ -	$ -	$ -	$ -
Call loans - General Revenue Fund	**4,935**	**2,381**	**(12)**	**197**
Accounts receivable	**20**	**60**	**-**	**-**
Loans receivable (Note 4)	**-**	**-**	**-**	**-**
Prepaid expenses	**-**	**-**	**-**	**-**
Land held for resale	**-**	**-**	**-**	**-**
	4,955	**2,441**	**(12)**	**197**
Investments (Note 5)	**2,750**	**8,044**	**649**	**249**
Deferred charges	**-**	**-**	**-**	**-**
Inventory	**-**	**-**	**-**	**-**
	$ 7,705	**$ 10,485**	**$ 637**	**$ 446**
LIABILITIES				
Current				
Accounts payable	$ -	$ -	$ -	$ -
EQUITY				
Contributed surplus (Note 6)	**-**	**-**	**-**	**-**
Allocated	**-**	**-**	**-**	**-**
Unallocated	**7,705**	**10,485**	**637**	**446**
	7,705	**10,485**	**637**	**446**
	$ 7,705	**$ 10,485**	**$ 637**	**$ 446**

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Sub-Total
$ -	$ 3,830	$ 8,272	$ 235	$ -	$ 12,337
1,404	-	-	-	-	8,905
53	-	2,476	-	-	2,609
-	-	-	-	-	-
-	-	-	-	-	-
-	-	11,579	-	-	11,579
1,457	3,830	22,327	235	-	35,430
6,495	-	914	-	-	19,101
-	-	18	-	-	18
-	-	-	135	-	135
$ 7,952	$ 3,830	$ 23,259	$ 370	$ -	$ 54,684
$ -	$ -	$ 5,796	$ -	$ -	$ 5,796
-	-	8,425	-	-	8,425
-	-	543	370	-	913
7,952	3,830	8,495	-	-	39,550
7,952	3,830	9,038	370	-	40,463
$ 7,952	$ 3,830	$ 23,259	$ 370	$ -	$ 54,684

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	Sub-Total Brought Forward	Idea Bank Reserve	Commitment Reserve	Heritage Investment Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 12,337**	**$ 851**	**$ 4,461**	**$ 9,259**
Call loans - General Revenue Fund	**8,905**	**-**	**-**	**-**
Accounts receivable	**2,609**	**5**	**-**	**-**
Loans receivable (Note 4)	**-**	**125**	**-**	**-**
Prepaid expenses	**-**	**-**	**-**	**-**
Land held for resale	**11,579**	**-**	**-**	**-**
	35,430	**981**	**4,461**	**9,259**
Investments (Note 5)	**19,101**	**-**	**-**	**-**
Deferred charges	**18**	**-**	**-**	**-**
Inventory	**135**	**-**	**-**	**-**
	$ 54,684	**$ 981**	**$ 4,461**	**$ 9,259**
LIABILITIES				
Current				
Accounts payable	**$ 5,796**	**$ -**	**$ -**	**$ -**
EQUITY				
Contributed surplus (Note 6)	**8,425**	**-**	**-**	**-**
Allocated	**913**	**-**	**-**	**-**
Unallocated	**39,550**	**981**	**4,461**	**9,259**
	40,463	**981**	**4,461**	**9,259**
	$ 54,684	**$ 981**	**$ 4,461**	**$ 9,259**

See accompanying notes to the financial statements

Housing Rehabilitation Reserve	Economic Development Reserve	Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Sub-Total
$ 531	$ 3,467	$ 816	$ 13,122	$ 774	$ 45,618
-	-	-	-	-	8,905
-	-	1	-	-	2,615
-	-	-	-	-	125
2	-	-	-	-	2
-	-	-	-	-	11,579
533	3,467	817	13,122	774	68,844
-	-	-	-	-	19,101
-	-	-	-	-	18
-	-	187	-	-	322
$ 533	$ 3,467	$ 1,004	$ 13,122	$ 774	$ 88,285
$ -	$ -	$ -	$ -	$ -	$ 5,796
-	-	-	-	-	8,425
-	-	-	-	-	913
533	3,467	1,004	13,122	774	73,151
533	3,467	1,004	13,122	774	74,064
$ 533	$ 3,467	$ 1,004	$ 13,122	$ 774	$ 88,285

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	Sub-Total Brought Forward	Insect Control Reserve	Totals 2006	Totals 2005
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 45,618**	**$ 615**	**$ 46,233**	$ 39,959
Call loans - General Revenue Fund	**8,905**	**-**	**8,905**	3,018
Accounts receivable	**2,615**	**-**	**2,615**	1,635
Loans receivable (Note 4)	**125**	**-**	**125**	663
Prepaid expenses	**2**	**-**	**2**	2
Land held for resale	**11,579**	**-**	**11,579**	12,858
	68,844	**615**	**69,459**	58,135
Investments (Note 5)	**19,101**	**-**	**19,101**	21,949
Deferred charges	**18**	**-**	**18**	27
Inventory	**322**	**-**	**322**	592
	$ 88,285	**$ 615**	**$ 88,900**	$ 80,703
LIABILITIES				
Current				
Accounts payable	**$ 5,796**	**$ -**	**$ 5,796**	$ 3,253
EQUITY				
Contributed surplus (Note 6)	**8,425**	**-**	**8,425**	8,425
Allocated	**913**	**-**	**913**	2,102
Unallocated	**73,151**	**615**	**73,766**	66,923
	74,064	**615**	**74,679**	69,025
	$ 88,285	**$ 615**	**$ 88,900**	$ 80,703

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Sub-Total
Balance, beginning of year	**$ 6,887**	**$ 9,891**	**$ 588**	**$ 17,366**
Add:				
Land sales	-	-	-	-
Transfer from General Revenue Fund	-	**64**	**17**	**81**
Interest earned	**291**	**827**	**61**	**1,179**
Municipal realty tax	-	-	-	-
Other	**534**	-	-	**534**
Cash payments in lieu of land dedication	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Transfer from Civic Accommodations Fund	-	-	-	-
Transfer from Transit System Fund	-	-	-	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from General Revenue Enterprises Fund	-	-	-	-
Transfer from Sewage Disposal Fund	-	-	-	-
Transfer from Winnipeg Parking Authority - SOA	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	-	-
Transfer from General Purpose Reserve	-	-	-	-
	825	**891**	**78**	**1,794**
Deduct:				
Other	-	-	-	-
Cost of sales	-	-	-	-
Grants	-	-	-	-
Park land and improvements	-	-	-	-
Transfer to General Capital Fund	-	-	-	-
Transfer to General Revenue Fund	-	**287**	**28**	**315**
Transfer to General Revenue Enterprises Fund	-	-	-	-
Transfer to Fleet Management - SOA	-	-	-	-
Transfer to Building Services Fund	-	-	-	-
Transfer to Land Dedication Reserve	-	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to General Revenue Fund - investment management fee	**7**	**10**	**1**	**18**
Transfer to Glacial - SOA	-	-	-	-
Transfer to Winnipeg Parking - SOA	-	-	-	-
Transfer to Golf Services - SOA	-	-	-	-
Transfer to Animal Services - SOA	-	-	-	-
Transfer to Housing Rehabilitation Investment Reserve	-	-	-	-
	7	**297**	**29**	**333**
Balance, end of year	**$ 7,705**	**$ 10,485**	**$ 637**	**$ 18,827**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	Sub-Total Brought Forward	Transcona Cemetery Reserve	Insurance Reserve	Land Dedication Reserve
Balance, beginning of year	$ 17,366	$ 411	$ 7,340	$ 4,130
Add:				
Land sales	-	-	-	-
Transfer from General Revenue Fund	81	15	-	-
Interest earned	1,179	37	383	173
Municipal realty tax	-	-	-	-
Other	534	-	1	-
Cash payments in lieu of land dedication	-	-	-	783
Transfer from General Capital Fund	-	-	-	-
Transfer from Civic Accommodations Fund	-	-	-	-
Transfer from Transit System Fund	-	-	321	-
Transfer from Waterworks System Fund	-	-	205	-
Transfer from Land Operating Reserve	-	-	-	158
Transfer from General Revenue Enterprises Fund	-	-	-	-
Transfer from Sewage Disposal Fund	-	-	21	-
Transfer from Winnipeg Parking Authority - SOA	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	20	-
Transfer from General Purpose Reserve	-	-	-	-
	1,794	52	951	1,114
Deduct:				
Other	-	-	-	-
Cost of sales	-	-	-	-
Grants	-	-	-	88
Park land and improvements	-	-	-	1,317
Transfer to General Capital Fund	-	-	-	-
Transfer to General Revenue Fund	315	17	107	-
Transfer to General Revenue Enterprises Fund	-	-	-	-
Transfer to Fleet Management - SOA	-	-	195	-
Transfer to Building Services Fund	-	-	9	-
Transfer to Land Dedication Reserve	-	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to General Revenue Fund - investment management fee	18	-	8	9
Transfer to Glacial - SOA	-	-	8	-
Transfer to Winnipeg Parking - SOA	-	-	6	-
Transfer to Golf Services - SOA	-	-	5	-
Transfer to Animal Services - SOA	-	-	1	-
Transfer to Housing Rehabilitation Investment Reserve	-	-	-	-
	333	17	339	1,414
Balance, end of year	$ 18,827	$ 446	$ 7,952	$ 3,830

See accompanying notes to the financial statements

Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Idea Bank Reserve	Commitment Reserve	Sub-Total
$ 5,975	$ 313	$ -	$ 907	$ 4,310	$ 40,752
6,302	-	-	-	-	6,302
-	490	-	-	2,592	3,178
297	15	-	10	-	2,094
-	-	-	-	-	-
126	-	-	-	-	661
-	-	-	-	-	783
180	-	-	-	-	180
-	-	-	-	666	666
-	-	-	-	-	321
-	-	-	-	-	205
-	-	-	-	-	158
-	-	-	44	-	44
-	-	-	-	-	21
-	-	-	20	-	20
-	-	-	-	-	20
-	-	-	-	-	-
6,905	505	-	74	3,258	14,653
638	272	-	-	1,801	2,711
2,314	-	-	-	-	2,314
50	-	-	-	429	567
-	-	-	-	-	1,317
-	-	-	-	464	464
-	-	-	-	300	739
668	-	-	-	-	668
-	-	-	-	-	195
-	176	-	-	-	185
158	-	-	-	-	158
-	-	-	-	113	113
14	-	-	-	-	49
-	-	-	-	-	8
-	-	-	-	-	6
-	-	-	-	-	5
-	-	-	-	-	1
-	-	-	-	-	-
3,842	448	-	-	3,107	9,500
$ 9,038	$ 370	$ -	$ 981	$ 4,461	$ 45,905

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	Sub-Total Brought Forward	Heritage Investment Reserve	Housing Rehabilitation Reserve	Economic Development Reserve
Balance, beginning of year	$ 40,752	$ 8,744	$ 1,304	$ 3,225
Add:				
Land sales	6,302	-	-	-
Transfer from General Revenue Fund	3,178	-	-	-
Interest earned	2,094	316	46	129
Municipal realty tax	-	1,438	-	161
Other	661	-	-	-
Cash payments in lieu of land dedication	783	-	-	-
Transfer from General Capital Fund	180	-	550	-
Transfer from Civic Accommodations Fund	666	-	-	-
Transfer from Transit System Fund	321	-	-	-
Transfer from Waterworks System Fund	205	-	-	-
Transfer from Land Operating Reserve	158	-	-	-
Transfer from General Revenue Enterprises Fund	44	-	-	-
Transfer from Sewage Disposal Fund	21	-	-	-
Transfer from Winnipeg Parking Authority - SOA	20	-	-	-
Transfer from Solid Waste Disposal Fund	20	-	-	-
Transfer from General Purpose Reserve	-	-	-	-
	14,653	1,754	596	290
Deduct:				
Other	2,711	1,223	35	3
Cost of sales	2,314	-	-	-
Grants	567	-	1,330	38
Park land and improvements	1,317	-	-	-
Transfer to General Capital Fund	464	-	-	-
Transfer to General Revenue Fund	739	-	-	-
Transfer to General Revenue Enterprises Fund	668	-	-	-
Transfer to Fleet Management - SOA	195	-	-	-
Transfer to Building Services Fund	185	-	-	-
Transfer to Land Dedication Reserve	158	-	-	-
Transfer to Mill Rate Stabilization Reserve	113	-	-	-
Transfer to General Revenue Fund - investment management fee	49	16	2	7
Transfer to Glacial - SOA	8	-	-	-
Transfer to Winnipeg Parking - SOA	6	-	-	-
Transfer to Golf Services - SOA	5	-	-	-
Transfer to Animal Services - SOA	1	-	-	-
Transfer to Housing Rehabilitation Investment Reserve	-	-	-	-
	9,500	1,239	1,367	48
Balance, end of year	$ 45,905	$ 9,259	$ 533	$ 3,467

See accompanying notes to the financial statements

Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Totals 2006	Totals 2005
$ 1,226	**$ 13,244**	**$ 530**	**$ -**	**$ 69,025**	$ 72,224
-	**-**	**-**	**-**	**6,302**	5,810
-	**-**	**-**	**600**	**3,778**	2,651
30	**534**	**18**	**16**	**3,183**	2,310
-	**-**	**337**	**-**	**1,936**	1,709
173	**-**	**-**	**-**	**834**	934
-	**-**	**-**	**-**	**783**	1,784
-	**-**	**-**	**-**	**730**	-
-	**-**	**-**	**-**	**666**	566
-	**-**	**-**	**-**	**321**	167
-	**-**	**-**	**-**	**205**	143
-	**-**	**-**	**-**	**158**	-
-	**-**	**-**	**-**	**44**	344
-	**-**	**-**	**-**	**21**	28
-	**-**	**-**	**-**	**20**	-
-	**-**	**-**	**-**	**20**	20
-	**-**	**-**	**-**	**-**	940
203	**534**	**355**	**616**	**19,001**	17,406
-	**-**	**-**	**-**	**3,972**	8,569
424	**-**	**-**	**-**	**2,738**	2,080
-	**-**	**110**	**-**	**2,045**	1,041
-	**-**	**-**	**-**	**1,317**	955
-	**629**	**-**	**-**	**1,093**	1,460
-	**-**	**-**	**-**	**739**	4,341
-	**-**	**-**	**-**	**668**	815
-	**-**	**-**	**-**	**195**	264
-	**-**	**-**	**-**	**185**	5
-	**-**	**-**	**-**	**158**	-
-	**-**	**-**	**-**	**113**	-
1	**27**	**1**	**1**	**104**	103
-	**-**	**-**	**-**	**8**	-
-	**-**	**-**	**-**	**6**	5
-	**-**	**-**	**-**	**5**	27
-	**-**	**-**	**-**	**1**	-
-	**-**	**-**	**-**	**-**	940
425	**656**	**111**	**1**	**13,347**	20,605
$ 1,004	**$ 13,122**	**$ 774**	**$ 615**	**$ 74,679**	$ 69,025

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Special Purpose Reserves follow the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Special Purpose Reserves Fund include the following:

Workers Compensation Reserve Fund
Perpetual Maintenance Reserve Funds
- Brookside Cemetery
- St. Vital Cemetery
- Transcona Cemetery

Insurance Reserve Fund
Contributions in Lieu of Land Dedication Reserve Fund
Land Operating Reserve Fund
Recreation Programming Reserve Fund
Snow Clearing Reserve Fund
Idea Bank Reserve Fund
Commitment Reserve Fund
Heritage Investment Reserve Fund
Housing Rehabilitation Investment Reserve Fund
Economic Development Investment Reserve Fund
Assiniboine Park Enterprise Reserve Fund
General Purpose Reserve Fund
Multi-Family Dwelling Tax Investment Reserve Fund
Insect Control Urgent Expenditures Reserve Fund

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

d) Investment in bonds

Bonds are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

e) Bond residues and coupons

Bond residues and coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

1. Summary of Significant Accounting Policies (continued)

f) Inventory

Inventories are recorded at the lower of cost or net realizable value.

2. Status of the Special Purpose Reserves

Workers Compensation Reserve Fund

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former **City of Winnipeg Act**.

The City of Winnipeg administers its workers compensation program on a self insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

Perpetual Maintenance Funds
(Brookside, St. Vital and Transcona Cemeteries)

Under the terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, created a fund for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to The City of Winnipeg. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, **The City of Winnipeg Act** was replaced with new legislation entitled **The City of Winnipeg Charter**. Under this new legislation the investment and administration of the funds has been transferred to the administration of The City of Winnipeg.

The Director of Planning, Property and Development is the Funds Manager.

2. Status of the Special Purpose Reserves (continued)

Insurance Reserve Fund

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

City Council, on January 10, 1973, adopted a policy that cash payments received by the City in lieu of land dedications for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended the policy to also permit cash payments received from the sale of surplus Parks and Recreation lands to be deposited to the credit of each community. Disbursements from this Reserve are limited to costs of acquiring or improving lands for parks, recreational facilities or open space within that community. The Director of the Planning, Property and Development Department is the Fund Manager.

Land Operating Reserve Fund

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale. This Reserve is maintained by proceeds from the sale of City owned properties and interest earned. Disbursements are limited to the acquisition cost of properties for resale, and any other expenses related to the acquisition, sale and improvement of disposable City properties.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Director of Planning, Property and Development is the Fund Manager.

Recreation Programming Reserve Fund

City Council, on October 6, 1976, approved the creation of a Recreation Programming Reserve Fund for recreation programming at the community level. The Reserve was established from cumulative surpluses and deficits of former Parks and Recreation Boards and Commissions as at December 31, 1976, and is to be maintained by any unexpended or over expended balances as identified in the approved recreation programming portions of the 1976 and subsequent years operating budgets. City Council delegated authority over the expenditure of the funds to the respective Community Committees.

The Director of Community Services is the Fund Manager.

2. Status of the Special Purpose Reserves (continued)

Snow Clearing Reserve Fund

On March 22, 1995, City Council approved the establishment of the Snow Clearing Reserve Fund. The purpose of the fund is to absorb unexpected snowfall costs in years where the City of Winnipeg experiences above average snowfall levels. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. Charges in any one year should be limited to the lesser of 20% of the Reserve balance, or to the amount of snow clearing expenses in excess of 120% of the cost of a normal year's snowfall. However, no charges to the Reserve should be made until the Reserve has reached a level of $5.0 million, and the Reserve balance should never exceed $10.9 million.

On December 15, 2004, City Council further approved, that at their discretion, they may transfer from the Reserve a greater amount than or other than as stipulated by the reserve.

The Director of Public Works is the Fund Manager.

Idea Bank Reserve Fund

City Council, on April 30, 1997, authorized the establishment of the Idea Bank Reserve Fund to provide financing for innovative ideas presented outside of the normal budget process. The Idea Bank is set up as a revolving fund which is self-sustaining. City Council, on November 17, 1999, approved an amendment to the Idea Bank Reserve whereby the purpose of the Reserve has been expanded to provide funding/financing support for Alternative Service Delivery (ASD) initiatives.

The Corporate Controller is the Fund Manager.

Commitment Reserve Fund

On March 12, 1998, Council approved the establishment of the Commitment Reserve Fund. The purpose of the fund is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Mill Rate Stabilization Reserve Fund.

On July 19, 1999, Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve be transferred to the Commitment Reserve Fund, which can than only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Mill Rate Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of on going funding for the Reserve will be incremental tax revenues that will flow from projects in which the Reserve has invested.

The Director of Planning, Property and Development is the Fund Manager.

2. Status of the Special Purpose Reserves (continued)

Housing Rehabilitation Investment Reserve Fund

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It is intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve has invested would be returned to the Reserve to finance future projects.

The Director of Planning, Property and Development is the Fund Manager.

Economic Development Investment Reserve Fund

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. Unlike the other investment reserves, this Fund invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

Assiniboine Park Enterprise Reserve Fund

City Council, on September 15, 1982, approved the establishment of the Zoo Animals Reserve Fund for the purpose of replacing animal losses and of improving breeding stock in the Assiniboine Park Zoo ("the Zoo"). The Zoo Animals Reserve Fund was maintained by revenue from the sale of surplus animals and interest earned. Expenditures were limited to the acquisition costs of zoo animals and any costs directly related to the acquisition, as well as the planning, improving or building of new individual animal enclosures.

The Zoo Purposes Reserve Fund was created by City Council on December 14, 1983, to retain certain revenues received by the Zoo to be used to augment the operating and capital budgets of the Zoo. Such revenues included donation box receipts, coin operated feed dispensers, animal adoption program, concessions and other promotions as well as a portion of Zoological Society single pass memberships.

City Council, on May 23, 2001, approved that the Zoo Animals and Zoo Purposes Reserves be combined. In addition, the combined reserve be expanded to include a new purpose, which is to enhance the maintenance, operation, planning and minor infrastructure for Assiniboine Park. This would include additional revenues from the net profit of new initiatives, services and products arising from the operation and programming of Assiniboine Park as a business unit as well as revenue sharing from the existing agreement with the Pavilion Gallery Museum Inc.. City Council also approved that the new combined reserve be renamed the Assiniboine Park Enterprise Reserve.

Due to restructuring, City Council also approved the Concession Equipment Reserve balances accumulated for golf courses and Assiniboine Park be transferred to the Golf Course Reserve and the Assiniboine Park Enterprises Reserve respectively.

The Director of Community Services is the Fund Manager.

2. Status of the Special Purpose Reserves (continued)

General Purpose Reserve Fund

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve was contingent upon approval by City Council.

On May 23, 2001, City Council approved that the Pension Stabilization and Pension Surplus Reserves be combined and renamed the General Purpose Reserve.

The City Treasurer is the Fund Manager.

Multiple-Family Dwelling Tax Investment Reserve Fund

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

Insect Control Urgent Expenditures Reserve Fund

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels. The Reserve is funded annually by $0.6 million and the amount of the unexpended insect control budget included in the General Revenue Fund. The Reserve balance should never exceed $3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of $3.0 million in the event of insufficient funds.

The Director of Community Services is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Loans Receivable*

	2006	2005
Winnipeg Parking Authority - Special Operating Agency		
Interest at 4.0%, due December 2006	**$ -**	$ 500
General Revenue Enterprises Fund		
Interest at 4.5%, payments of $45 thousand annually, due March 2009	**125**	163
	$ 125	$ 663

Included in the Idea Bank Reserve's account receivable is $5 thousand (2005 - $6 thousand) for interest receivable from the General Revenue Enterprises Fund.

5. *Investments*

	2006	2005
Marketable securities		
Government of Canada bonds, bond residues and coupons	**$ 11,197**	$ 18,441
Provincial bonds and bond coupons	**5,533**	3,508
Municipal bonds	**1,457**	-
	18,187	21,949
Transcona Joint Venture	**914**	-
	$ 19,101	$ 21,949

Transcona Joint Venture:
The Transcona Joint Venture ("Joint Venture") was formed on January 25, 2005, between The City of Winnipeg and Genstar Development Partnership to develop and sell certain land owned by participants in the community of Transcona. Each participant has a 50% interest in the Joint Venture. The City's proportionate interest in the financial accounts of the Joint Venture as at December 31, 2006 is as follows:

	2006
Assets	**$ 1,236**
Liabilities	**322**
Revenues	**1,715**
Expenses	**1,099**
Cash flow provided by (used in):	
Operating activities	**292**
Investing activities	**-**
Financing activities	**300**

The aggregate market value of marketable securities at December 31, 2006 is $19,500 thousand (2005 - $24,151 thousand).

6. *Contributed Surplus*

On April 27, 1994, City Council, retroactive to December 31, 1993, approved by way of a capital reorganization the transfer of $17.3 million from the Land Operating Reserve to the General Revenue Fund to fund the accrued liability for assessment appeal refunds and interest.

7. *Accounting Presentation*

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

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

City Council, on May 2, 1973, adopted a recommendation to consolidate the assets and liabilities of various reserves of the former municipalities into the General Reserve Fund. By-law No. 442/73 was subsequently adopted repealing the By-laws of the municipalities that established the former reserves. The consolidated net assets at inception totalled $6.2 million. On May 23, 2001, City Council further approved the name of the Fund be changed to the Equity in Capital Assets Fund.

Interest earnings on capital financing have contributed to the growth of the Fund to $395.8 million as at December 31, 2006 (2005 - $365.2 million).

The Fund has been used since it was created for the financing of capital construction, primarily by the General Capital Fund, but also by other reserves and utilities. This source of financing allows greater flexibility than is available through debenture debt financing. In 2006, $57.9 million (2005 - $69.8 million) of new capital works were financed through the Fund at terms ranging from five to twenty years.

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars)
(unaudited)

	2006	2005	2004	2003	2002
Total Assets	**$ 395,763**	$ 365,166	$ 335,267	$ 305,951	$ 274,317
Capital Construction Financed	**$ 57,914**	$ 69,822	$ 45,248	$ 69,862	$ 49,181
Interest Earned	**$ 30,628**	$ 29,962	$ 29,359	$ 31,634	$ 28,078
Principal Retirals	**$ 24,764**	$ 23,563	$ 25,791	$ 25,078	$ 25,073

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 12,532**	$ 14,913
Current portion of long-term investments (Note 4)	**26,228**	24,817
	38,760	39,730
Long-term investments (Note 4)	**357,003**	325,436
	$ 395,763	$ 365,166
EQUITY		
Allocated	**$ 379,744**	$ 346,594
Unallocated	**16,019**	18,572
	$ 395,763	$ 365,166

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005
Balance, beginning of year	**$ 365,166**	$ 335,267
Add:		
Interest		
General Capital Fund	**24,499**	21,843
General Revenue Fund - allocation of debt charges	**4,627**	6,852
General Revenue Fund (Note 3)	**613**	790
Transit System	**591**	106
Civic Accommodations Fund	**233**	244
Other	**55**	104
Sewage Disposal System	**6**	6
Waterworks System	**3**	8
Solid Waste Disposal	**1**	9
	30,628	29,962
Deduct:		
Transfer to General Revenue Fund - investment management fee	**31**	63
Balance, end of year	**$ 395,763**	$ 365,166

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Equity in Capital Assets Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

c) Long-term investments

Long-term investments are valued at cost.

2. Status of the Equity in Capital Assets Fund

City Council on May 2, 1973, authorized the establishment of a General Reserve Fund for the purpose of financing various capital construction. Various by-laws of the former area municipalities establishing general reserves were repealed and the assets of these former reserve funds were transferred to the General Reserve Fund. Interest charges on capital financing contribute to the growth of the Fund. The General Reserve Fund was renamed the Equity in Capital Assets Fund in 2001. The City Treasurer is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Long-term Investments

At varying maturities up to the year 2026 and with a weighted average interest rate for the year 2006 of 7.22% (2005 - 7.28%) due from the following:

	2006	2005
General Capital	**$ 366,792**	$ 338,188
Transit System	**12,862**	8,265
Civic Accommodations Fund	**3,487**	3,659
Sewage Disposal System	**77**	83
Waterworks System	**13**	48
Solid Waste Disposal	**-**	10
	383,231	350,253
Current portion of long-term investments:		
General Capital	**(25,211)**	(24,292)
Transit System	**(822)**	(303)
Civic Accommodations Fund	**(183)**	(172)
Waterworks System	**(6)**	(35)
Sewage Disposal System	**(6)**	(5)
Solid Waste Disposal	**-**	(10)
	(26,228)	(24,817)
	$ 357,003	$ 325,436

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2006 Totals	2005 Totals
ASSETS						
Current						
Due from General Revenue Fund (Note 3)	**$ 38,204**	**$ 142,781**	**$ 37,838**	**$ 4,013**	**$ 222,836**	$ 256,192
EQUITY						
Unallocated	**$ 38,204**	**$ 142,781**	**$ 37,838**	**$ 4,013**	**$ 222,836**	$ 256,192

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF CHANGES IN TRUST ACCOUNTS

For the years ended December 31
(unaudited)

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2006 Totals	2005 Totals
Opening balance	**$ 50,815**	**$ 165,542**	**$ 36,372**	**$ 3,463**	**$ 256,192**	$ 255,133
Add:						
Contributions	**71,226**	**65,022**	**-**	**400**	**136,648**	102,688
Interest earned	**1,959**	**6,483**	**1,466**	**150**	**10,058**	6,486
	73,185	**71,505**	**1,466**	**550**	**146,706**	109,174
Deduct:						
Disbursements	**85,796**	**94,266**	**-**	**-**	**180,062**	108,115
Closing balance	**$ 38,204**	**$ 142,781**	**$ 37,838**	**$ 4,013**	**$ 222,836**	$ 256,192

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The City of Winnipeg follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

These financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods and/or the creation of a legal obligation to pay.

2. Status of The City of Winnipeg Trust Funds

St. Boniface Museum Board Trust

This trust is maintained by grants from Federal and Provincial Governments, third parties and Foundations specifically designated for the Museum's capital and other operating projects. The Museum Administrator is the Trust Manager.

Library Trust

This trust is maintained by donations from private citizens and organizations in support of various library services. The Manager of Library Services is the Trust Manager.

Portage and Main Concourse Trust

This trust is maintained by a square foot levy applied to Concourse leased areas for the purpose of promoting or improving the concourse. The Director of Planning, Property and Development is the Trust Manager.

Winnipeg Evergreen Committee Trust

This trust is maintained by donations from private citizens and organizations to assist in the planting of coniferous evergreens by businesses and homeowners. The Director of Public Works is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005
ASSETS		
Current		
Due from General Revenue Fund (Note 2)	**$ 77**	$ 77
Loans receivable (Note 3)	**4,948**	5,030
	$ 5,025	$ 5,107
LIABILITIES		
Deferred gain (Note 4)	**$ 3,353**	$ 3,530
Provision for land rehabilitation	**671**	671
	4,024	4,201
RETAINED EARNINGS	**1,001**	906
	$ 5,025	$ 5,107

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF INCOME AND RETAINED EARNINGS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005
REVENUES		
Gain on sale of assets	**$ 177**	$ 97
Interest and other revenue	**-**	3
	177	100
EXPENSES		
Other	**82**	-
NET INCOME	**95**	100
RETAINED EARNINGS, BEGINNING OF YEAR	**906**	806
RETAINED EARNINGS, END OF YEAR	**$ 1,001**	$ 906

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

2. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the due from account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account.

3. Loans Receivable

	2006	2005
Glacial Sand and Gravel - Special Operating Agency		
Gravel pit loan, non-interest bearing (2005 - 6.5%), no repayment schedule	**$ 3,800**	$ 3,800
Fleet Management - Special Operating Agency		
Net operating assets loan, non-interest bearing, no repayment schedule	**1,148**	1,230
	4,948	5,030
Current portion	**(4,948)**	(5,030)
	$ -	$ -

4. Deferred Gain

	2006	2005
Pine Ridge Gravel Pit	**$ 3,800**	$ 3,800
Accumulated depletion	**(527)**	(372)
	3,273	3,428
Capital assets	**233**	233
Accumulated amortization	**(153)**	(131)
	80	102
	$ 3,353	$ 3,530

On January 1, 2001, Pine Ridge Gravel Pit was sold to Glacial Sand and Gravel - Special Operating Agency (SOA). The gain on the sale of the gravel pit and equipment of $4.077 million is being realized by Equipment and Material Services over the same time period as the assets are amortized/ depleted by the SOA.

On September 27, 2006, City Council approved the sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge facilities, equipment, and reserve assets for $11.0 million. The closing date of the sale is January 3, 2007.

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

The year 2006 was the tenth year of operation under the accounting structure of the Civic Accommodations Fund, formerly Civic Buildings. The following is a brief background into the creation of this fund.

In adopting the 1996 Current Estimates, City Council instructed the former Civic Buildings Department to review the feasibility of becoming a Self-Financing Utility Enterprise as described in the Innovative Options section. The former Board of Commissioners, in reviewing the Civic Buildings Department's 1997 Current Estimates, instructed the Department to do all things necessary to implement for the 1997 budget year a Charge-back System to distribute facility related costs to all civic departments.

During the investigations of a Charge-back System, better referred to as Full-Cost Accounting, it became evident that the system goes only as far as identifying the cost components of the City's accommodation activities. To successfully introduce the cost recovery charge-back, the Civic Buildings Department set about examining a business plan which would accomplish the following goals:

- run the department's operations, as far as practical, on a financially self-sustaining basis and according to best business practices;
- to follow best private and public sector employment practices, and promote staff involvement wherever practicable in all aspects of operations;
- to introduce contemporary technologies to the department's operations;
- to continuously strive to improve service quality and responsiveness; and
- to preserve and safeguard the City's assets.

Significant changes were required to accomplish these goals. During the course of 1997 a new fund was created along with the implementation of a number of accounting and budget changes. The major activities in bringing about this change can be outlined as follows:

- A new Civic Buildings Fund was created;
- A large portion of the Civic Buildings Department's adopted 1997/1998 budget was transferred from the General Revenue Fund to the new fund;
- Civic Departments were charged for facility costs during 1997 which included market rent, operating costs, and portfolio overheads;
- A small portion of the Civic Buildings Department's budget remained in the General Revenue Fund to provide for corporate space and space not readily assignable to an existing civic department;
- The new Civic Buildings Fund was charged general government charges, consistent with other similar funds, and was responsible for existing and new debt and finance charges related to civic accommodations;
- For the purposes of 1997 and 1998, actual charges assigned to departments equalled the budget for allocated accommodation costs; and
- When the Civic Buildings Department was disbanded in 1998, the name of the Civic Buildings Fund changed to the Civic Accommodations Fund.

Since then, the civic reorganization, stemming from the Cuff Report, has resulted in the responsibilities of the former Civic Buildings Department being delegated to the Planning, Property and Development and the Public Works Departments. It was determined, between the two departments, during the division of mandates that the Planning, Property and Development Department would serve as "surrogate owners" for those buildings which comprised the portfolio of the former Civic Buildings Department. As such, the Civic Accommodations Division of Planning, Property and Development has the primary accountability in maintaining the tenant-landlord relationship. They manage the Civic Accommodations Fund and are responsible for the full cost accounting of these same accommodation services resulting in full occupancy costs being charged to Departments. The Civic Accommodations Division is responsible for development of accommodations for City Departments, including locations, space allocations, furniture selection, and

office decorating. The Division assumes overall responsibility for the leasing of civic accommodations and for the programming, designing and project management of construction and renovation projects, the provision of design and consulting services to departments and the demolition of buildings authorized by the appropriate authority.

In 1998 the operations of the Building Services Division of the former Civic Buildings Department was transferred over to the Public Works Department. The result was that effective January 1, 1998, the activities of the Building Services Division was transferred from the Civic Accommodations Fund to the Building Services Fund. The Public Works Department serves as an internal contractor to Civic Accommodations providing facility maintenance, security, environmental monitoring and cleaning services. The costs of these facility services are continually tracked and monitored in the Building Services Fund then transferred to the Civic Accommodations Fund such that the full cost of accommodations can be charged to client departments.

An "Actual/Market" model is used to distribute accommodation costs to all departments. This model and methodology is essentially the same that Council instructed the Administration to implement coincident with the adoption of the 1997 Current Estimates.

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	2006	2005	2004	2003	2002
Number of facilities	**135**	138	139	138	138
Total area square footage	**2,491,466**	2,441,923	2,443,334	2,463,860	2,463,860

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005
ASSETS		
Current		
Cash	**$ -**	$ 2
Due from General Revenue Fund (Note 3)	**83**	98
Accounts receivable	**74**	91
Prepaid expenses	**510**	473
	667	664
Tangible capital assets (Note 4)	**3,487**	3,659
	$ 4,154	$ 4,323
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	**$ 667**	$ 664
Current portion of long-term debt (Note 6)	**183**	172
	850	836
Long-term debt (Note 6)	**3,304**	3,487
	$ 4,154	$ 4,323

Commitments (Note 7)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 9b)	**$ 31,486**	**$ 31,052**	$ 29,952
Other rental	**262**	**478**	452
Investment and other	**-**	**108**	22
Total Revenues	**31,748**	**31,638**	30,426
EXPENSES			
Civic accommodations	**10,310**	**10,949**	11,391
Transfer to Building Services Fund	**9,890**	**10,314**	9,909
Transfer to General Capital Fund	**8,057**	**7,491**	5,883
Transfer to General Revenue Fund	**3,491**	**2,884**	3,243
Total Expenses (Note 10)	**31,748**	**31,638**	30,426
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Civic Accommodations Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The accrual basis of accounting is modified in the following circumstances:

- expenses for accrued vacation costs, retirement allowance, workers compensation claims, and insurance claims are recorded when payment is incurred.

c) Tangible capital assets

Tangible capital assets are recorded at cost net of accumulated amortization in the General Capital Fund. Except for the purchase of the Mandarin Building which is funded by debt issued by the Equity in Capital Assets Fund. The asset and related outstanding debt obligation are recorded in the Civic Accommodations Fund and amortized based on debt repayments.

2. Status of the Civic Accommodations Fund

The Civic Accommodations Division is responsible for providing accommodations for all civic purposes. In providing this service the department undertakes the development of accommodation space, maintains building assets, renovations, and disposes of buildings through demolition or sale.

The fund was established in 1997 in order to have a user-pay self-supporting utility. An accommodation charge-back system was initiated as an initial step towards the full costing of services to other civic departments. Historically, the activities of the Civic Accommodations (Buildings) Fund were reported in the General Revenue Fund.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Tangible Capital Assets

	2006	2005
Cost	**$ 4,864**	$ 4,864
Accumulated amortization	**(1,377)**	(1,205)
	$ 3,487	$ 3,659

5. Accounts Payable and Accrued Liabilities

	2006	2005
Accrued interest on long-term debt	**$ 605**	$ 624
Accounts payable and accrued liabilities	**49**	40
Holdbacks and other payables	**13**	-
	$ 667	$ 664

6. Long-Term Debt

	2006	2005
Debt issued by the Equity in Capital Assets Fund which matures in the year 2019 with an interest rate of 6.50% (2005 - 6.50%)	**$ 3,487**	$ 3,659
Current portion of long-term debt	**(183)**	(172)
	$ 3,304	$ 3,487

7. Commitments

Lease commitments

The Civic Accommodations Division has entered into a number of rental lease agreements mainly for the lease of accommodations for civic offices and operating lease for the Fund's lease of office equipment. Future minimum lease payments are as follows:

2007	$ 3,546
2008	2,971
2009	1,526
2010	1,276
2011	1,091
Subsequent	3,290
	$ 13,700

8. Employee Benefits

a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2006 at $348 thousand (2005 - $353 thousand).

b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is estimated at $290 thousand (2005 - $223 thousand).

c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at $nil (2005 - $nil).

d) Civic Accommodations employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $112 thousand (2005 - $116 thousand) of pension costs were allocated to Civic Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has disclosed an actuarial surplus.

9. Contributions and Appropriations from Related Parties

a) Included in Civic Accommodations Fund expenses are:
- Rental payments in the amount of $4 thousand (2005 - $6 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
- General government charges in the amount of $306 thousand (2005 - $306 thousand) to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to civic accommodations; and
- Interest payments of $233 thousand (2005 - $244 thousand) to the Equity in Capital Assets Fund on the purchase of the Mandarin Building.

b) The following funds were charged for facility costs:

	2006	2005
General Revenue Fund	**$ 28,256**	$ 28,134
Waterworks System	**815**	348
Sewage Disposal System	**795**	348
Building Services Fund	**320**	320
Transit System	**202**	172
Animal Services - Special Operating Agency	**170**	170
Civic Accommodations Fund	**167**	152
Fleet Management - Special Operating Agency	**131**	175
Winnipeg Parking Authority - Special Operating Agency	**113**	53
Solid Waste Disposal Fund	**66**	65
Golf Services - Special Operating Agency	**17**	15
	$ 31,052	$ 29,952

9. Contributions and Appropriations from Related Parties (continued)

The charge for facility costs includes market rent, operating costs and portfolio overheads.

10. Expenses by Object

	2006 Budget	2006 Actual	2005 Actual
Transfer to Building Services Fund	**$ 9,890**	**$ 10,314**	$ 9,909
Materials and supplies	**8,216**	**8,234**	8,528
Transfer to General Capital Fund	**8,057**	**7,491**	5,883
Transfer to General Revenue Fund	**3,491**	**2,884**	3,243
Salaries and employee benefits	**1,958**	**1,892**	1,928
Transfer to Commitment Reserve	**-**	**666**	566
Civic Accommodations Fund - rental costs	**167**	**167**	152
Recoveries	**(31)**	**(10)**	(54)
Other expenses	**-**	**-**	271
	$ 31,748	**$ 31,638**	$ 30,426

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Civic Accommodations Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

12. Comparative Figures

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

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

Prior to 1997, activities relating to the Building Services Division of the former Civic Buildings Department and the former Parks and Recreation Department were recorded in the General Revenue Fund. In 1997, these activities were reported in the Civic Accommodation Fund and in 1998 they were reported in the Building Services Fund. The Building Services Fund is self-funded and reports on facility development, operation, maintenance, preservation and security services for over 574 owned and leased buildings with an area of approximately 5.7 million square feet, as well as other structures and fixtures.

The buildings receiving services include Community Services Department's recreation buildings, which are pools, arenas, recreation, community centres, Public Works Department's parks and open spaces buildings, civic accommodations, golf, and cemeteries facilities.

The estimated replacement value of City-owned buildings receiving facilities maintenance services is $1.0 billion.

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 341**	$ 426
Accounts receivable	**95**	6
Prepaid expenses	**11**	3
	$ 447	$ 435
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	**$ 400**	$ 380
Deferred revenue	**47**	55
	$ 447	$ 435

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 6b)	**$ 27,202**	**$ 27,192**	$ 26,568
Investment and other	**314**	**290**	283
Total Revenues	**27,516**	**27,482**	26,851
EXPENSES (Note 7)			
Building services	**27,516**	**27,482**	26,851
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below:

a) Basis of presentation

The Building Services Fund follows the fund basis of reporting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

The accrual basis of accounting is modified in the following circumstances:

- expenses for accrued vacation costs, retirement allowance, workers compensation claims, and insurance claims are recorded when payment is incurred.

c) Deferred revenue

Certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

2. Status of the Building Services Fund

The Building Services Division of the Public Works Department is responsible for providing accommodations for all civic purposes. In providing this service the Division maintains building assets and renovates existing spaces.

The Building Services Fund was established in 1998 as a user-pay self-supporting fund. The Public Works Department implemented an accommodation charge back system as an initial step towards the full costing of services to other civic departments. Prior to 1998, the activities of the Building Services Division were reported in the Civic Accommodations Fund.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Accounts Payable and Accrued Liabilities

	2006	2005
Wages and employee benefits	**$ 348**	$ 332
Performance deposits	**52**	48
	$ 400	$ 380

5. Employee Benefits

a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

d) Building Services' employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $709 thousand (2005 - $676 thousand) of pension costs were allocated to Building Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has disclosed an actuarial surplus.

6. Contributions and Appropriations from Related Parties

a) Included in Building Services Fund's expenses are:
- Rental payments in the amount of $573 thousand (2005 - $590 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
- General government charges transferred to the General Revenue Fund in the amount of $252 thousand (2005 - $252 thousand), which represents the estimated share of The City of Winnipeg's general expenses applicable to Building Services;
- Rental payments in the amount of $320 thousand (2005 - $320 thousand) which represent facility costs paid to the Civic Accommodations Fund for space occupied by Building Services staff;
- Transfer to the Computer Replacement Reserve of $11 thousand (2005 - $15 thousand); and
- Transfer to the General Revenue Fund of $54 thousand (2005 - $15 thousand).

6. Contributions and Appropriations from Related Parties (continued)

b) The following funds transferred revenue to the Building Services Fund.

	2006	2005
General Revenue Fund	**$ 16,699**	$ 16,659
Civic Accommodations Fund	**10,314**	9,909
Recreation Programming Reserve	**176**	-
Fleet Management - Special Operating Agency	**3**	-
	$ 27,192	$ 26,568

The transfers represent a charge for facility costs which include operating costs, maintenance costs and portfolio overheads.

7. Expenses by Object

	2006 Budget	**2006 Actual**	2005 Actual
Services, materials and supplies	**$ 15,833**	**$ 16,763**	$ 15,709
Salaries and employee benefits	**12,955**	**12,874**	12,494
Other grants and transfers	**739**	**629**	587
Recoveries	**(2,011)**	**(2,784)**	(1,939)
	$ 27,516	**$ 27,482**	$ 26,851

8. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Building Services Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

Utilities 2006 DETAILED FINANCIAL STATEMENTS



THE CITY OF WINNIPEG
TRANSIT SYSTEM

The City of Winnipeg Transit Department provides reliable, comfortable and accessible public transit service to the citizens of Winnipeg through the provision of three services - regular transit, Handi-transit, and chartered bus and special events transit service. The department's mission is to provide the best public transit service possible and to be the mode of choice for travel to the City's major activity centres.

Passenger revenue increased by nearly $2.0 million over 2005, a 3.5% increase. Although an increase in fares factored into this, increased ridership also contributed to this revenue increase. Revenue passengers for 2006 numbered nearly 40.5 million, a 1.3% increase from 2005. This is the fourth consecutive annual increase and is the highest ridership since 1994. It reflects the positive influences of growing university enrolment, a healthy local economy and transit improvements implemented over the past few years.

Public transit systems across Canada are experiencing similar positive gains. There is a renewed interest in using public transit as a preferred urban transportation mode of choice. This is supported by both senior levels of government who are making public transit and the environment priorities.

The Province of Manitoba significantly increased its operating funding of the public transit system. Through the Province's Building Manitoba Fund, an operating grant of nearly $22.9 million was provided to Winnipeg's transit system. This is $3.5 million more than the previous year. Due to the timing of bus deliveries, however, there were very minimal advances under the Province of Manitoba's capital grant commitment, decreasing this revenue source by $3.6 million from the previous year.

The Government of Canada delivered nearly $14.3 million to the City of Winnipeg during the current year. For purposes of capital investment, only $0.7 million was expended and therefore funded in 2006 by the City's Public Transit Reserve Fund. However, with this and an anticipated extension of this agreement, there will be a significant investment in the City's transit system at levels not seen before.

With increasing revenue elsewhere, the tax-support grant decreased $0.7 million from the previous year, effectively keeping overall revenue at levels comparable to the previous year.

On the other hand, operating expenses increased by nearly $2.0 million over the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages.

Handi-transit demand continues to increase. The amount of service offered increased by 5% over 2005, with costs exceeding the previous year by over $0.5 million, accordingly.

Contributing to partially offsetting these expenses, a property reassessment resulted in a $0.7 million decrease in property taxes paid on transit properties.

THE CITY OF WINNIPEG
TRANSIT SYSTEM (continued)

Several achievements were realized during the year, including:

- City Council adopted in principle a comprehensive plan of significant transit improvements to be implemented through 2011. The improvement plan includes new buses, upgraded bus stops and stations, intelligent transportation system applications, transit priority measures (diamond lanes, queue jumps and signal priority) and park and ride facilities. These are the outcome of the report of the Rapid Transit Task Force. These improvements are due largely to the funding delivered by the Government of Canada under Bill C66 and the Public Transit Capital Trust.

- Changes were implemented to the registration process for handi-transit customers whereby all applications are now reviewed by a Handi-Transit medical professional. Further, all ambulatory customers are required to re-register every three years. Two new eligibility criteria were also introduced for "winter only" and "dialysis only" Handi-Transit trips.

- With over 50% of the bus fleet now low-floor buses, easy access service was expanded to 45 routes on weekdays and all routes on weekends and holidays.

- Council approved an amendment to the transit fare structure whereby registered Handi-Transit customers have unlimited use of the regular transit system without having to pay a fare.

- An upgrade was made to the system's popular trip planner, *Navigo* . The system now provides instantaneous response and makes use of Google Maps to display detailed trip itineraries.

- Special events service was successfully delivered to the 2006 Grey Cup.

THE CITY OF WINNIPEG
TRANSIT SYSTEM

FIVE-YEAR REVIEW

As at December 31
("$" amounts in thousands of dollars, except for "Financial Statistics and Selected Ratios" section)
(unaudited)

	2006	2005 (restated)	2004	2003	2002
Financial Position					
Current assets	**$ 5,690**	$ 6,017	$ 9,373	$ 8,602	$ 8,489
Tangible capital assets	**$ 90,559**	$ 97,526	$ 33,993	$ 24,974	$ 27,527
Total assets	**$ 96,249**	$ 103,543	$ 43,366	$ 33,576	$ 36,016
Current liabilities	**$ 6,949**	$ 11,473	$ 18,452	$ 14,037	$ 16,483
Long-term debt	**$ 25,327**	$ 23,788	$ 19,291	$ 19,539	$ 19,533
Operations					
Passenger revenue	**$ 57,319**	$ 55,358	$ 52,529	$ 49,491	$ 47,620
- in relation to total revenue	**48.34%**	48.40%	48.94%	48.07%	48.68%
Appropriation from General Revenue Fund	**$ 34,479**	$ 35,217	$ 32,854	$ 31,882	$ 29,081
- in relation to total revenue	**29.08%**	30.79%	30.61%	30.97%	29.73%
Provincial operating grants	**$ 22,895**	$ 19,355	$ 16,854	$ 17,459	$ 16,854
Operations expenses	**$ 50,206**	$ 48,425	$ 45,045	$ 42,769	$ 41,695
Plant and equipment expenses	**$ 34,106**	$ 33,770	$ 29,806	$ 28,004	$ 27,504
Total expenses	**$ 108,573**	$ 106,730	$ 102,845	$ 97,419	$ 95,761
Cash Flows					
Operating activities	**$ 5,571**	$ 13,708	$ 6,363	$ 4,313	$ 1,149
Long-term debt issued, net	**$ 3,890**	$ (858)	$ 1,333	$ (3,873)	$ (4,693)
Payments to The Sinking Fund Trustees, net	**$ (650)**	$ (970)	$ (970)	$ (1,316)	$ (1,515)
Capital expenses	**$ (1,267)**	$ (12,833)	$ (17,050)	$ (20,952)	$ (13,204)
Financial Statistics and Selected Ratios					
Regular cash fare, end of year	**$ 2.00**	$ 1.85	$ 1.80	$ 1.75	$ 1.70
Handi-transit -					
Annual ridership (in thousands)	**601.5**	572.8	545.6	513.4	497.0
Total cost per passenger	**$ 14.13**	$ 13.25	$ 14.96	$ 15.09	$ 14.75
Revenue to cost ratio	**11%**	12%	11%	11%	11%
Regular transit -					
Annual ridership (in millions)	**40.5**	40.0	38.6	37.8	37.7
Bus hours operated (in thousands)	**1,381**	1,365	1,360	1,335	1,324
Direct operating cost per passenger	**$ 2.37**	$ 2.37	$ 2.30	$ 2.23	$ 2.17
Direct operating cost per vehicle hour	**$ 69.36**	$ 69.34	$ 65.42	$ 63.24	$ 61.70
Revenue to cost ratio	**60%**	60%	60%	62%	59%
Municipal operating cost per capita	**$ 44.38**	$ 45.90	$ 43.48	$ 41.67	$ 39.40

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (restated Note15)
ASSETS		
Current		
Cash	**$ 313**	$ 158
Accounts receivable (Note 3)	**1,771**	2,161
Inventory (Note 4)	**3,595**	3,687
Prepaid expenses	**11**	11
	5,690	6,017
Tangible capital assets (Note 5)	**90,559**	97,526
	$ 96,249	$ 103,543
LIABILITIES		
Current		
Due to General Revenue Fund (Note 6)	**$ 995**	$ 7,844
Accounts payable and accrued liabilities	**3,133**	1,969
Current portion of long-term debt (Note 7)	**2,821**	1,660
	6,949	11,473
Long-term debt (Note 7)	**25,327**	23,788
	32,276	35,261
ACCUMULATED SURPLUS		
Retained earnings (deficit)	**1,562**	(3,796)
Invested in tangible capital assets	**62,411**	72,078
	63,973	68,282
	$ 96,249	$ 103,543

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (restated Note15)
REVENUES			
System generated (Note 8)	**$ 57,242**	**$ 59,388**	$ 58,013
Appropriation from General Revenue Fund	**37,261**	**34,479**	35,217
Provincial Government grants (Note 9)	**20,547**	**24,192**	20,569
Interest and other	**658**	**518**	566
Total revenues from operations	**115,708**	**118,577**	114,365
EXPENSES			
Operations (Note 10)	**47,358**	**50,206**	48,425
Plant and equipment (Note 11)	**33,950**	**34,106**	33,770
Handi-transit	**8,112**	**8,728**	8,084
Other departmental (Note 12)	**9,341**	**7,849**	9,116
Finance and administration	**2,777**	**2,746**	2,627
Marketing and customer services	**2,169**	**2,025**	2,072
Information systems	**1,290**	**1,305**	1,064
Planning and schedules	**1,074**	**1,095**	1,046
Human resources	**518**	**513**	526
Total expenses from operations (Note 13)	**106,589**	**108,573**	106,730
Surplus for the year from operations	**9,119**	**10,004**	7,635
Net deficit from capital (Note 14)	**(9,119)**	**(14,313)**	(4,840)
NET (DEFICIT) SURPLUS FOR THE YEAR	**-**	**(4,309)**	2,795
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
As previously reported	**-**	**68,282**	123
Prior period adjustments (Note 15)	**-**	**-**	65,364
As restated	**-**	**68,282**	65,487
ACCUMULATED SURPLUS, END OF YEAR	**$ -**	**$ 63,973**	$ 68,282

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (restated Note15)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net (deficit) surplus for the year	**$ (4,309)**	$ 2,795
Non-cash items related to operations		
Amortization	**8,220**	7,948
Disposal of tangible capital assets	**14**	1,215
Working capital from operations	**3,925**	11,958
Net change in other working capital	**1,646**	1,750
	5,571	13,708
FINANCING		
Non-cash items related to financing		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(540)**	(717)
Long-term debt issued	**4,900**	6,875
Payments on other long-term debt	**(1,010)**	(839)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(650)**	(970)
Long-term debt retired	**-**	(6,894)
Proceeds from The Sinking Fund Trustees applied to long-term debt retired	**-**	6,894
Due to General Revenue Fund	**(6,849)**	(5,291)
	(4,149)	(942)
INVESTING		
Acquisition and construction of tangible capital assets	**(1,267)**	(12,833)
Increase (decrease) in cash	**155**	(67)
Cash, beginning of year	**158**	225
Cash, end of year	**$ 313**	$ 158

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been prepared in accordance with generally accepted accounting principles with the following exception:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, and insurance claims which are accounted for on a cash basis.

a) Inventory

Inventory is recorded at the lower of cost or net replacement cost.

b) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Buses	18 years
Land improvements	10 to 25 years
Other equipment	3 to 10 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Capital work in progress is not amortized until the asset is available for productive use.

c) Revenue recognition

Revenue relating to the provision of a service is recognized as that service is provided. Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made. The appropriation from the General Revenue Fund represents a transfer.

1. *Summary of Significant Accounting Policies (continued)*

d) Estimates

The preparation of financial statements 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 revenues and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of tangible capital assets, allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

2. *Status of the Transit System*

The City of Winnipeg, under the provisions of **The City of Winnipeg Charter**, has been provided the authority to operate a public transit system. The history of public transportation in the City began with the formation of the Winnipeg Street Railway Company in 1882 using horse drawn cars and sleighs and evolved to the modern diesel buses of today. The Transit System's mission statement is to provide the best public transportation service possible and to be the mode of choice for travel to the City's major activity centres.

Funding of operations is through user fees, appropriations from The City of Winnipeg's General Revenue Fund, and Province of Manitoba urban transit grants.

3. *Accounts Receivable*

	2006	2005
Advertising rights, charter and other	**$ 1,648**	$ 2,007
Province of Manitoba	**123**	154
	$ 1,771	$ 2,161

4. *Inventory*

	2006	2005
Stores	**$ 3,438**	$ 3,591
Tickets, passes and other	**157**	96
	$ 3,595	$ 3,687

5. *Tangible Capital Assets*

	Net Book Value	
	2006	2005 (restated Note15)
Buses	**$ 80,384**	$ 87,974
Buildings	**2,971**	3,209
Land improvements	**1,594**	1,337
Land	**1,144**	1,144
Other equipment	**1,097**	1,175
Work in progress	**3,369**	2,687
	$ 90,559	$ 97,526

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, there were no write-downs of assets (2005 - $nil).

6. Due to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank.

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2006**	Amount of Debt 2005
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 3,000**	$ 3,000
1993-2013	Feb. 11	9.375	VN	6090/93	**5,000**	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**6,500**	6,500
1995-2015	May 12	9.125	VR	6620/95	**7,000**	7,000
					21,500	21,500
Funds on deposit with The Sinking Fund Trustees (Note 7b)					**(11,527)**	(10,337)
Net sinking fund debentures outstanding					**9,973**	11,163

Other long-term debt outstanding

Serial debentures issued by the City with varying maturities up to 2013 and a weighted average interest rate of 4.83% (2005 - 4.69%)	**5,313**	6,020
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2025 and a weighted average interest rate of 6.77% (2005 - 6.79%)	**12,862**	8,265
	28,148	25,448
Current portion of long-term debt	**(2,821)**	(1,660)
	$ 25,327	$ 23,788

Principal retirals on long-term debt over the next five years are as follows:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures	$ -	$ -	$ 3,000	$ -	$ -	$ 18,500
Serial debentures	1,349	550	384	404	426	2,200
Equity in Capital Assets Fund debt	822	871	926	983	1,028	8,232
	$ 2,171	$ 1,421	$ 4,310	$ 1,387	$ 1,454	$ 28,932

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and the various utilities, including the Transit System, in the amounts shown in the issuing by-law.

7. Long-term Debt (continued)

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date, levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Included in interest and finance charges expense is $591 thousand (2005 - $106 thousand) paid to the Equity in Capital Assets Fund.

8. System Generated

	2006 Budget	**2006 Actual**	2005 Actual
Passenger	**$ 54,996**	**$ 57,319**	$ 55,358
Advertising rights	**1,175**	**1,224**	1,560
Charter and other	**1,071**	**845**	1,095
	$ 57,242	**$ 59,388**	$ 58,013

9. Provincial Government Grants

The Provincial Government provided grants of $22.9 million (2005 - $19.4 million) towards the operation of the Transit System, $1.3 million (2005 - $1.2 million) as a Local Government Support Grant and $0.1 million (2005 - $3.7 million) as a Capital Grant.

10. Operations

	2006 Budget	**2006 Actual**	2005 Actual
Bus operators	**$ 43,525**	**$ 46,285**	$ 44,457
Inspectors	**1,887**	**1,989**	1,783
Operations administration	**1,276**	**1,269**	1,385
Instruction	**670**	**663**	800
	$ 47,358	**$ 50,206**	$ 48,425

11. Plant and Equipment

	2006 Budget	**2006 Actual**	2005 Actual
Vehicle maintenance and overhaul	**$ 15,114**	**$ 14,348**	$ 14,248
Bus servicing	**12,777**	**13,529**	13,663
Building services	**2,812**	**2,982**	2,863
Maintenance administration	**2,546**	**2,418**	2,247
Loop and bus stop	**701**	**829**	749
	$ 33,950	**$ 34,106**	$ 33,770

12. Other Departmental

	2006 Budget	2006 Actual	2005 Actual (restated Note15)
Interest and finance charges	**$ 2,939**	**$ 2,756**	$ 2,992
Taxes	**2,430**	**1,846**	2,505
Insurance and claims	**1,505**	**1,430**	1,320
General government charges and other	**1,117**	**1,133**	1,109
Employee benefits	**1,350**	**684**	1,190
	$ 9,341	**$ 7,849**	$ 9,116

a) Employee benefits

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is estimated at $4.7 million (2005 - $4.9 million).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2006 at $8.1 million (2005 - $8.2 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be $698 thousand (2005 - $307 thousand).

Transit System's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $3.9 million (2005 - $3.9 million) of pension costs were allocated to the department. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is $0.8 million (2005 - $0.8 million) in general government charges to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.

c) Civic accommodation charges

Included in expenses is $202 thousand (2005 - $172 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

d) Property and business taxes

Realty and business taxes represent full taxes paid to The City of Winnipeg. Taxes are assessed on property as if it were privately owned. During 2006, realty and business taxes paid to the General Revenue Fund was $0.5 million (2005 - $1.2 million).

13. Expenses by Object

	2006 Budget	2006 Actual	2005 Actual (restated Note15)
Salaries and wages	**$ 58,484**	**$ 60,060**	$ 58,058
Materials and supplies	**18,344**	**18,474**	18,107
Services	**12,520**	**13,156**	12,702
Employee benefits	**10,019**	**10,524**	10,702
Interest on long-term debt	**2,922**	**2,755**	2,989
Taxes - municipal and payroll	**2,430**	**1,846**	2,505
Insurance and transfer to Insurance Reserve Fund	**1,500**	**1,435**	1,640
Other	**842**	**954**	660
Recoveries	**(472)**	**(631)**	(633)
	$ 106,589	**$ 108,573**	$ 106,730

14. Net Deficit from Capital

	2006 Budget	2006 Actual	2005 Actual
Revenues			
Transfer from Public Transit Reserve	**$ -**	**$ 670**	$ -
Province of Manitoba capital grants (Note 9)	**-**	**100**	3,740
Transfer from Transit Bus Replacement Reserve	**-**	**-**	5,015
Government of Canada capital grants	**-**	**-**	101
	-	**770**	8,856
Expenses			
Amortization	**2,589**	**8,220**	7,948
Transfer to Transit Bus Replacement Reserve	**6,530**	**6,530**	5,232
Other	**-**	**319**	(699)
Disposed tangible capital assets	**-**	**14**	1,215
	9,119	**15,083**	13,696
	$ (9,119)	**$ (14,313)**	$ (4,840)

15. Prior Period Adjustments

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from government grants and transfers relating to capital acquisitions have been included in income. These adjustments are as follows:

Adjustments to opening accumulated surplus, as at January 1, 2005	
Increase in net book value of tangible capital assets	**$ 59,864**
Decrease in deferred capital contributions	**5,500**
	$ 65,364

15. Prior Period Adjustments (continued)

Adjustments to the Statement of Operations, and Accumulated Surplus for the year ended December 31, 2005

Net deficit for the year, as previously reported	**$**	**(123)**
Add:		
Transfer from Transit Bus Replacement Reserve previously deferred		**5,015**
Capital grants previously netted against the cost of tangible capital asset additions		**3,841**
Assets capitalized previously expensed to operations		**816**
Less:		
Increase in amortization expense		**(5,422)**
Disposed tangible capital assets		**(1,215)**
Increased expenses for items with an estimated useful life of less than one year previously capitalized		**(117)**
Net surplus for the year, as restated	**$**	**2,795**

Adjustments to tangible capital assets, as at December 31, 2005

Net book value, as previously reported	**$**	**39,433**
Add:		
Net book value of tangible capital assets resulting from the adjustment of accumulated surplus as at January 1, 2005		**59,864**
Capital grants previously netted against the cost of tangible capital asset additions		**3,841**
Assets capitalized previously expensed to operations		**816**
Amortization of deferred capital contribution		**326**
Less:		
Increase in amortization expense		**(5,422)**
Disposed tangible capital assets		**(1,215)**
Increased expenses for items with an estimated useful life of less than one year previously capitalized		**(117)**
Net book value, as restated	**$**	**97,526**

16. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the Transit System is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

17. Comparative Figures

Certain comparative figures have been reclassifed to conform with the financial statement presentation adopted in the current year.

THE CITY OF WINNIPEG
TRANSIT SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)
(unaudited)

	Buses	Buildings	Land Improvements
Cost			
Balance, beginning of year	$ 148,310	$ 10,575	$ 3,964
Add: Additions during the year	-	-	-
Less: Disposals during the year	(173)	-	-
Costs transferred from work-in progress	-	-	381
Balance, end of year	148,137	10,575	4,345
Accumulated amortization			
Balance, beginning of year	(60,336)	(7,366)	(2,627)
Add: Amortization	(7,576)	(238)	(124)
Less: Accumulated amortization on disposal	159	-	-
Balance, end of year	(67,753)	(7,604)	(2,751)
Net Book Value of Tangible Capital Assets	$ 80,384	$ 2,971	$ 1,594

Schedule 1

Land	Other Equipment	Work-in Progress	2006	2005
$ 1,144	$ 4,821	$ 2,687	**$ 171,501**	$ 164,792
-	170	1,097	**1,267**	12,833
-	-		**(173)**	(6,124)
-	34	(415)	**-**	-
1,144	5,025	3,369	**172,595**	171,501
-	(3,646)	-	**(73,975)**	(70,936)
-	(282)	-	**(8,220)**	(7,948)
-	-	-	**159**	4,909
-	(3,928)	-	**(82,036)**	(73,975)
$ 1,144	$ 1,097	$ 3,369	**$ 90,559**	$ 97,526

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the Intake, 174.5 kms of aqueduct, five pumping stations, four reservoir systems and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Treatment Reserve.

The Water Treatment Reserve was established on December 17, 1993, to fund 50% of the cost of building a water treatment plant then estimated at $204 million.

On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant.

On June 25, 2003, City Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility.

On March 23, 2005, City Council approved additional funds of $13.3 million for on-site generation of sodium hypochlorite and standby power generation and on November 23, 2005, City Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of $2.8 million.

The construction of the ultraviolet light disinfection facility at the Deacon Booster Pumping Station started in 2004 and will become operational in 2007. The current water treatment plant capital cost estimate is now $300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is late 2008.

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	2006	2005	2004	2003	2002
Block 1 rate in dollars (per 100 cu. ft.)	**$ 2.75**	$ 2.75	$ 2.75	$ 2.75	$ 2.75
Annual water pumped (million litres)	**82,831**	80,713	81,045	84,577	81,916
Water pumped in litres per capita per day	**347**	339	343	366	359
Average daily water pumped (million litres per day)	**227**	221	222	232	224
Maximum day water pumping rates (million litres per day)	**340**	267	285	336	308
Maximum hour water pumping rates (million litres per day)	**549**	391	411	517	450
Kilometres of aqueduct	**174.5**	174.5	174.5	174.5	174.5
Kilometres of feeder mains	**151.5**	150.3	156.8	156.8	156.8
Kilometres of water mains	**2,447.0**	2,435.5	2,434.2	2,420.6	2,417.8
Number of hydrants	**20,085**	19,930	20,661	20,348	20,228
Number of billed services	**188,328**	187,619	186,160	184,854	183,656

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 13)
ASSETS		
Current		
Cash	**$ 75**	$ 259
Accounts receivable (Note 3)	**13,947**	15,207
Due from General Revenue Fund (Note 4)	**98,910**	24,946
Inventories	**957**	1,001
	113,889	41,413
Tangible capital assets (Note 5)	**622,044**	561,255
	$ 735,933	$ 602,668
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 11,715**	$ 5,535
Current portion of long-term debt (Note 7)	**2,336**	3,772
	14,051	9,307
Long-term debt (Note 7)	**80,567**	23,916
	94,618	33,223
ACCUMULATED SURPLUS (Note 8)	**641,315**	569,445
	$ 735,933	$ 602,668

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
REVENUES (Schedule 1)			
Sale of goods and services (Note 9)	**$ 74,489**	**$ 74,964**	$ 74,008
Interest	**1,262**	**3,391**	1,551
Government grants, permits and other	**766**	**1,178**	1,127
Total revenues	**76,517**	**79,533**	76,686
EXPENSES (Schedules 2 and 3)			
Water distribution	**27,880**	**23,487**	22,253
Taxes, employee benefits and other (Note 10)	**6,674**	**6,466**	6,251
Debt and finance	**9,473**	**6,001**	4,339
Engineering services	**3,197**	**2,661**	2,566
Finance and administration	**2,917**	**2,492**	2,349
Information systems and technology	**838**	**901**	645
Customer services	**521**	**582**	511
Environmental standards	**730**	**518**	474
Human resources	**469**	**493**	393
Total expenses from operations	**52,699**	**43,601**	39,781
Surplus for the year from operations	**23,818**	**35,932**	36,905
Transfers to other funds (Note 11)	**22,290**	**22,317**	23,556
Net surplus from operations after transfers to other funds	**1,528**	**13,615**	13,349
Net surplus from capital (Schedule 4)	**-**	**58,255**	19,194
NET SURPLUS FOR THE YEAR	**1,528**	**71,870**	32,543
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
As previously reported	**569,445**	**569,445**	38,469
Prior period adjustments (Note 13)	**-**	**-**	498,433
As restated	**569,445**	**569,445**	536,902
ACCUMULATED SURPLUS, END OF YEAR	**$ 570,973**	**$ 641,315**	$ 569,445

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 13)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 71,870**	$ 32,543
Non-cash items related to operations		
Amortization	**11,845**	11,616
Loss on disposal of tangible capital assets	**86**	125
Working capital from operations	**83,801**	44,284
Change in net working capital other than cash	**7,484**	542
	91,285	44,826
FINANCING		
Debt retired	**(2,427)**	(3,336)
Debt issued	**60,000**	-
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(1,012)**	(934)
Due from General Revenue Fund	**(73,964)**	(8,078)
Proceeds from The Sinking Fund Trustees	**-**	1,008
Payments to The Sinking Fund Trustees for outstanding debt	**(1,346)**	(1,393)
	(18,749)	(12,733)
INVESTING		
Purchase of tangible capital assets	**(72,720)**	(32,152)
Decrease in cash	**(184)**	(59)
Cash, beginning of year	**259**	318
Cash, end of year	**$ 75**	$ 259

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

1. Summary of Significant Accounting Policies (continued)

d) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid $3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

e) Water Main Renewal Reserve

On February 18, 1981, Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

f) Aqueduct Rehabilitation Reserve

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in 2007.

g) Water Treatment Reserve

On December 17, 1993, Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2006 water rates include a provision of 40.63 cents (2005 - 39.40 cents) per 100 cubic feet of water consumption billed for water treatment. In 2006, $10.1 million (2005 - $10.1 million) was transferred to the Water Treatment Reserve.

2. Status of the Waterworks System

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

3. Accounts Receivable

	2006	2005
Water billings and other	**$ 14,181**	$ 15,392
Allowance for doubtful accounts	**(234)**	(185)
	$ 13,947	$ 15,207

4. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

5. Tangible Capital Assets

	Net Book Value	
	2006	2005
		(Restated Note 13)
Land	**$ 1,821**	$ 1,821
Buildings	**4,041**	4,146
Machinery and equipment	**979**	1,091
Computer	**4,998**	5,693
Underground networks	**449,640**	450,432
Water pumping stations and reservoirs	**59,907**	61,452
Assets under construction	**100,658**	36,620
	$ 622,044	$ 561,255

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2006 and 2005, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2006 were $35 thousand (2005 - $10 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled $0.6 million in 2006 (2005 - $0.6 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	2006	2005
Trade accounts payable	**$ 8,182**	$ 3,706
Accrued debenture interest	**2,391**	990
Other accrued liabilities	**893**	612
Deferred revenue and other	**249**	227
	$ 11,715	$ 5,535

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2006**	Amount of Debt 2005
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 1,500**	$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	**5,000**	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**13,000**	13,000
1995-2015	May 12	9.125	VR	6620/95	**25,000**	25,000
1996-2036	July 17	5.200	VZ	183/2004 and 72/2006	**60,000**	-
					104,500	44,500
Equity in Sinking Fund (Note 7b)					**(21,610)**	(19,252)
Net sinking fund debentures outstanding					**82,890**	25,248
Other long-term debt outstanding						
Serial and installment debt issued by the City					**-**	2,392
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2005 - 6.25%)					**13**	48
					82,903	27,688
Current portion of long-term debt					**(2,330)**	(3,737)
Current portion of Equity in Capital Assets Fund debt					**(6)**	(35)
Current portion of long-term debt					**(2,336)**	(3,772)
					$ 80,567	$ 23,916

Principal retirement on long-term debt over the next five years is as follows:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures	$ -	$ -	$ 1,500	$ -	$ -	$ 103,000
Equity in Capital Assets Fund	6	7	-	-	-	-
	$ 6	$ 7	$ 1,500	$ -	**$** -	$ 103,000

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

7. Long-Term Debt (continued)

c) Cash paid for interest during the year was $4.1 million (2005 - $4.4 million).

d) Interest paid to the Equity in Capital Assets Fund during 2006 was $3 thousand (2005 - $8 thousand).

8. Accumulated Surplus

	2006	2005 (Restated Note 13)
Invested in tangible capital assets	**$ 537,043**	$ 499,001
Retained earnings	**104,272**	70,444
	$ 641,315	$ 569,445

9. Revenue

The 2006 Water Treatment Reserve contribution was 40.63 cents per hundred cubic feet (2005 - 39.40 cents).

10. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2006, realty and business taxes paid to the General Revenue Fund was $3.0 million (2005 - $3.2 million).

Included in expenses is $0.7 million (2005 - $0.7 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is $0.8 million (2005 - $0.3 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is $2.5 million (2005 - $2.4 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at $338 thousand (2005 - $137 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2006 at $3.6 million (2005 - $3.4 million).

10. Taxes, Employee Benefits and Other (continued)

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $1.5 million (2005 - $1.4 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has disclosed an actuarial surplus.

11. Transfers to Other Funds

Beginning in 1988, Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. In addition, the Utility transferred $5.7 million in 2006 (2005 - $7.1 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	2006	2005
Transfer to General Revenue Fund	**$ 12,123**	$ 13,458
Transfer to Water Treatment Reserve	**10,089**	10,098
Transfer to Capital	**105**	-
	$ 22,317	$ 23,556

12. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

13. Prior Period Adjustments

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions have been included in income. These adjustments are as follows:

Adjustments to opening 2005 accumulated surplus

Net book value of tangible capital assets recorded	**$ 498,433**

Adjustments to 2005 net surplus for the year

Net surplus for the year, as previously reported	**$ 7,359**
Add:	
Revenue from contributed tangible capital assets	**554**
Capital grants received and recorded as revenue	**33,065**
Less:	
Increase in amortization expense	**(6,961)**
Increased expenses for items with an estimated useful life of less than one year	**(1,474)**
Net surplus for the year, as restated	**$ 32,543**

13. Prior Period Adjustments (continued)

Adjustments to 2005 tangible capital assets

Net book value of tangible capital assets, as previously reported	**$**	**69,869**
Add:		
Net book value of tangible capital assets resulting from the adjustment of opening 2005 accumulated surplus		**498,433**
Revenue from contributed tangible capital assets		**554**
Less:		
Increase in accumulated amortization		**(6,961)**
Increase in loss on disposal of tangible capital assets		**(640)**
Net book value of tangible capital assets, as restated	**$**	**561,255**

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 1

REVENUES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual
Sale of goods and services			
Water sales	**$ 71,195**	**$ 71,470**	$ 70,641
Fire hydrant and other rentals	**3,264**	**3,350**	3,339
Sale of scrap material	**30**	**144**	28
	74,489	**74,964**	74,008
Interest			
Interest	**200**	**2,344**	607
Sinking Fund earnings	**1,012**	**1,012**	934
Interest capitalized	**50**	**35**	10
	1,262	**3,391**	1,551
Government grants, permits and other			
Provincial support grant	**482**	**556**	497
Permits and fees	**114**	**537**	354
Other	**170**	**85**	276
	766	**1,178**	1,127
Total Revenues	**$ 76,517**	**$ 79,533**	$ 76,686

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Water distribution			
Water main maintenance	**$ 6,353**	**$ 6,209**	$ 6,295
Pumping stations	**3,461**	**3,551**	3,103
Service pipe maintenance	**2,891**	**2,515**	2,070
Mechanical/civil/electrical maintenance allocation	**2,799**	**2,501**	2,397
General administration	**2,407**	**2,381**	2,576
Emergency services	**1,316**	**1,589**	1,264
Hydrant maintenance	**2,061**	**1,222**	1,061
Railway maintenance and operations	**1,417**	**1,084**	1,152
Water meter maintenance	**1,166**	**677**	573
Valve maintenance	**965**	**483**	496
Stores - 552 Plinguet	**207**	**389**	159
Water supply administration	**487**	**340**	404
Intake operation	**394**	**318**	380
Backflow prevention	**144**	**140**	151
Meter shop	**164**	**64**	104
Staff house	**127**	**24**	68
Water treatment plant	**1,521**	**-**	-
	27,880	**23,487**	22,253
Taxes, employee benefits and other			
Property taxes	**3,722**	**3,319**	3,532
Employee benefits	**782**	**919**	986
Rent	**798**	**795**	348
General government charges	**612**	**612**	615
Provincial payroll tax	**482**	**588**	558
Insurance and damage claims	**450**	**428**	428
Other services	**228**	**196**	193
Recoveries	**(400)**	**(391)**	(409)
	6,674	**6,466**	6,251
Debt and finance			
Long-term debt			
Interest	**4,668**	**5,504**	4,324
Amortization	**4,784**	**-**	-
Finance charges	**21**	**497**	15
	9,473	**6,001**	4,339

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Engineering services division			
Project management	**612**	**531**	542
Design and construction	**696**	**521**	567
Drafting and graphics	**421**	**397**	375
Customer technical services	**357**	**331**	284
Administration	**357**	**329**	297
Water planning	**434**	**310**	294
Services development	**149**	**133**	133
Asset management	**94**	**104**	-
Resource centre	**77**	**74**	72
Land drainage/flood planning	**-**	**(69)**	2
	3,197	**2,661**	2,566
Finance and administration division			
Customer billing	**2,052**	**1,887**	1,820
Administrative services	**400**	**200**	205
Financial planning	**182**	**154**	109
Accounting services	**172**	**150**	136
Process improvement	**111**	**101**	79
	2,917	**2,492**	2,349
Information systems and technology division			
Major systems	**444**	**510**	363
Support services	**394**	**391**	282
	838	**901**	645
Customer services division			
Customer relations	**450**	**457**	399
Administration	**(13)**	**60**	60
Communications	**52**	**44**	41
Public consultation	**32**	**21**	11
	521	**582**	511
Environmental standards division			
Analytical services	**429**	**371**	301
Research	**139**	**81**	126
Administration	**73**	**66**	47
Compliance	**89**	**-**	-
	730	**518**	474

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Human resources division			
Human resources	**221**	**240**	190
Human resources training	**98**	**117**	79
Timekeeping and payroll	**97**	**97**	91
Work place health and safety	**53**	**39**	33
	469	**493**	393
Total Expenses from Operations	**52,699**	**43,601**	39,781
Transfers to other funds			
Transfer to General Revenue Fund	**12,123**	**12,123**	13,458
Transfer to Water Treatment Reserve	**10,167**	**10,089**	10,098
Transfer to Capital	**-**	**105**	-
Total transfer to other funds	**22,290**	**22,317**	23,556
Total Expenses	**$ 74,989**	**$ 65,918**	$ 63,337

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Salaries	**$ 26,388**	**$ 23,948**	$ 22,414
Transfers	**22,290**	**22,317**	23,556
Goods and services	**21,332**	**17,774**	16,547
Interest on long-term debt	**4,668**	**5,504**	4,324
Other expenses	**5,145**	**5,150**	4,909
Employee benefits	**5,047**	**3,869**	3,955
Finance charges	**128**	**599**	122
Grants	**95**	**95**	95
Amortization	**4,784**	**-**	-
Recoveries	**(14,888)**	**(13,338)**	(12,585)
Total Expenses	**$ 74,989**	**$ 65,918**	$ 63,337

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Actual	2005 Actual (Restated Note 13)
Revenues		
Transfers		
Water Treatment Reserve	**$ 61,457**	$ 23,846
Water Main Renewal Reserve	**7,836**	7,299
Sewage Disposal	**266**	169
Aqueduct Renewal Reserve	**68**	416
	69,627	31,730
Other capital funding	**641**	554
Total revenue from capital	**70,268**	32,284
Expenses		
Amortization	**11,845**	11,616
Loss on disposal of assets	**86**	125
Other expenses	**82**	1,349
Total expenses from capital	**12,013**	13,090
Net surplus from capital	**$ 58,255**	$ 19,194

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)
(unaudited)

	General			
	Land	Buildings	Machinery and Equipment	Computer
Cost				
Balance, beginning of year	$ 1,821	$ 5,399	$ 9,100	$ 21,080
Add: Additions during the year	-	-	-	427
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,821	5,399	9,100	21,507
Accumulated amortization				
Balance, beginning of year	-	1,253	8,009	15,387
Add: Amortization	-	105	112	1,122
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	1,358	8,121	16,509
Net Book Value of Tangible Capital Assets	$ 1,821	$ 4,041	$ 979	$ 4,998

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	**2006**	2005
$ 626,368	$ 102,578	$ 36,620	**$ 802,966**	$ 771,251
7,955	300	64,038	**72,720**	32,152
(315)	-	-	**(315)**	(437)
634,008	102,878	100,658	**875,371**	802,966
175,936	41,126	-	**241,711**	230,407
8,661	1,845	-	**11,845**	11,616
(229)	-	-	**(229)**	(312)
184,368	42,971	-	**253,327**	241,711
$ 449,640	$ 59,907	$ 100,658	**$ 622,044**	$ 561,255

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, the environment, and the aesthetic quality of the rivers through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

An Environmental Projects Reserve was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would improve river quality. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and combined sewer overflow mitigation infrastructure.

River quality is under the jurisdiction of the Province of Manitoba. In 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period which was subsequently ordered by the Minister of Conservation on September 26, 2003, with some initiatives to be completed sooner than recommended by the CEC.

Manitoba Conservation subsequently issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers (NEWPCC, WEWPCC, and SEWPCC). The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan.

The 25 year wastewater improvement program, which includes effluent ultraviolet (UV) disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations is estimated to cost $1.2 billion.

Wastewater treatment upgrades to the NEWPCC and WEWPCC are currently underway. The NEWPCC effluent disinfection was substantially complete in December 2006. The NEWPCC centrate treatment and the WEWPCC effluent disinfection and biological nutrient removal will be complete in 2008.

The upgrades include year-round UV disinfection of the final effluent, and biological nutrient removal upgrades to achieve an interim reduction of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on biological nutrient removal at the SEWPCC was initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC biological nutrient removal will commence after a NEWPCC Master Plan study has been completed with a target in-service date of 2014.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	2006	2005	2004	2003	2002
Rate in dollars (per 100 cu. ft.)	**$ 3.87**	$ 3.39	$ 3.11	$ 2.73	$ 2.73
Annual sewage received (million litres)*	**102,609**	123,584	127,534	96,199	103,659
Daily sewage received (million litres)*	**281.1**	339.6	349.4	263.6	284.0
Kilometres of interceptor sewers	**109.1**	109.7	109.7	109.8	108.9
Kilometres of combined sewers**	**1,283.2**	1,338.2	1,334.1	1,327.8	1,320.0
Kilometres of wastewater sewers	**1,456.6**	1,427.1	1,422.3	1,408.5	1,389.1
Kilometres of storm sewers***	**1,668.8**	2,260.7	2,241.9	2,217.8	2,173.9
Number of lift stations	**85**	85	85	85	85
Number of billed sewer services	**188,887**	187,398	185,939	184,637	183,406

Note:

* Reduction in sewage received is due to a very low level of precipitation combined with an increase in water conservation efforts.

** Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.

*** Previous estimates include surface ditch drainage whereas current estimate only include actual pipe in the ground.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 13)
ASSETS		
Current		
Cash	**$ 1**	$ 1
Inventory	**248**	-
Accounts receivable (Note 3)	**23,583**	17,745
Due from General Revenue Fund (Note 4)	**29,442**	23,336
	53,274	41,082
Tangible capital assets (Note 5)	**685,693**	668,152
	$ 738,967	$ 709,234
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 8,968**	$ 6,899
Performance and other deposits	**213**	250
Current portion of long-term debt (Note 7)	**3,927**	4,239
	13,108	11,388
Long-term debt (Note 7)	**47,660**	53,879
	60,768	65,267
ACCUMULATED SURPLUS (Note 8)	**678,199**	643,967
	$ 738,967	$ 709,234

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
REVENUES (Schedule 1)			
Sewer services (Note 9)	**$ 97,010**	**$ 98,152**	$ 85,651
Interest	**2,502**	**3,641**	3,383
Government grants, permits and other	**2,166**	**2,590**	2,482
Total revenues	**101,678**	**104,383**	91,516
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	**24,271**	**22,176**	21,764
Taxes, employee benefits and other (Note 10)	**13,701**	**11,639**	9,750
Debt and finance	**15,222**	**8,413**	10,056
Engineering services	**3,414**	**3,197**	3,113
Finance and administration	**2,857**	**2,564**	2,521
Environmental standards	**1,925**	**1,485**	1,360
Information systems and technology	**957**	**896**	736
Customer services	**732**	**679**	595
Human resources	**537**	**489**	445
Total expenses from operations	**63,616**	**51,538**	50,340
Surplus for the year from operations	**38,062**	**52,845**	41,176
Transfers to other funds (Note 11)	**23,738**	**24,429**	23,888
Net surplus for the year from operations after transfer to other funds	**14,324**	**28,416**	17,288
Net surplus (deficit) from capital (Schedule 4)	**-**	**5,816**	(1,749)
Net surplus for the year	**14,324**	**34,232**	15,539
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
As previously reported	**643,967**	**643,967**	46,709
Prior period adjustments (Note 13)	**-**	**-**	581,719
As restated	**643,967**	**643,967**	628,428
ACCUMULATED SURPLUS, END OF YEAR	**$ 658,291**	**$ 678,199**	$ 643,967

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 13)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 34,232**	$ 15,539
Non-cash items related to operations		
Amortization	**14,995**	14,839
Loss on disposal of tangible capital assets	**630**	616
Working capital from operations	**49,857**	30,994
Change in net working capital other than cash	**(4,054)**	3,991
	45,803	34,985
FINANCING		
Debt retired	**(1,577)**	(19,433)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(2,292)**	(2,670)
Due from General Revenue Fund	**(6,106)**	(6,815)
Payment from The Sinking Fund Trustees for long-term debt outstanding	**-**	17,927
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(2,600)**	(3,432)
Decrease in other debt	**(62)**	(51)
	(12,637)	(14,474)
INVESTING		
Purchase of tangible capital assets	**(33,166)**	(20,511)
Increase in cash	**-**	-
Cash, beginning of year	**1**	1
Cash, end of year	**$ 1**	$ 1

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

1. Summary of Significant Accounting Policies (continued)

d) Sewer System Rehabilitation Reserve (formerly the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve)

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal and the Wastewater Sewer Renewal Reserves for the renewal and rehabilitation of combined and wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Reserves in accordance with the needs at that time.

During the 2006 capital budget process Council allocated the frontage levy to the repair and replacement of streets and sidewalks. Frontage levy revenue was replaced with funding from the Federal Gas Tax Revenue Reserve for the renewal and rehabilitation of sewers in accordance with the capital program requirements.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

The Director of the Water and Waste Department is the Fund Manager.

e) Environmental Projects Reserve

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2006 sewer rate includes a provision of 31.3 cents (2005 - 55 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2006, $8.5 million (2005 - $13.5 million) was transferred to the Environmental Projects Reserve.

2. Status of the Sewage Disposal System

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. Accounts Receivable

	2006	2005
Sewer billings and other	**$ 23,650**	$ 17,894
Allowance for doubtful accounts	**(67)**	(149)
	$ 23,583	$ 17,745

4. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

5. Tangible Capital Assets

	Net Book Value	
	2006	2005
		(Restated Note 13)
Land	**$ 1,451**	$ 1,451
Buildings	**354**	364
Underground networks	**483,998**	486,861
Sewage treatment plants and lift stations	**156,700**	160,145
Assets under construction	**43,190**	19,331
	$ 685,693	$ 668,152

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2006 and 2005, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2006 were $218 thousand (2005 - $129 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled $0.4 million in 2006 (2005 - $0.3 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	2006	2005
Trade accounts payable	**$ 5,746**	$ 3,621
Accrued debenture interest	**2,968**	2,990
Other accrued liabilities	**254**	288
	$ 8,968	$ 6,899

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2006**	Amount of Debt 2005
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 11,000**	$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	**40,000**	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**35,000**	35,000
					86,000	86,000
Equity in Sinking Fund (Note 7b)					**(48,636)**	(43,744)
Net sinking fund debentures outstanding					**37,364**	42,256

7. Long-term Debt (continued)

Other long-term debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.61% (2005 - 4.56%)	**10,541**	12,118
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2005 - 6.92%)	**77**	83
Pointe West Properties debt, maturity in 2012, interest rate of 6.65%	**3,605**	3,661
	51,587	58,118
Current portion of long-term debt	**(3,842)**	(4,178)
Current portion of Equity in Capital Assets Fund debt	**(6)**	(5)
Current portion of Pointe West Properties debt	**(79)**	(56)
Current portion of long-term debt	**(3,927)**	(4,239)
	$ 47,660	$ 53,879

Principal retirement on long-term debt over the next five years is as follows:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures	$ -	$ -	$ 11,000	$ -	$ -	$ 75,000
Serial and installment	1,241	1,302	1,367	1,435	1,506	3,690
Equity in Capital Assets Fund	6	6	7	7	8	43
Pointe West debt	79	125	134	143	100	3,024
	$ 1,326	$ 1,433	$ 12,508	$ 1,585	$ 1,614	$ 81,757

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

7. Long-term Debt (continued)

c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of $3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of $3 million.

d) Cash paid for interest during the year was $6.5 million (2005 - $7.6 million).

e) Interest paid to the Equity in Capital Assets Fund during 2006 was $6 thousand (2005 - $6 thousand).

8. Accumulated Surplus

	2006	2005 (Restated Note 13)
Invested in tangible capital assets	**$ 634,343**	$ 596,279
Retained earnings	**43,856**	47,688
	$ 678,199	$ 643,967

9. Revenue

The 2006 sewer rate increased to 3.87 cents per hundred cubic feet (2005 - 3.39 cents). The Environmental Projects Reserve contribution for 2006 was 31.3 cents per hundred cubic feet (2005 - 55 cents).

10. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2006, realty and business taxes paid to the General Revenue Fund was $9.7 million (2005 - $8.5 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2006, this amounted to $0.5 million (2005 - $0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is $795 thousand (2005 - $348 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is $1.2 million (2005 - $1.0 million).

10. Taxes, Employee Benefits and Other (continued)

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at $498 thousand (2005 - $160 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2006 at $1.3 million (2005 - $1.3 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $752 thousand (2005 - $711 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has disclosed an actuarial surplus.

11. Transfers to Other Funds

Beginning in 1988, Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2006, the Utility contributed $8.5 million (2005 - $4.1 million) to the General Revenue Fund to support the land drainage program.

	2006	2005
Transfer to General Revenue Fund	**$ 14,970**	$ 10,355
Transfer to Environmental Projects Reserve	**8,501**	13,533
Transfer to General Capital Fund	**958**	-
	$ 24,429	$ 23,888

12. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

13. Prior Period Adjustments

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. In addition, revenue from contributed assets and government grants and transfers relating to capital acquisitions have been included in income. These adjustments are as follows:

Adjustments to opening 2005 accumulated surplus

Net book value of tangible capital assets recorded	$ 581,719

13. Prior Period Adjustments (continued)

Adjustments to 2005 net surplus for the year

Net surplus for the year, as previously reported	$	2,814
Add:		
Revenue from contributed tangible capital assets		301
Capital grants received and recorded as revenue		14,578
Less:		
Increase in amortization expense		(365)
Increased expenses for items with an estimated useful life of less than one year		(1,789)
Net surplus for the year, as restated	$	15,539

Adjustments to 2005 tangible capital assets

Net book value of tangible capital assets, as previously reported	$	87,463
Add:		
Net book value of tangible capital assets resulting from the adjustment of opening 2005 accumulated surplus		581,719
Revenue from contributed tangible capital assets		301
Less:		
Increase in accumulated amortization		(365)
Increase in loss on disposal of tangible capital assets		(966)
Net book value of tangible capital assets, as restated	$	668,152

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 1

REVENUES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual
Sewer services	**$ 97,010**	**$ 98,152**	$ 85,651
Interest			
Sinking Fund earnings	**2,292**	**2,292**	2,670
Interest	**150**	**1,131**	584
Capitalized	**60**	**218**	129
	2,502	**3,641**	3,383
Government grants, permits and other			
Industrial waste surcharges	**1,850**	**1,360**	1,472
Other	**46**	**922**	710
Provincial support grant	**165**	**180**	170
Permits and fees	**105**	**128**	130
	2,166	**2,590**	2,482
Total Revenues	**$ 101,678**	**$ 104,383**	$ 91,516

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Collection, interception and treatment			
North end water pollution control centre	**$ 8,329**	**$ 7,723**	$ 7,508
Local sewer	**4,315**	**4,243**	4,148
South end water pollution control centre	**2,591**	**2,486**	2,362
Interception system	**1,760**	**1,586**	1,518
Sludge disposal	**1,864**	**1,488**	1,579
West end water pollution control centre	**1,664**	**1,312**	1,372
Mechanical maintenance	**1,318**	**1,184**	1,176
Administration	**951**	**863**	844
Electrical maintenance/instrumentation	**936**	**821**	777
Civil maintenance	**543**	**470**	480
	24,271	**22,176**	21,764
Taxes, employee benefits and other			
Property taxes	**11,059**	**9,733**	8,524
Miscellaneous	**1,050**	**967**	758
Rent	**798**	**795**	348
Employee benefits	**439**	**762**	463
General government charges	**467**	**467**	467
Insurance and claims	**323**	**303**	294
Provincial payroll tax	**165**	**194**	181
Recoveries	**(600)**	**(1,582)**	(1,285)
	13,701	**11,639**	9,750
Debt and finance			
Long-term debt interest	**8,591**	**8,408**	10,051
Finance charges	**100**	**5**	5
Amortization	**6,531**	**-**	-
	15,222	**8,413**	10,056
Engineering services			
Project management	**612**	**578**	541
Design and construction	**696**	**546**	559
Sewer connections	**600**	**403**	604
Drafting and graphic	**421**	**397**	375
Customer technical services	**357**	**331**	284
Administrative services	**139**	**328**	291
Wastewater planning	**219**	**253**	205
Engineering services development	**149**	**133**	132
Asset management	**94**	**104**	-
Resource centre	**77**	**74**	72
Land drainage and flood planning	**50**	**50**	50
	3,414	**3,197**	3,113

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Finance and administration			
Customer accounts	**2,073**	**1,967**	1,918
Administrative services	**238**	**194**	234
Financial planning	**208**	**152**	124
Financial services	**197**	**151**	155
Process improvement	**141**	**100**	90
	2,857	**2,564**	2,521
Environmental standards			
Analysis	**929**	**806**	651
Industrial waste	**505**	**361**	336
Research	**301**	**175**	273
Administration	**160**	**143**	100
Compliance	**30**	**-**	-
	1,925	**1,485**	1,360
Information systems and technology			
Support services	**507**	**498**	322
Major systems	**450**	**398**	414
	957	**896**	736
Customer services			
Customer relations	**526**	**535**	465
Administration	**109**	**69**	70
Communications	**60**	**51**	48
Public consultation	**37**	**24**	12
	732	**679**	595
Human resources			
Human resources	**253**	**235**	215
Human resources training	**112**	**117**	90
Timekeeping and payroll	**111**	**99**	104
Work place health and safety	**61**	**38**	36
	537	**489**	445
Total Expenses from Operations	**63,616**	**51,538**	50,340

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Transfers to other funds			
Transfer to General Revenue Fund	**15,050**	**14,970**	10,355
Transfer to Environmental Projects Reserve	**8,688**	**8,501**	13,533
Transfer to General Capital Fund	**-**	**958**	-
	23,738	**24,429**	23,888
Total Expenses	**$ 87,354**	**$ 75,967**	$ 74,228

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 3

EXPENSES BY OBJECT

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 13)
Goods and services	**$ 30,035**	**$ 27,170**	$ 26,064
Transfers to other funds	**23,738**	**24,429**	23,888
Other expenses	**12,388**	**11,297**	9,880
Salaries	**12,333**	**11,177**	10,564
Interest on long-term debt	**8,591**	**8,408**	10,051
Employee benefits	**2,321**	**2,124**	1,940
Finance charges	**100**	**5**	6
Amortization	**6,531**	**-**	-
Recoveries	**(8,683)**	**(8,643)**	(8,165)
Total Expenses	**$ 87,354**	**$ 75,967**	$ 74,228

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 4

NET SURPLUS (DEFICIT) FROM CAPITAL

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Actual	2005 Actual (Restated Note 13)
Revenues		
Transfer from Environmental Projects Reserve	**$ 15,839**	$ 13,755
Provincial and Federal capital grants	**3,714**	-
Transfer from Federal Gas Tax Revenue Reserve	**1,883**	-
Transfer from Sewer System Rehabilitation Reserve	**316**	-
Transfer from Wastewater Renewal Reserve	**72**	823
	21,824	14,578
Other capital funding	**373**	301
	22,197	14,879
Expenses		
Amortization	**14,995**	14,839
Loss on disposal of tangible capital assets	**630**	616
Capital maintenance	**490**	1,004
Transfer to Waterworks System	**266**	169
	16,381	16,628
Net surplus (deficit) from capital	**$ 5,816**	$ (1,749)

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)
(unaudited)

	General		Infrastructure	
	Land	Buildings	Underground Networks	Sewage Treatment Plants and Lift Stations
Cost				
Balance, beginning of year	**$ 1,451**	**$ 885**	**$ 757,270**	**$ 268,530**
Add: Additions during the year	**-**	**-**	**7,630**	**1,677**
Less: Disposals during the year	**-**	**-**	**(1,295)**	**-**
Balance, end of year	**1,451**	**885**	**763,605**	**270,207**
Accumulated amortization				
Balance, beginning of year	**-**	**521**	**270,409**	**108,385**
Add: Amortization	**-**	**10**	**9,863**	**5,122**
Less: Accumulated amortization on disposals	**-**	**-**	**(665)**	**-**
Balance, end of year	**-**	**531**	**279,607**	**113,507**
Net Book Value of Tangible Capital Assets	**$ 1,451**	**$ 354**	**$ 483,998**	**$ 156,700**

Schedule 5

	Totals	
Assets Under Construction	**2006**	2005
$ 19,331	**$ 1,047,467**	$ 1,028,189
33,319	**42,626**	26,040
(9,460)	**(10,755)**	(6,762)
43,190	**1,079,338**	1,047,467
-	**379,315**	365,092
-	**14,995**	14,839
-	**(665)**	(616)
-	**393,645**	379,315
$ 43,190	**$ 685,693**	$ 668,152

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

The Water and Waste Department ("Department") is committed to providing and improving services for drinking water, wastewater, land drainage and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The Solid Waste Disposal Fund was established in 1992 to create a self-supporting utility.

The objective of the Solid Waste Disposal Fund ("Fund") is to provide facilities for the receiving and disposal of solid waste generated in the City to protect the public health and the environment. The Water and Waste Department is responsible for the planning and monitoring of the City's closed landfill facilities, the operation of the Brady Road landfill site and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the General Revenue Fund to support the garbage collection program.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the Capital Region. Commercial tonnage coming to the Brady Road landfill has decreased slightly from 2005. The amount of commercial tipping at Brady Road is estimated to be about 25% to 30% of market share. The internal tipping fee and other municipalities' tipping fee remained at $22.50 per tonne. In 2006, waste was accepted from the City of Kenora, Whiteshell Provincial Park and the R.M. of MacDonald.

Waste minimization programs include multi-material residential recycling for 178,000 single-family and 94,000 multi-family residences, depot recycling, "Let's Chip-In" (Christmas tree recycling), Leaf It With Us (leaf collection and composting), Office Paper Recycling, Back Yard Composting and public information/education programs. Recycling volumes in 2006 were 42,185 tonnes, an increase of .04% from 2005.

The revenues from the recycling programs are made up of support payments from the Manitoba Product Stewardship Corporation ($102 per tonne until April 2006, $110 thereafter) and from the sale of the recyclables. In 2006, the City realized $7.2 million in revenue (2005 - $8.6 million).

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

FIVE-YEAR REVIEW

As at December 31

	2006	2005	2004	2003	2002
Solid Waste (tonnes)					
Single family residential	**185,973**	210,378	200,295	190,122	181,635
Multi-family and small commercial	**46,176**	45,308	42,869	38,442	36,999
Large commercial / industrial	**104,521**	111,768	112,000	101,930	92,939
Other	**54,757**	62,477	68,132	58,931	48,895
Charitable organization	**1,089**	1,068	1,040	-	749
Total landfill tonnage	**392,516**	430,999	424,336	389,425	361,217
Clean fill, concrete, automotive shredder residue and sawdust	**158,962**	157,385	135,379	86,489	60,269
Residential small loads Number of loads	**93,469**	92,244	93,128	80,091	72,522
Recyclables (tonnes)					
Blue box	**33,520**	33,355	32,503	28,529	25,937
Depots/apartments	**8,665**	8,813	8,374	7,194	7,044
Total	**42,185**	42,168	40,877	35,723	32,981

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 12)
ASSETS		
Current		
Cash	**$ 122**	$ 55
Due from General Revenue Fund (Note 3)	**6,408**	6,556
Accounts receivable (Note 4)	**1,069**	2,084
	7,599	8,695
Tangible capital assets (Note 5)	**1,881**	2,050
	$ 9,480	$ 10,745
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 164**	$ 1,403
Current portion of long-term debt (Note 7)	**93**	192
	257	1,595
Long-term debt (Note 7)	**883**	1,066
	1,140	2,661
ACCUMULATED SURPLUS (Note 8)	**8,340**	8,084
	$ 9,480	$ 10,745

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

STATEMENT OF OPERATIONS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 12)
REVENUES (Schedule 1)			
Sales of services and regulatory fees	**$ 17,629**	**$ 15,788**	$ 18,042
Interest	**195**	**385**	323
Government grants	**115**	**124**	119
Sale of surplus equipment and other	**10**	**-**	-
Total revenues	**17,949**	**16,297**	18,484
EXPENSES (Schedules 2 and 3)			
Solid waste disposal	**15,493**	**14,109**	14,283
Taxes, employee benefits and other (Note 9)	**308**	**301**	258
Debt and finance	**381**	**291**	351
Total expenses from operations	**16,182**	**14,701**	14,892
Surplus for the year from operations	**1,767**	**1,596**	3,592
Transfers to other funds (Note 10)	**2,141**	**1,051**	3,501
Surplus (Deficit) from operations after transfers to other funds	**(374)**	**545**	91
Net deficit from capital (Schedule 4)	**-**	**(289)**	(497)
Net surplus (deficit) for the year	**(374)**	**256**	(406)
ACCUMULATED SURPLUS, BEGINNING OF YEAR			
As previously reported	**8,084**	**8,084**	12,462
Prior period adjustments (Note 12)	**-**	**-**	(3,972)
As restated	**8,084**	**8,084**	8,490
ACCUMULATED SURPLUS, END OF YEAR	**$ 7,710**	**$ 8,340**	$ 8,084

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006	2005 (Restated Note 12)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus (deficit) for the year	**$ 256**	$ (406)
Non-cash items related to operations		
Amortization	**297**	305
Working capital from operations	**553**	(101)
Change in net working capital other than cash	**(224)**	(66)
	329	(167)
FINANCING		
Debt retired	**(103)**	(692)
Due from General Revenue Fund	**148**	600
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(90)**	(99)
Payments from The Sinking Fund Trustees for debt retired	**-**	517
Payments to The Sinking Fund Trustees for outstanding debt	**(89)**	(113)
	(134)	213
INVESTING		
Purchase of tangible capital assets	**(128)**	(68)
Increase (Decrease) in cash	**67**	(22)
Cash position, beginning of year	**55**	77
Cash position, end of year	**$ 122**	$ 55

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)
(unaudited)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, retirement allowance, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less any residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Land improvements	10 to 100 years
Machinery and equipment	10 to 20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Brady Landfill Site Rehabilitation Reserve

City Council on December 17th, 1993, in accordance with Sections 338 (1) and (2) of the former **City of Winnipeg Act**, established the Reserve to provide funding, over time, for the future rehabilitation of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The transfer is based on 50 cents per tonne of the tipping fee charged at the Brady Road Landfill Site. The Director of Water and Waste is the Fund Manager.

c) Revenue recognition

Government grants and transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met, and reasonable estimates of the amounts can be made.

2. Status of the Solid Waste Disposal Fund

On March 23, 1992, City Council adopted a motion establishing the Solid Waste Disposal Fund ("Utility") as a separate fund within The City of Winnipeg's ("City") financial records. Upon establishment of this Utility, the capital assets, work in progress and related debt were transferred to this Utility from the General Capital Fund. The Utility is self-supporting and is primarily funded by landfill tipping fees. The purpose of the Fund is to improve the cost accountability of the solid waste management system and to establish a financial structure to accommodate long-term planning and financing of solid waste management programs.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Accounts Receivable

	2006	2005
Refuse disposal and recycling	**$ 1,109**	$ 2,111
Allowance for doubtful accounts	**(40)**	(27)
	$ 1,069	$ 2,084

5. Tangible Capital Assets

	Net Book Value	
	2006	2005 (Restated Note 12)
Land	**$ 541**	$ 541
Land improvements	**405**	595
Machinery and equipment	**730**	837
	1,676	1,973
Assets under construction	**205**	77
	$ 1,881	$ 2,050

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During the year, there were no write-downs of tangible capital assets (2005 - $nil). Administration fees and interim financing charges capitalized during 2006 were $2 thousand (2005 - $5 thousand).

6. Accounts Payable and Accrued Liabilities

	2006	2005
Trade accounts payable	**$ 91**	$ 1,340
Other accrued liabilities	**52**	41
Accrued debenture interest payable	**21**	22
	$ 164	$ 1,403

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2006**	Amount of Debt 2005
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 1,935**	$ 1,935
1995-2015	May 12	9.125	VR	6620/95	**1,000**	1,000
					2,935	2,935
Equity in Sinking Fund (Note 7b)					**(1,959)**	(1,780)
Net sinking fund debentures outstanding					**976**	1,155
Other long-term debt outstanding						
Serial and installment debt issued by the City					**-**	93
Equity in Capital Assets Fund debt					**-**	10
					976	1,258
Current portion of long-term debt					**(93)**	(182)
Current portion of Equity in Capital Assets Fund debt					**-**	(10)
Current portion of long-term debt					**(93)**	(192)
					$ 883	$ 1,066

Principal retirement on long-term debt over the next five years is as follows:

	2007	2008	2009	2010	2011	Thereafter
Sinking fund debentures	$ -	$ -	$ 1,935	$ -	$ -	$ 1,000

a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, Sinking Fund arrangements after December 31, 2002 are managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Cash paid for interest during the year was $0.3 million (2005 - $0.4 million).

d) Interest paid to the Equity in Capital Assets Fund during 2006 was $1 thousand (2005 - $9 thousand).

8. Accumulated Surplus

	2006	2005 (Restated Note 12)
Invested in tangible capital assets	**$ 998**	$ 791
Retained earnings	**7,342**	7,293
	$ 8,340	$ 8,084

9. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2006, the amount incurred was $32 thousand (2005 - $32 thousand).

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2006 this amounted to $79 thousand (2005 - $79 thousand) and was transferred to the General Revenue Fund.

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2006 is $0.19 million (2005 - $0.15 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2006 is estimated at $114 thousand (2005 - $50 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2006 at $0.1 million (2005 - $0.2 million).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates is pension costs to various departments. During 2006, $121 thousand (2005 - $100 thousand) of pension costs were allocated to Solid Waste. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has an actuarial surplus.

10. Transfers to Other Funds

	2006	2005
Transfer to General Revenue Fund	**$ 876**	$ 3,309
Transfer to Brady Landfill Site Rehabilitation Reserve	**175**	192
	$ 1,051	$ 3,501

Included in various expense categories is an amount of $66 thousand (2005 - $65 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Solid Waste Disposal's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

12. Prior Period Adjustments

The City has restated its financial statements to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook which requires governments to record and amortize their tangible capital assets on their financial statements. These adjustments are as follows:

Adjustments to opening accumulated surplus

Net book value of tangible capital assets recorded	$	(3,972)

Adjustments to 2005 net surplus for the year

Net deficit for the year, as previously reported	$	(332)
Add:		
Decrease in amortization expense		82
Less:		
Increased expenses for items with an estimated useful life of less than one year		(156)
Net deficit for the year, as restated	$	(406)

Adjustments to 2005 tangible capital assets

Net book value of tangible capital assets, as previously reported	$	6,096
Add:		
Decrease in accumulated amortization		82
Less:		
Net book value of tangible capital assets resulting from the adjustment of opening 2005 accumulated surplus		(3,972)
Assets expensed but previously capitalized		(156)
Net book value of tangible capital assets, as restated	$	2,050

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 1

REVENUES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual
Sales of services and regulatory fees			
Landfill tipping fees	**$ 8,426**	**$ 8,178**	$ 9,034
Recycling	**8,823**	**7,236**	8,639
Small load fees	**380**	**374**	369
	17,629	**15,788**	18,042
Interest			
Interest	**100**	**285**	211
Sinking Fund earnings	**90**	**90**	99
Late payment charges	**-**	**8**	8
Interest capitalized	**5**	**2**	5
	195	**385**	323
Government grants			
Provincial support	**115**	**124**	119
Sale of surplus equipment and other	**10**	**-**	**-**
Total Revenues	**$ 17,949**	**$ 16,297**	$ 18,484

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 2

EXPENSES

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 12)
Solid waste disposal			
Recycling	**$ 10,213**	**$ 9,290**	$ 9,603
South West Operations	**4,024**	**3,615**	3,606
Landfill and environmental	**677**	**596**	513
Waste minimization	**348**	**256**	254
Take Pride Winnipeg	**196**	**212**	219
Administration	**35**	**140**	88
	15,493	**14,109**	14,283
Taxes, employee benefits and other			
Employee benefits	**136**	**188**	92
General government charges	**79**	**79**	79
Provincial payroll tax	**115**	**68**	124
Property taxes	**39**	**37**	37
Insurance and damage claims	**33**	**33**	33
Claims - general liability	**10**	**-**	-
Recoveries	**(104)**	**(104)**	(107)
	308	**301**	258
Debt and finance			
Interest on long-term debt	**381**	**291**	351
Total Expenses from Operations	**16,182**	**14,701**	14,892
Transfers to other funds			
Transfer to General Revenue Fund	**1,964**	**876**	3,309
Transfer to Brady Landfill Site Rehabilitation Reserve	**177**	**175**	192
	2,141	**1,051**	3,501
Total Expenses	**$ 18,323**	**$ 15,752**	$ 18,393

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 3

EXPENSES BY OBJECT

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 12)
Goods and services	**$ 13,399**	**$ 11,829**	$ 12,206
Salaries	**1,757**	**1,954**	1,753
Transfers	**2,141**	**1,051**	3,501
Employee benefits	**465**	**422**	329
Other expenses	**448**	**403**	471
Interest on long-term debt	**381**	**291**	351
Finance charges	**3**	**13**	26
Recoveries	**(271)**	**(211)**	(244)
Total Expenses	**$ 18,323**	**$ 15,752**	$ 18,393

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 4

DEFICIT FROM CAPITAL

For the years ended December 31
(in thousands of dollars)
(unaudited)

	2006 Budget	2006 Actual	2005 Actual (Restated Note 12)
Revenues			
Other capital funding	**$ -**	**$ 130**	$ -
Expenses			
Amortization	**-**	**297**	305
Capital maintenance	**-**	**122**	192
Total expenses from capital	**-**	**419**	497
Net deficit from capital	**$ -**	**$ (289)**	$ (497)

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)
(unaudited)

	General			
	Land	Land Improvements	Buildings	Machinery and Equipment
Cost				
Balance, beginning of year	**$ 541**	**$ 3,371**	**$ 273**	**$ 1,320**
Add: Additions during the year	**-**	**-**	**-**	**-**
Balance, end of year	**541**	**3,371**	**273**	**1,320**
Accumulated amortization				
Balance, beginning of year	**-**	**2,776**	**273**	**483**
Add: Amortization	**-**	**190**	**-**	**107**
Balance, end of year	**-**	**2,966**	**273**	**590**
Net Book Value of Tangible Capital Assets	**$ 541**	**$ 405**	**$ -**	**$ 730**

Schedule 5

Assets Under Construction	Totals 2006	Totals 2005
$ 77	**$ 5,582**	$ 5,514
128	**128**	68
205	**5,710**	5,582
-	**3,532**	3,227
-	**297**	305
-	**3,829**	3,532
$ 205	**$ 1,881**	$ 2,050

Special Operating Agencies 2006 DETAILED FINANCIAL STATEMENTS



THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2006	2005
ASSETS		
Current		
Cash	**$ 2,082**	$ 6,893
Accounts receivable (Note 3)	**45,074**	47,467
Inventory	**7,115**	13,852
Prepaid expenses	**28,178**	36,218
	82,449	104,430
Equipment		
Computer	**76,126**	76,126
Furniture and other	**107,786**	72,416
	183,912	148,542
Less: accumulated depreciation	**(147,045)**	(145,770)
	36,867	2,772
	$ 119,316	$ 107,202
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 52,147**	$ 57,032
Vacation and overtime payable	**45,785**	43,476
Deferred revenue	**514,700**	453,157
Due to City of Winnipeg - General Revenue Fund (Note 4)	**275,188**	197,456
	887,820	751,121
Long-term		
Retirement allowance (Note 5a)	**129,000**	117,000
	1,016,820	868,121
Commitments (Note 6)		
CAPITAL DEFICIENCY		
Deficit	**(897,504)**	(760,919)
	$ 119,316	$ 107,202

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF LOSS AND DEFICIT

For the years ended December 31

	unaudited 2006 Budget	2006 Actual	2005 Actual
REVENUES	**$ 1,197,724**	**$ 983,609**	$ 1,006,833
EXPENSES			
Salaries and benefits	**1,282,479**	**1,197,199**	1,260,244
Services (Note 7)	**641,507**	**596,472**	454,248
Rent (Note 7)	**171,254**	**169,952**	169,477
Material, parts and supplies	**40,587**	**31,226**	29,798
Other			
Administrative expenses (Note 7)	**171,582**	**165,036**	169,367
Depreciation	**4,112**	**1,275**	255
Interest	**1,094**	**914**	62
	2,312,615	**2,162,074**	2,083,451
Loss from operations	**(1,114,891)**	**(1,178,465)**	(1,076,618)
Other			
Grant from the Province of Manitoba	**23,493**	**21,779**	23,659
Grant from The City of Winnipeg (Note 8)	**1,020,101**	**1,020,101**	895,877
NET LOSS FOR THE YEAR	**(71,297)**	**(136,585)**	(157,082)
DEFICIT, BEGINNING OF YEAR	**(760,919)**	**(760,919)**	(603,837)
DEFICIT, END OF THE YEAR	**$ (832,216)**	**$ (897,504)**	$ (760,919)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31

	2006	2005
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	**$ (136,585)**	$ (157,082)
Non-cash items related to operations		
Depreciation	**1,275**	255
Increase (Decrease) in retirement allowance	**12,000**	(3,227)
Working capital from operations	**(123,310)**	(160,054)
Net change in working capital other than cash assets	**76,137**	75,879
	(47,173)	(84,175)
FINANCING		
Increase in Due to City of Winnipeg - General Revenue Fund	**77,732**	89,204
INVESTING		
Purchase of equipment	**(35,370)**	(3,027)
(Decrease) Increase in cash	**(4,811)**	2,002
CASH POSITION, BEGINNING OF YEAR	**6,893**	4,891
CASH POSITION, END OF YEAR	**$ 2,082**	$ 6,893

See accompanying notes to the financial statements

SUPPLEMENTARY INFORMATION

Interest paid	**$ 914**	$ 62

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

1. Description of Business

Animal Services - Special Operating Agency commenced operations on January 1, 2000. Goals since the establishment of the agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

2. Accounting Policies

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles. The financial statements are based on the following significant accounting policies:

Revenue Recognition

License revenues are recognized over the license validation period.

Inventory

Inventory is stated at the lower of cost and net realizable value.

Equipment

Equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the asset using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%

Deferred Revenue

Included in deferred revenue is $40,163 (2005 - $nil) received from the City of Winnipeg for the purchase of communication equipment. This amount is recognized as income at the same rate that the related assets are being depreciated.

Financial Instruments

Financial instruments include cash, accounts receivable, accounts payable and accrued liabilities, and due to City of Winnipeg - General Revenue Fund. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Agency's financial assets and liabilities approximates their fair value.

3. Accounts Receivable

	2006	2005
Trade accounts receivable	**$ 41,505**	$ 34,418
Allowance for doubtful accounts	**(19,105)**	(9,938)
	22,400	24,480
Provincial grant	**22,674**	22,987
	$ 45,074	$ 47,467

4. Due to City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, Animal Services does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is charged based on the City's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2006 effective interest rate was 4.3% (2005 - 3.3%). As well, the Agency has negotiated an operating line of credit up to $300,000 from The City of Winnipeg.

5. Employee Benefits

(a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.0 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2006.

Information about the Agency's retirement allowance benefit plan is as follows:

	2006	2005
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 128,000**	$ 134,227
Current service cost	**5,000**	4,000
Interest cost	**6,000**	7,000
Benefit payments	**-**	(17,227)
Balance, end of year	**139,000**	128,000
Unamortized net actuarial loss	**(10,000)**	(11,000)
Retirement allowance - accrued liability	$ **129,000**	$ 117,000

5. Employee Benefits (continued)

Retirement allowance expense consist of the following:

	2006	2005
Current service cost	**$ 5,000**	$ 4,000
Interest cost	**6,000**	7,000
Amortization of net actuarial gain	**1,000**	1,000
	$ 12,000	$ 12,000

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2006	2005
Valuation interest rate	**4.50%**	4.50%
General increases in pay	**3.00%**	3.00%

(b) Pensions

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $63,382 (2005 - $64,363) of pension costs were allocated to Animal Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has an actuarial surplus.

6. Commitments

Animal Services - Special Operating Agency and the Humane Society have entered into a contract that is in force from January 1, 2006 to December 31, 2008. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agrees to pay the Society the sum of $200,000 per year. Said amounts are payable in quarterly installments of $50,000. In addition, the Agency agrees to pay $20.00 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of $50,000.

7. Related Parties

Animal Services - Special Operating Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements the transactions that occurred are as follows:

Included in Animal Services expenditures is a transfer to the City of Winnipeg Civic Accommodations Fund for rent of $169,952 (2005 - $169,477) and a transfer to the City of Winnipeg General Revenue Fund for administrative services of $80,396 (2005 - $80,000). Also included are lease costs of $79,739 (2005 - $77,038) to the City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2005 - $69,582) for general government charges that has been paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

8. Grant from the City of Winnipeg

This year, the general grant from The City of Winnipeg increased by 13.9% or $124,224 to $1,020,101. This follows a decrease in 2005 of 5.7%.

2002	$ 1,250,000
2003	1,100,000
2004	950,000
2005	895,877
2006	1,020,101

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2006	2005 (restated)
ASSETS		
Current		
Cash (Note 4)	**$ -**	$ 85
Accounts receivable	**280**	537
Inventory (Note 11)	**277**	542
Capital assets held for sale (Note 5)	**4,066**	-
	4,623	1,164
Capital assets (Note 6)	**27**	4,378
	$ 4,650	$ 5,542
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	**$ 1,412**	$ 2,095
Accounts payable and accrued liabilities	**28**	313
Deferred revenue	**272**	442
Vacation payable	**31**	61
Current portion of long-term debt (Note 7)	**3,875**	3,878
	5,618	6,789
Retirement allowance (Note 8a)	**45**	45
Long-term debt (Note 7)	**12**	99
	5,675	6,933
CAPITAL DEFICIENCY		
Deficit	**(1,025)**	(1,391)
	$ 4,650	$ 5,542

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

For the years ended December 31
(in thousands of dollars)

	2006	2005 (restated)
REVENUES		
Sales of goods and services (Note 9)	**$ 2,419**	$ 2,297
EXPENSES		
Administrative services (Note 9)	**283**	117
Amortization and depletion	**286**	201
Interest (Note 7)	**90**	303
Material, parts and supplies (Note 11)	**351**	429
Salaries and benefits	**382**	598
Services	**661**	1,114
	2,053	2,762
Net income (loss) before income taxes	**366**	(465)
Income tax expense (Note 10)	**-**	(86)
Net income (loss) for the year	**366**	(551)
DEFICIT, BEGINNING OF YEAR (Note 11)	**(1,391)**	(840)
DEFICIT, END OF YEAR	**$ (1,025)**	$ (1,391)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2006	2005 (restated)
OPERATING		
Net income (loss) for the year	**$ 366**	$ (551)
Non-cash items related to operations		
Amortization and depletion	**286**	201
Retirement allowance	**-**	(39)
Working capital from operations	**652**	(389)
Net change in working capital	**37**	(243)
	689	(632)
FINANCING		
Due to City of Winnipeg - General Revenue Fund	**(683)**	938
Repayment of long-term debt	**(90)**	(197)
	(773)	741
INVESTING		
Purchase of capital assets	**(1)**	(63)
(DECREASE) INCREASE IN CASH POSITION	**(85)**	46
CASH POSITION, BEGINNING OF YEAR	**85**	39
CASH POSITION, END OF YEAR	**$ -**	$ 85

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)

1. Description of Business

Glacial Sand and Gravel - Special Operating Agency ("Agency") commenced operations on January 1, 2001. Since the inception, sales of gravel pit aggregate, limestone, and treated sand are realized from both The City of Winnipeg and private industry customers.

2. Subsequent Event

As a result of the Agency's continuing losses, on February 15, 2006, the Executive Policy Committee approved the issuance of a request for Expressions of Interest for disposition or other commercial arrangements with respect to all or part of the Agency's active equipment and land/reserve assets.

On September 27, 2006, City Council approved the sale of the Agency's Pine Ridge property, facilities, equipment and reserve assets for $11.0 million. Transfer of ownership occurred February 5, 2007.

3. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets transferred from the City of Winnipeg on January 1, 2001, were recorded at their estimated value. Subsequent acquisitions are recorded at cost. Capital assets are amortized over the estimated useful life using the following rates and methods:

Machinery	10 years	Straight-line
Buildings	4-5%	Declining balance
Office equipment	20%	Declining balance
Computer equipment	30%	Declining balance

The depletion of the gravel pit is recorded at a rate of 20 cents per tonne of aggregate inventory extracted on an annual basis.

Revenue recognition

Amounts billed for products not yet delivered are recorded as deferred revenue. Revenue is recognized upon delivery of products.

3. Summary of Significant Accounting Policies (continued)

Financial instruments

Financial instruments include accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, and long-term debt. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

4. Due to City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account, and the amounts reported as cash represent bank deposits not yet charged to this account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

Effective January 1, 2005, the previously authorized $400 thousand operating line of credit from The City of Winnipeg - Idea Bank Reserve was replaced with access to term debt financing at the City's applicable borrowing rate. As at December 31, 2006 there were no amounts owing with respect to this borrowing arrangement.

5. Capital Assets Held for Sale

On September 27, 2006, City Council approved the sale of the Agency's Pine Ridge property, facilities, equipment and reserve assets for $11.0 million. Transfer of ownership occurred February 5, 2007. See subsequent event note 2.

	Cost	Accumulated Amortization/ Depletion	Net Book Value 2006
Gravel pit	**$ 3,800**	**$ 527**	**$ 3,273**
Machinery	**1,167**	**462**	**705**
Building under capital lease	**52**	**9**	**43**
Land clearing	**28**	**-**	**28**
Building	**19**	**4**	**15**
Office equipment	**4**	**2**	**2**
	$ 5,070	**$ 1,004**	**$ 4,066**

6. Capital Assets

	Cost	Accumulated Amortization/ Depletion	Net Book Value 2006	Net Book Value 2005
Gravel pit	**$ -**	**$ -**	**$ -**	$ 3,428
Machinery	**-**	**-**	**-**	822
Building under capital lease	**-**	**-**	**-**	44
Computer equipment	**88**	**61**	**27**	38
Land clearing	**-**	**-**	**-**	28
Building	**-**	**-**	**-**	16
Office equipment	**-**	**-**	**-**	2
	$ 88	**$ 61**	**$ 27**	$ 4,378

7. Long-Term Debt

	2006	2005
City of Winnipeg - Equipment and Material Services:		
Gravel pit loan, non-interest bearing (2005 - interest at 6.5%), no repayment schedule	**$ 3,800**	$ 3,800
City of Winnipeg - Fleet Management - Special Operating Agency		
Equipment loan, interest at 6.5%, payment of $6.5 thousand monthly, due February 2008	**87**	157
Capital lease obligations	**-**	20
	3,887	3,977
Current portion of long-term debt	**(3,875)**	(3,878)
	$ 12	$ 99

a) Principal repayments due within the next five years are as follows:

2007	$ 3,875
2008	12
	$ 3,887

b) Interest on the equipment loan during the year was $8 thousand (2005 - $15 thousand) and has been paid to The City of Winnipeg - Equipment and Material Services and Fleet Management - Special Operating Agency; and

The interest expense on the gravel pit loan during the year of $nil (2005 - $247 thousand) is to be directed to infrastructure renewal in the City of Winnipeg.

The interest payable on the gravel pit loan included in accounts payable and accrued liabilities is $nil (2005 - $247 thousand).

c) Cash paid for interest during the year was $82 thousand (2005 - $41 thousand).

8. Employee Benefits

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 14.4 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2006.

8. Employee Benefits (continued)

Information about the Agency's retirement allowance benefit plan is as follows:

	2006	2005
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 42**	$ 92
Current service cost	**1**	2
Interest cost	**2**	5
Benefit payments	**-**	(47)
Amortization of net actuarial loss	**-**	1
Net actuarial gain	**-**	(11)
Balance, end of year	**45**	42
Unamortized net actuarial gain	**-**	3
Retirement allowance - accrued liability	**$ 45**	$ 45

Retirement allowance expense consists of the following:

	2006	2005
Current service cost	**$ 1**	$ 2
Interest cost	**2**	5
Amortization of net actuarial (gain) loss	**(3)**	1
Adjustment to prior period payment	**-**	(47)
	$ -	$ (39)

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2006	2005
Valuation interest rate	**4.50%**	4.50%
General increases in pay	**3.00%**	3.00%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year $22 thousand (2005 - $35 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has an actuarial surplus.

9. Related Party Transactions

Glacial Sand and Gravel - Special Operating Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements the transactions that occurred are as follows:

a) Sales of goods and services of $227 thousand (2005 - $809 thousand) to The City of Winnipeg and

b) Charges in the amount of $225 thousand (2005 - $76 thousand), including general government charges in the amount of $nil (2005 - $26 thousand), to The City of Winnipeg - General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency, and

c) Charges in the amount of $75 thousand (2005 - $270 thousand) to Fleet Management - Special Operating Agency for services related to equipment supply, maintenance, and fuel.

10. Income Tax Equivalency

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge/recovery of 46% which is payable to (recoverable from) The City of Winnipeg. Amounts paid are to be directed to infrastructure renewal in the City of Winnipeg.

There is no expectation of profitability in the future and no basis for maintaining an income tax recoverable amount on the balance sheet. The income tax expense for 2006 is more than offset by cumulative losses from previous years. As a result there is no charge or recovery recorded for 2006.

11. Prior Period Adjustment

The Agency has determined that the inventory balance calculated at December 31, 2005 was understated due to certain stock piled aggregate materials surveyed being erroneously excluded. Consequently, the deficit balance as at January 1, 2006 has been decreased by $16 thousand and the 2005 financial statements have been restated. The material, parts, and supplies line item in the 2005 income statement has been reduced by $16 thousand, net income has been increased by $16 thousand, and inventory has been increased by $16 thousand.

12. Economic Dependence

The Agency is dependent upon City of Winnipeg financing for its future viability.

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2006	2005
ASSETS		
Current		
Accounts receivable	**$ 56**	$ 85
Inventory	**51**	80
Prepaid expenses	**5**	5
	112	170
Capital assets (Note 3)	**23,732**	23,713
	$ 23,844	$ 23,883
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	**$ 1,436**	$ 1,160
Accounts payable and accrued liabilities	**85**	83
Vacation payable	**43**	41
Current portion of long-term debt (Note 5)	**61**	21
	1,625	1,305
Retirement allowance (Note 6a)	**152**	146
Long-term debt - City of Winnipeg (Note 5)	**3,848**	3,605
	5,625	5,056
SURPLUS		
Contributed surplus	**20,574**	20,574
Deficit	**(2,355)**	(1,747)
	18,219	18,827
	$ 23,844	$ 23,883

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

For the years ended December 31
(in thousands of dollars)

	2006	2005
REVENUES		
Green fees	**$ 2,037**	$ 1,869
Equipment rentals	**230**	171
Net revenue from leasing operations	**117**	38
Concessions	**102**	109
Merchandise sales	**94**	108
Other	**80**	26
Total Revenues	**2,660**	2,321
EXPENSES		
Salaries and employee benefits (Note 6)	**1,318**	1,263
Services (Note 7)	**534**	660
Municipal tax equivalency charge (Note 8)	**265**	263
Material, parts and supplies	**264**	238
Amortization (Note 3)	**257**	239
Debt and finance charges	**239**	222
Provision for doubtful accounts	**62**	213
Rent (Note 7b)	**17**	15
Total Expenses	**2,956**	3,113
Net loss from operations	**(296)**	(792)
DEFICIT, BEGINNING OF YEAR	**(1,747)**	(637)
Transfer to The City of Winnipeg - General Revenue Fund	**(312)**	(318)
DEFICIT, END OF YEAR	**$ (2,355)**	$ (1,747)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2006	2005
OPERATING		
Net loss for the year	**$ (296)**	$ (792)
Non-cash items related to operations		
Increase in retirement allowance	**6**	-
Amortization	**257**	239
Working capital from operations	**(33)**	(553)
Net change in working capital	**62**	17
	29	(536)
FINANCING		
Increase in due to City of Winnipeg - General Revenue Fund	**276**	895
Increase in long-term debt - City of Winnipeg	**283**	234
Transfer to City of Winnipeg - General Revenue Fund	**(312)**	(318)
	247	811
INVESTING		
Purchase of capital assets	**(276)**	(275)
CASH POSITION, END OF YEAR	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars)

1. Description of Business

On February 23, 2000, Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency ("Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

2. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by the City of Winnipeg Property and Assessment Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002, is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over the estimated useful life using the following rates and methods:

Building	4%	Straight-line
Equipment	10%	Straight-line
Golf course improvements	5%	Straight-line

Revenue recognition

Green fees and equipment rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product.

2. *Summary of Significant Accounting Policies (continued)*

Financial instruments

Financial instruments include accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. *Capital Assets*

	Cost	Accumulated Amortization	Net Book Value 2006	Net Book Value 2005
Land	**$ 20,376**	**$ -**	**$ 20,376**	$ 20,376
Building	**2,540**	**507**	**2,033**	2,134
Equipment	**1,380**	**537**	**843**	941
Golf course improvements	**515**	**35**	**480**	231
Work in progress	**-**	**-**	**-**	31
	$ 24,811	**$ 1,079**	**$ 23,732**	$ 23,713

4. *Due to City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is $1,650 thousand at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2006, the rate was 4.2%. The interest paid in 2006 was $57 thousand (2005 - $20 thousand).

5. *Long-Term Debt - City of Winnipeg*

	2006	2005
Golf Course Reserve		
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 57**	$ 63
- 2005	**63**	69
- 2006	**106**	115
- 2007	**245**	246
- 2008	**305**	-
	776	493
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $264 thousand, commencing in 2007	**3,133**	3,133
	3,909	3,626
Current portion of long-term debt	**(61)**	(21)
	$ 3,848	$ 3,605

5. Long-Term Debt - City of Winnipeg (continued)

a) Principal repayments due within the next five years are as follows:

2007	$ 61
2008	87
2009	93
2010	98
2011	104
Thereafter	3,466
	$ 3,909

b) Interest on the golf course improvements loans during the year was $39 thousand (2005 - $23 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $188 thousand (2005 - $188 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $227 thousand (2005 - $211 thousand).

6. Employee Benefits

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2006.

Information about the Agency's retirement allowance benefit plan is as follows:

	2006	2005
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 126**	$ 146
Current service cost	**4**	3
Interest cost	**6**	8
Benefit payments	**(2)**	(5)
Net actuarial gain	**-**	(26)
Balance, end of year	**134**	126
Unamortized net actuarial gain	**18**	20
Retirement allowance - accrued liability	**$ 152**	$ 146

6. Employee Benefits (continued)

Retirement allowance expense consist of the following:

	2006	2005
Current service cost	**$ 4**	$ 3
Interest cost	**6**	8
Amortization of net actuarial gain	**(2)**	-
	$ 8	$ 11

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2006	2005
Valuation interest rate	**4.50%**	4.50%
General increases in pay	**3.00%**	3.00%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year $53 thousand (2005 - $55 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has an actuarial surplus.

7. Related Party Transactions

Golf Services - Special Operating Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements the transactions that occurred to the Agency's revenues/expenses are as follows:

a) In Services, an amount of $62 thousand (2005 - $62 thousand) for general government charges has been included and paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;

b) An amount of $17 thousand (2005 - $15 thousand) has been charged by the Civic Accommodations Fund for the rental of office space;

c) An amount of $45 thousand (2005 - $51 thousand) has been charged by the General Revenue Fund for various supporting services provided by the Planning, Property and Development Department;

d) An amount of $78 thousand (2005 - $99 thousand) has been charged by the Building Services Fund for services provided at the various Golf Courses; and

e) An amount of $26 thousand (2005 - $22 thousand) has been charged by the Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by Golf Services.

8. Municipal Tax Equivalency Charge

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by the City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses. The municipal tax equivalency charge also includes payroll tax of $25 thousand (2005 - $24 thousand).

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2006	2005
ASSETS		
Current		
Cash	**$ 1**	$ 51
Due from City of Winnipeg - General Revenue Fund (Note 3)	**2,392**	991
Accounts receivable	**123**	145
Current portion of loan receivable (Note 4)	**87**	70
Inventory	**1,388**	1,275
Prepaid expenses	**216**	208
	4,207	2,740
Loan receivable (Note 4)	**-**	87
Capital assets (Note 5)	**38,960**	30,788
	$ 43,167	$ 33,615
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 677**	$ 703
Vacation payable	**682**	664
Current portion of long-term debt (Note 6)	**6,655**	23,977
	8,014	25,344
Long-term debt (Note 6)	**27,418**	-
Deferred revenue	**3,319**	5,431
Retirement allowance (Note 7a)	**655**	681
Environmental liability (Note 8)	**420**	420
	31,812	6,532
	39,826	31,876
Commitments (Note 9)		
SURPLUS		
Contributed surplus	**390**	390
Retained earnings	**2,951**	1,349
	3,341	1,739
	$ 43,167	$ 33,615

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

For the years ended December 31
(in thousands of dollars)

	2006	2005
REVENUES		
Fleet leases	**$ 13,476**	$ 12,811
Services and parts revenue (Schedule 1)	**6,140**	6,688
Fuel sales	**5,734**	6,001
Rental income	**2,698**	2,872
Gain on sale of capital assets	**1,518**	619
Amortization of deferred revenue	**1,359**	2,159
Total Revenues	**30,925**	31,150
EXPENSES		
Supplies	**7,388**	8,955
Services	**7,261**	6,584
Salaries and employee benefits	**7,012**	7,261
Amortization	**5,372**	4,767
Other	**344**	344
Interest (Note 6)	**84**	-
Total Expenses	**27,461**	27,911
Net income from operations	**3,464**	3,239
Charges from City of Winnipeg - General Revenue Fund (Note 10e)	**(1,862)**	(2,160)
Net income for the year	**1,602**	1,079
RETAINED EARNINGS, BEGINNING OF YEAR	**1,349**	2,520
Transfer to City of Winnipeg - General Revenue Fund (Note 10f)	**-**	(2,250)
RETAINED EARNINGS, END OF YEAR	**$ 2,951**	$ 1,349

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2006	2005
OPERATING		
Net income for the year	**$ 1,602**	$ 1,079
Non-cash items related to operations		
Amortization	**5,372**	4,767
Amortization of deferred revenue	**(1,359)**	(2,159)
Gain on sale of capital assets	**(1,518)**	(619)
Retirement allowance	**(26)**	27
Working capital from operations	**4,071**	3,095
Net change in working capital	**(107)**	(45)
	3,964	3,050
FINANCING		
(Increase) Decrease in Due from City of Winnipeg - General Revenue Fund	**(1,401)**	6,877
Proceeds from term loans	**17,700**	-
Proceeds from (repayment of) debt - City of Winnipeg	**(8,357)**	292
Transfer to City of Winnipeg - General Revenue Fund	**-**	(2,250)
	7,942	4,919
INVESTING		
Purchase of capital assets	**(15,117)**	(8,708)
Decrease in loan receivable	**70**	71
Proceeds from sale of capital assets	**3,091**	719
	(11,956)	(7,918)
(Decrease) Increase in cash	**(50)**	51
CASH POSITION, BEGINNING OF YEAR	**51**	-
CASH POSITION, END OF YEAR	**$ 1**	$ 51

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars)

1. Commencement of Operations

On May 28, 2003, Council adopted the Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency (SOA) effective January 1, 2003.

The Agency offers a complete range of fleet management services to The City of Winnipeg, its main customer, and provides light vehicles, heavy vehicles and specialty equipment, using life cycle cost management principles.

2. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003, are recorded at their estimated net realizable value on that date. Subsequent acquisitions are recorded at cost. Land and buildings are stated at assessed values as of January 1, 2003 which were determined by The City of Winnipeg Property Assessment Department.

Capital assets are amortized on the basis of their cost less approximate residual value over the estimated useful life using the following rates and methods:

Buildings	4%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	Lease term	Straight-line
Equipment	10% to 30%	Straight-line

Amortization begins once an asset is placed in service.

Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

2. Summary of Significant Accounting Policies (continued)

Deferred revenue

Deferred revenue represents the value of fleet assets acquired from The City of Winnipeg at start-up. This amount is recognized as income at the same rate that the related assets are being amortized.

In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

Financial instruments

Financial instruments include cash, due from City of Winnipeg - General Revenue Fund, accounts receivable, loan receivable, accounts payable and accrued liabilities, vacation payable, and debt. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. Due from City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2006 effective interest rate was 4.3% (2005 - 3.3%). As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit up to $5,000 thousand for short-term financing, from The City of Winnipeg.

4. Loan Receivable

	2006	2005
City of Winnipeg Glacial Sand and Gravel Equipment financing program loan, interest at 6.5%, repayable at June 1, 2007.	**$ 87**	$ 157
Current portion	**(87)**	(70)
	$ -	$ 87

5. Capital Assets

	Cost	**Accumulated Amortization**	**Net Book Value 2006**	2005
Land	**$ 390**	**$ -**	**$ 390**	$ 390
Buildings	**2,449**	**281**	**2,168**	1,670
Fleet assets				
Acquired at start-up	**12,294**	**9,342**	**2,952**	5,048
Purchased	**40,686**	**7,936**	**32,750**	22,944
Equipment	**1,616**	**916**	**700**	736
	$ 57,435	**$ 18,475**	**$ 38,960**	$ 30,788

The net book value of fleet assets not yet in-service is $1,418 thousand (2005 - $1,375 thousand).

6. Long-term Debt

The Agency has a revolving facility by way of a series of term loans in the amount of $35,000 thousand. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2006, $17,700 thousand (2005 - $nil) was outstanding under this facility.

	Maturity Date	Interest Rate	By-law No.	2006	2005
Term loan Monthly payments of $75 thousand	12/21/2015	4.53%	241/2006	**$ 6,600**	$ -
Term loan Monthly payments of $101 thousand	12/21/2018	4.63%	241/2006	**11,100**	-
City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule				**1,148**	1,230
City of Winnipeg (Notes 6b and 10d)				**15,225**	22,747
				34,073	23,977
Current portion of long-term debt				**(6,655)**	(23,977)
				$ 27,418	$ -

a) Principal repayments due within the next five years are as follows:

2007	$ 6,655
2008	5,822
2009	1,442
2010	1,510
2011	1,581
Thereafter	17,063
	$ 34,073

b) On May 28, 2003, Council approved the transfer of the Equipment Replacement Reserve Fund balance at January 1, 2003 to the Agency, to be used as a source of financing for fleet replacement, thereby resulting in the termination of the Fund at January 1, 2003. In 2005, interest charges ceased. The balance has decreased during the year by repayments.

7. Employee Benefits

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.4 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2006.

7. Employee Benefits (continued)

Information about the Agency's retirement allowance benefit plan is as follows:

	2006	2005
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 678**	$ 675
Current service cost	**33**	24
Interest cost	**29**	35
Net actuarial loss	**-**	(22)
Benefit payments	**(88)**	(34)
Balance, end of year	**652**	678
Unamortized net actuarial loss	**3**	3
Retirement allowance - accrued liability	**$ 655**	$ 681

Retirement allowance expense consists of the following:

	2006	2005
Current service cost	**$ 33**	$ 24
Interest cost	**29**	35
Amortization of net actuarial loss	**-**	2
	$ 62	$ 61

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2006	2005
Valuation interest rate	**4.50%**	4.50%
General increases in pay	**3.00%**	3.00%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year $397 thousand (2005 - $392 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and indicates an actuarial surplus.

8. Environmental Liability

The Agency has included an estimate of the cost to remediate fuel sites. A third party has estimated the cost at $420 thousand (2005 - $420 thousand).

9. Commitments

The Agency has entered into lease agreements mainly for the lease of fleet equipment. Future minimum lease payments are as follows:

	Operating Leases
2007	$ 1,081
2008	904
2009	796
2010	688
2011	484
	$ 3,953

10. Related Party Transactions

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue from the City.

Fleet Management - Special Operating Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements the transactions that occurred are as follows:

a) Revenues include sales of goods and services of $26,835 thousand (2005 - $27,239 thousand) to The City of Winnipeg.

b) An amount of $131 thousand (2005 - $175 thousand) has been transferred to the Civic Accommodations Fund for the rental of office space.

c) An amount of $82 thousand (2005 - $79 thousand) has been transferred to the Public Works Department for payment of human resource services and after-hour emergency call service.

d) During the year transfers were made to various City of Winnipeg Funds for the repayment of debt as follows:

	2006	2005
General Revenue Fund	**$ 6,083**	$ 37
Waterworks System	**260**	-
Sewage Disposal System	**260**	-
Solid Waste Disposal	**130**	-
Animal Services - Special Operating Agency	**40**	-
	6,773	37
Write-down of debt	**749**	-
	$ 7,522	$ 37

10. Related Party Transactions (continued)

e) Charges from City of Winnipeg - General Revenue Fund

	2006	2005
GST equivalency	**$ 580**	$ 637
General government charges	**421**	421
Interest equivalency	**400**	500
Grant - Autopac rebate to Public Works Department	**377**	406
PeopleSoft savings equivalency	**66**	32
Income tax equivalency	**18**	164
	$ 1,862	$ 2,160

Goods and Services Tax (GST) equivalency

As part of the municipal government, the Agency pays 7% GST on its purchases. In 2004 the Agency received a 4% input tax credit with the remaining 3% input tax credit retained by the City of Winnipeg. Beginning in 2005, the Agency receives the full 7% input tax credit and is charged by the City a GST equivalency representing the 3% input tax credit retained by the City.

General government charges

The Agency is charged by the City of Winnipeg general government charges, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

Interest equivalency

During 2004 the Agency paid interest on long-term debt. In 2005, interest on long-term debt ceased and the Agency is charged by the City of Winnipeg an interest equivalency, representing interest on long-term debt.

Grant - Autopac rebate to Public Works Department

A grant has been made to the Public Works Department, representing the amount of Autopac Rebate received by the Agency.

PeopleSoft savings equivalency

The City of Winnipeg operates a central finance function and charges the Agency a fee representing purchasing savings equivalency, as determined by the Corporate Finance Department.

Income tax equivalency

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to The City of Winnipeg based on the following rates:

Small business rate on the first $300 thousand of net income	17.62%
Manitoba Small Business Rate ($300 to $400 thousand)	26.62%
Regular corporate rate on the balance	36.62%

The gain on sale of fleet assets acquired at inception is excluded from net income for the purpose of the tax calculation.

10. Related Party Transactions (continued)

f) Transfer to City of Winnipeg - General Revenue Fund

An amount of $nil (2005 - $2,250 thousand) was transferred to the General Revenue Fund as a return on investment.

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF SERVICES AND PARTS REVENUE

For the years ended December 31
(in thousands of dollars)

	2006	2005
Consumables and corrective maintenance	**$ 2,465**	$ 2,942
Insurance revenue	**1,458**	1,497
Manufacturing sales	**791**	777
Power tools	**653**	635
Autopac rebate	**377**	406
Other	**253**	155
Provincial support grant	**132**	122
Interest	**11**	154
	$ 6,140	$ 6,688

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2006	2005
ASSETS		
Current		
Cash	**$ 26**	$ 173
Accounts receivable, net	**1,321**	1,043
Inventory	**313**	157
Prepaid expenses	**5**	-
	1,665	1,373
Property, equipment and leasehold improvements (Note 3)	**16,090**	13,206
	$ 17,755	$ 14,579
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	**$ 7,757**	$ 2,606
Accounts payable and accrued liabilities	**450**	220
Vacation payable	**117**	95
Customer deposits	**7**	-
Current portion of long-term debt (Note 5)	**12,930**	12,776
	21,261	15,697
Retirement allowance (Note 6b)	**86**	77
Long-term debt (Note 5)	**2,373**	224
	2,459	301
	23,720	15,998
CAPITAL DEFICIENCY		
Contributed surplus	**172**	172
Deficit	**(6,137)**	(1,591)
	(5,965)	(1,419)
	$ 17,755	$ 14,579

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

For the years ended December 31
(in thousands of dollars)

	2006	2005
REVENUES		
Parking fees (Note 9a)	**$ 4,679**	$ 4,178
Enforcement (Note 7)	**4,482**	4,403
Meters	**2,284**	2,247
Ground lease	**325**	326
Total Revenues	**11,770**	11,154
EXPENSES		
Services (Note 9b, c, e, f, g, and i)	**4,998**	3,610
Salaries and employee benefits (Note 6)	**1,078**	1,563
Debt and finance charges (Note 5b)	**1,026**	760
Material, parts and supplies (Note 9i)	**957**	482
Municipal tax equivalency charge (Note 9h)	**758**	758
Provision for bad debts	**1,054**	128
Amortization	**747**	475
Overhead charge (Note 9d)	**191**	152
Recoveries	**(5)**	(28)
Total Expenses	**10,804**	7,900
Income before other items and income tax equivalency	**966**	3,254
OTHER ITEMS		
Loss on disposal of assets	**(366)**	(144)
Income before income tax equivalency	**600**	3,110
Income tax equivalency charge (Note 8)	**302**	1,152
Net income for the year	**298**	1,958
DEFICIT, BEGINNING OF YEAR	**(1,591)**	-
Transfer to The City of Winnipeg - General Revenue Fund	**4,844**	3,549
DEFICIT, END OF YEAR	**$ (6,137)**	$ (1,591)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31
(in thousands of dollars)

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2006	2005
OPERATING		
Net income for the year	**$ 298**	$ 1,958
Non-cash items related to operations		
Loss on disposal of assets	**366**	144
Amortization	**747**	475
Retirement allowance	**9**	77
Working capital from operations	**1,420**	2,654
Net change in working capital	**(180)**	(885)
	1,240	1,769
FINANCING		
Increase in due to City of Winnipeg - General Revenue Fund	**5,151**	2,606
Proceeds from long-term debt	**2,861**	-
Repayment of long-term debt	**(558)**	500
Transfer to City of Winnipeg - General Revenue Fund	**(4,844)**	(3,549)
	2,610	(443)
INVESTING		
Proceeds on disposition of assets	**19**	-
Purchase of capital assets	**(4,016)**	(1,153)
	(3,997)	(1,153)
(DECREASE) INCREASE IN CASH POSITION	**(147)**	173
CASH POSITION, BEGINNING OF YEAR	**173**	-
CASH POSITION, END OF YEAR	**$ 26**	$ 173

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars)

1. Description of Business

On March 20, 1997, Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by Council.

The Winnipeg Parking Authority - SOA was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by the City of Winnipeg. The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

2. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period which it is earned provided it is measurable and and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Inventory

Inventory is recorded at the lower of cost and replacement cost.

2. Summary of Significant Accounting Policies - (continued)

c) Property, equipment and leasehold improvements

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants. Subsequent additions are recorded at cost.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. In the year of acquisition 50% of the applicable amortization rates are used.

The amortization rates are as follows:

Leasehold improvements	15 Years
Parking surfaces	5%
Parkades	2%
Vehicles	20%
Meters	10%
Equipment	10-20%
Computer equipment	33%
Office furniture and equipment	20%

d) Financial instruments

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. Property, Equipment and Leasehold Improvements

	Cost	**Accumulated Amortization**	**Net Book Value 2006**	2005
Land	**$ 172**	**$ -**	**$ 172**	$ 172
Leasehold improvements	**413**	**37**	**376**	387
Parking surfaces	**112**	**9**	**103**	96
Parkades	**10,700**	**428**	**10,272**	10,486
Vehicles	**97**	**35**	**62**	112
Meters	**4,424**	**369**	**4,055**	1,341
Equipment	**827**	**79**	**748**	200
Computer equipment	**342**	**166**	**176**	274
Office furniture and equipment	**176**	**50**	**126**	138
	$ 17,263	**$ 1,173**	**$ 16,090**	$ 13,206

4. Due to City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is charged based on the City's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2006 effective interest rate was 4.3% (2005 - 3.3%). As well, the Agency has negotiated an operating line of credit up to $3,000 thousand, which it has temporarily exceeded.

5. Long-Term Debt

	2006	2005
City of Winnipeg - General Revenue Fund		
Start-up loan, interest at 6%, with no specific terms of repayment	**$ 12,218**	$ 12,218
Equipment financing		
Loan repayable $65 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**170**	209
Loan repayable $11 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**29**	73
Loan repayable $482 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**1,633**	-
Loan repayable $363 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**1,228**	-
Loan repayable $7 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**25**	-
City of Winnipeg - Idea Bank Reserve		
Interest at 4%, due December 2006	**-**	500
	15,303	13,000
Current portion of long-term debt	**(12,930)**	(12,776)
	$ 2,373	$ 224

a) Principal repayments due within the next five years are as follows:

2007	$ 712
2008	762
2009	815
2010	796
	$ 3,085

b) Interest paid to the General Revenue Fund on the start-up loan was $733 thousand (2005 - $753 thousand).

Interest paid on the Idea Bank Reserve loan was $20 thousand (2005 - $0).

6. Employee Benefits

a) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year $59 thousand (2005 - $57 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2005 and has an actuarial surplus.

6. Employee Benefits - (continued)

b) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 9.7 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2006.

Information about the Agency's retirement allowance benefit plan is as follows:

	2006	2005
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 77**	$ -
Current service cost	**5**	-
Interest cost	**4**	-
Transfer between departments	**-**	77
Balance, end of year	**86**	77
Unamortized net actuarial loss	**-**	-
Retirement allowance - accrued liability	**$ 86**	$ 77

Retirement allowance expense consist of the following:

	2006	2005
Current service cost	**$ 5**	$ -
Interest cost	**4**	-
	$ 9	$ -

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

	2006	2005
Valuation interest rate	**4.50%**	4.50%
General increases in pay	**3.00%**	3.00%

7. Enforcement Revenue

Prior to 2005, enforcement revenue was accounted for using the cash basis of accounting by the City of Winnipeg. At January 1, 2005 a gross enforcement receivable was estimated at $12,182 thousand, which was assumed by the Agency, and a corresponding allowance for doubtful accounts set up. The Agency will recognize revenue as these accounts are recovered. Collections of pre-2005 citations amounted to $691 thousand (2005 - $662 thousand).

8. Income Tax Equivalency

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to The City of Winnipeg based on the following rates:

Small business rate on the first $300 thousand on net income	18.10%
Regular corporate rate on the balance	37.10%

The loss on disposal of assets is excluded from net income for the purposes of the tax calculation.

An amount of $302 thousand (2005 - $1,152 thousand) has been transferred to the General Revenue Fund.

9. Related Party Transactions

The Winnipeg Parking Authority - Special Operating Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements the transactions that occurred are as follows:

a) Parking fees revenue include sales of $382 thousand (2005 - $297 thousand) to the City of Winnipeg.

b) In Services, an amount of $28 thousand (2005 - $29 thousand) for general government charges has been included and paid to the General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

c) In Services, an amount of $113 thousand (2005 - $53 thousand) has been charged by the Civic Accommodations Fund for the rental of office space.

d) An amount of $191 thousand (2005 - $152 thousand) has been charged by the General Revenue Fund, which represents a transfer to the City of Winnipeg as determined by the Corporate Finance Department.

e) In Services, an amount of $175 thousand (2005 - $74 thousand) has been transferred to the Corporate Information Technology Department - General Revenue Fund for the cost of support services.

f) In Services, an amount of $449 thousand (2005 - $290 thousand) has been charged by the Building Services Fund for services provided at the various locations.

g) In Services, an amount of $47 thousand (2005 - $47 thousand) has been charged by The City of Winnipeg Transit department for coin counting and deposit services.

h) An amount of $758 thousand (2005 - $758 thousand) has been transferred to the General Revenue Fund for payments-in-lieu of business and municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.

i) In Services and Material, parts and supplies, an amount of $238 thousand (2005 - $148 thousand) has been charged by Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.

9. Related Party Transactions (continued)

j) In Accounts receivable, an amount of $111 thousand (2005 - $53 thousand) is included for parking charges and utility credits owing from the City of Winnipeg.

10. Comparative Figures

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

Wholly-Owned Corporations 2006 DETAILED FINANCIAL STATEMENTS



THE CONVENTION CENTRE CORPORATION

BALANCE SHEET

As at December 31, 2006

	2006	2005
ASSETS		
Current:		
Cash	**$ 2,293,532**	$ 1,916,546
Accounts receivable	**1,524,660**	1,157,502
Inventory	**143,327**	153,332
Prepaid expenses	**48,107**	47,349
	4,009,626	3,274,729
Capital assets (note 3)	**10,639,745**	11,464,226
Feasibility studies - future expansion (note 4)	**207,111**	105,138
	$ 14,856,482	$ 14,844,093
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	**$ 1,377,904**	$ 1,236,023
Customer deposits	**494,586**	497,121
Current portion of City of Winnipeg debentures (note 6)	**234,998**	223,757
Current portion of City of Winnipeg term loan (note 7)	**44,348**	44,348
Current portion of capital lease obligation (note 8)	**39,751**	28,298
	2,191,587	2,029,547
City of Winnipeg debentures (note 6)	**1,873,575**	2,108,573
City of Winnipeg term loan (note 7)	**169,176**	213,524
Capital lease obligation (note 8)	**113,494**	153,245
Deferred contributions related to capital assets (note 9)	**1,793,787**	2,026,353
Deferred funding - wall cladding replacement and stabilization (note 10)	**5,256,795**	5,586,754
	11,398,414	12,117,996
FUND BALANCES		
Operating fund	**-**	-
Restricted fund	**2,092,028**	1,358,168
Invested in capital assets	**1,366,040**	1,367,929
	3,458,068	2,726,097
	$ 14,856,482	$ 14,844,093

The accompanying notes are an integral part of this Balance Sheet.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FUND BALANCES

Year ended December 31, 2006

	2006	2005
BALANCE, beginning of year	**$ 2,726,097**	$ 61,099
Excess of revenue over expenditures	**731,971**	377,879
Reclassification to:		
Restricted fund (note 12)	**-**	1,177,548
Invested in capital assets (note 13)	**-**	1,109,571
BALANCE, end of year	**$ 3,458,068**	$ 2,726,097

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2006

	2006	2005
Operating revenue	**$ 11,103,889**	$ 9,881,771
Operating costs	**4,876,870**	4,631,956
Net operating revenue	**6,227,019**	5,249,815
General operating grant (note 14):		
City of Winnipeg	**1,452,530**	1,377,335
Province of Manitoba	**1,325,727**	1,126,834
	2,778,257	2,504,169
	9,005,276	7,753,984
Expenditures:		
Accounting and financial services and human resources	**678,512**	691,069
Administration	**1,076,753**	1,170,600
Building maintenance	**3,779,377**	3,521,800
Client services	**964,567**	929,595
Interest on capital lease	**24,332**	-
Sales and promotion	**721,372**	632,076
Security	**449,704**	444,629
	7,694,617	7,389,769
Net operating revenue less expenditures before under-noted	**1,310,659**	364,215
City of Winnipeg debt servicing grants:		
Debentures (note 14)	**497,498**	499,152
Term loan (note 14)	**44,348**	44,348
Recognition of deferred contributions related to capital assets (notes 9 and 10)	**723,070**	1,194,087
Amortization to expense of capital assets (note 3)	**(1,569,863)**	(1,437,827)
Interest on City of Winnipeg debentures	**(273,741)**	(286,096)
Excess of revenue over expenditures for the year	**$ 731,971**	$ 377,879

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2006

	2006	2005
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ 731,971**	$ 377,879
Adjustments for:		
- amortization of capital assets	**1,569,863**	1,437,827
- recognition of deferred contributions related to capital assets	**(723,070)**	(1,194,087)
	1,578,764	621,619
Net changes in working capital balances		
Accounts receivable	**(367,158)**	(74,532)
Inventory	**10,005**	(26,403)
Prepaid expenses	**(758)**	(660)
Accounts payable and accrued liabilities	**141,881**	(1,242)
Customer deposits	**(2,535)**	(12,568)
	1,360,199	506,214
FINANCING ACTIVITIES		
Capital lease obligation	**(28,298)**	-
City of Winnipeg term loan repayments	**(44,348)**	(44,348)
City of Winnipeg debenture repayments	**(223,757)**	(213,057)
City of Winnipeg/Province of Manitoba major repair and replacement grant received	**160,545**	558,331
	(135,858)	300,926
INVESTING ACTIVITIES		
Feasibility studies - future expansion	**(101,973)**	(105,138)
Major repair and replacement expenditures	**(745,382)**	(816,689)
	(847,355)	(921,827)
INCREASE (DECREASE) IN CASH DURING THE YEAR	**376,986**	(114,687)
CASH, beginning of year	**1,916,546**	2,031,233
CASH, end of year	**$ 2,293,532**	$ 1,916,546

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. Purpose of the Organization

The corporation was incorporated by special act under the laws of Manitoba to operate and promote the Winnipeg Convention Centre. The corporation is a not-for-profit organization and is therefore not subject to income taxes.

2. Significant Accounting Policies

Fund Method of Accounting:

The fund method of accounting was adopted prospectively by the corporation in 2006, replacing the deferral method previously utilized.

In prior periods, excess of revenue over expenditures was, by Board of Directors resolution, reserved from surplus for future major repairs and replacements. As assets were acquired the reserve was deferred and amortized to income at the same rate as the assets were amortized.

Under the fund method of accounting the excess of revenue over expenses is allocated to the Operating Fund. By Board of Directors resolution, any addition to the Operating Fund are to be transferred to the Restricted Fund for future expenditures or major repairs and replacements.

As assets are acquired a like amount is transferred from the Restricted Fund to the Invested in Capital Asset Fund. The resulting balance represents the unamortized investment in major repairs and replacements net of amounts funded by grants. The Invested in Capital Asset Fund is reduced by the amortization of such assets and the amount amortized is transferred to the operating fund.

Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

Capital Assets:

Capital assets are recorded at cost.

Amortization is calculated at the following rates and basis:

Major capital expenditures	-	at rate of related debenture repayment
Revitalization program	-	at rate of related debenture repayment
Major repair and replacement	-	20%, straight line
Wall cladding replacement and stabilization	-	on a straight line basis over 20 years
Equipment under capital lease	-	20%, straight line

Vacation Pay:

Vacation pay is accrued and expensed as the related service is performed.

2. Significant Accounting Policies (continued)

Employee Sick Leave Entitlement:

Certain employees hired before February 1996 are entitled to cash payment for unused sick leave credits upon retirement or death. The amount of these accumulated sick leave credits have not been actuarially determined and are not recorded in the financial statements. The credits are expensed when paid.

The estimated maximum unused sick leave credits at year end totalled $479,517 (2005 - $439,000).

Union agreements after February 1996 exclude any cash payment entitlements for employees hired thereafter.

Revenue Recognition:

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably assured.

Operating revenue, which consists mainly of room rentals and food and beverage sales from events held at the Winnipeg Convention Centre are recognized as revenue when the events are held.

Measurement Uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

Financial Instruments:

The corporation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, City of Winnipeg debentures and term loans and capital lease obligation. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

3. Capital Assets

	Cost	**Accumulated Amortization**	**Net Carrying Value 2006**	2005
Major capital expenditures	$ **2,000,000**	$ **1,556,517**	**$ 443,483**	$ 514,744
Revitalization program:				
- City of Winnipeg portion	**3,000,000**	**1,334,908**	**1,665,092**	1,817,587
- Province of Manitoba portion	**2,000,000**	**882,845**	**1,117,155**	1,218,815
Major repair and replacement	**8,164,573**	**6,121,902**	**2,042,671**	2,175,467
Wall cladding replacement	**6,599,175**	**1,342,380**	**5,256,795**	5,586,754
Equipment under capital lease	**181,543**	**66,994**	**114,549**	150,859
	$ 21,945,291	**$ 11,305,546**	**$ 10,639,745**	$ 11,464,226

3. Capital Assets (continued)

Major Capital Expenditures:

Major capital expenditures represent expenditures for major capital projects incurred in the years 1987 to 1995 inclusive.

Major capital expenditures are carried at cost and are equal to the related debentures (note 6). The costs are amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life of the assets.

Revitalization Program:

In the years 1991 to 1996 inclusive, the corporation incurred costs for revitalization programs funded by the City of Winnipeg and the Province of Manitoba.

City of Winnipeg Portion

The revitalization programs expenditures funded by the City are carried at cost and are equal to the related debentures (note 6). The costs are amortized in an amount equal to the principal repayments on the debentures, which approximates the estimated useful life of the assets.

Provincial Portion

The revitalization programs funded by the Province are carried at cost and amortized at the same rate as the City of Winnipeg revitalization program assets.

Major Repair and Replacement:

A portion of major repairs and replacements incurred after 1993 have been funded by grants from the City of Winnipeg and the Province of Manitoba. The assets are recorded at cost and amortized over their estimated useful life. The funded portion included with deferred contributions related to capital assets, is recognized on the same basis.

Wall Cladding Replacement and Stabilization:

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. Pursuant to a funding agreement dated March 21, 2002, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to $6.6 million.

The expenditures are carried at cost and are being amortized on a straight line basis over 20 years. The funding for this project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

Equipment Under Capital Lease:

In 2005, the corporation entered into a leasing agreement with the Royal Bank of Canada to finance the acquisition of the new parkade equipment.

The equipment is being amortized on a straight line basis over 5 years.

3. Capital Assets (continued)

Amortization Expense:

The amortization of the capital assets is as follows:

	2006	2005
Major capital expenditures	**$ 71,261**	$ 62,973
Revitalization program:		
- City of Winnipeg portion	**152,495**	150,083
- Province of Manitoba portion	**101,660**	96,820
Major repair and replacement	**878,178**	767,308
Wall cladding replacement	**329,959**	329,959
Equipment under capital lease	**36,310**	30,684
	$ 1,569,863	$ 1,437,827

4. Feasibility Studies - Future Expansion

The corporation has incurred certain costs to evaluate the feasibility of expanding the existing facility to ensure it is competitive with similar facilities in other cities. Such costs are deferred and will be capitalized when an expansion occurs.

5. Demand Operating Loan

The corporation has a demand operating loan credit facility from the Royal Bank of Canada up to $250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2006 and 2005 is nil.

6. City of Winnipeg Debentures

	Debenture	Sinking Fund	Net 2006	Net 2005
For major capital expenditures:				
Sinking Fund Debenture, bearing interest at 10%, maturing December 14, 2009, with annual Sinking Fund contributions of $15,121 earning interest at 5%	**$ 500,000**	**$ 391,650**	**$ 108,350**	$ 141,435
Serial Debenture. Principal payments vary under the terms of the debenture, payable January 17th yearly, ending in 2013. The debenture bears interest between 3.05% and 5.35% per annum with interest payable semi-annually	**175,513**	**-**	**175,513**	195,838
Sinking Fund Debenture, bearing interest at 9.375%, maturing February 11, 2013, with annual Sinking Fund contributions of $6,805 earning interest at 5%	**225,000**	**125,862**	**99,138**	111,898
Sinking Fund Debenture, bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $3,024 earning interest at 5%	**100,000**	**44,336**	**55,664**	60,747
	1,000,513	**561,848**	**438,665**	509,918
For revitalization program expenditures:				
Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $90,728 earning interest at 5%	**3,000,000**	**1,330,092**	**1,669,908**	1,822,412
	$ 4,000,513	**$ 1,891,940**	**2,108,573**	2,332,330
Current portion			**234,998**	223,757
			$ 1,873,575	$ 2,108,573

Principal due within each of the next five years is as follows:

2007	$ 234,998
2008	$ 246,800
2009	$ 258,031
2010	$ 232,001
2011	$ 243,663

Debt service costs will be funded by grants from The City of Winnipeg. The corporation annually allocates an amount from grants received from The City of Winnipeg to cover debt service costs and the grants are recorded to income when those costs are incurred.

7. City of Winnipeg - Term Loan

	2006	2005
Term loan	**$ 213,524**	$ 257,872
Less: current portion	**(44,348)**	(44,348)
	$ 169,176	$ 213,524

The loan was advanced in 1991 to fund the corporation's deficit. The term loan is non-interest bearing and repayable in 14 annual principal payments of $44,348 each, beginning August 17, 1997 with the remaining balance due on August 17, 2011.

8. Capital Lease Obligation

	2006	2005
Parkade equipment lease - payable to the Royal Bank of Canada, bearing interest at approximately 8%, 48 monthly payments of $5,263 (plus PST and GST) beginning March 20, 2006 with a purchase option of $1 at the end of the lease term.	**$ 199,993**	$ 252,624
Less: imputed interest	**(46,748)**	(71,081)
	153,245	181,543
Less: current portion	**(39,751)**	(28,298)
	$ 113,494	$ 153,245

Minimum lease payments, including PST, over the next four years are as follows:

2007	$ 67,577
2008	$ 67,577
2009	$ 67,577
2010	$ 11,263

9. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent externally restricted contributions including the provincial portion of the revitalization program assets and funds granted for major repair and replacement assets. These amounts are recognized as income as the related assets are amortized.

	2006	2005
Beginning balance	**$ 2,026,353**	$ 3,441,721
Deferred contributions for major repair and replacement expended on major repair and replacement assets during the year (note 14)	**160,545**	558,331
Deduct amounts recognized as revenue:		
- Major repair and replacement expenditures	**(291,451)**	(767,308)
- Provincial portion of revitalization program expenditures	**(101,660)**	(96,820)
- Amounts reclassified to invested in capital assets (note 13)	**-**	(1,109,571)
	$ 1,793,787	$ 2,026,353

10. Deferred Funding - Wall Cladding Replacement and Stabilization

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from The City of Winnipeg and The Province of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in note 3. This amount is being amortized into income as the related asset is amortized.

	2006	2005
Beginning Balance	**$ 5,586,754**	$ 5,881,308
Funding received or receivable during the year	**-**	35,405
Deduct amount amortized to revenue	**(329,959)**	(329,959)
	$ 5,256,795	$ 5,586,754

11. Operating Fund

The operating fund is as follows:

	2006	2005
Opening balance	**$ -**	$ 61,099
Excess of revenues over expenditures	**731,971**	377,879
Amortization of invested in capital assets	**586,726**	-
Amounts transferred to the restricted fund by board resolution	**(1,318,697)**	(438,978)
	$ -	$ -

12. Restricted Fund

The restricted fund represents the excess of revenues over expenditures that are internally restricted by board resolution for future expenditures on capital assets. The fund is reduced by annual expenditures on capital assets net of any externally restricted amounts.

	2006	2005
Opening balance	**$ 1,358,168**	$ -
Reclassify amounts from deferred contributions for major repairs and replacements	**-**	1,177,548
Capital assets purchased in the year, net of externally restricted amounts ($160,545-2006; $558,331-2005)	**(584,837)**	(258,358)
Amounts internally restricted by board resolution (note 11)	**1,318,697**	438,978
	$ 2,092,028	$ 1,358,168

13. Invested in Capital Assets

Invested in capital assets represents total capital assets less amounts amortized less specific deferred contributions.

	2006	2005
Opening balance	**$ 1,367,929**	$ -
Reclassification from deferred contributions related to capital assets (note 9)	**-**	1,109,571
Capital assets purchased in the year	**745,382**	816,689
Externally restricted amounts (note 9)	**(160,545)**	(558,331)
	584,837	258,358
Amortization of invested in capital assets	**(586,726)**	-
	$ 1,366,040	$ 1,367,929

14. Grants

The corporation operates with the assistance of grants from The City of Winnipeg and the Province of Manitoba.

	2006	2005
City of Winnipeg	**$ 2,074,648**	$ 2,200,000
Province of Manitoba	**1,406,000**	1,406,000
	$ 3,480,648	$ 3,606,000

The grants are allocated as follows:

General operating grant	**$ 2,778,257**	$ 2,504,169
Debt service		
City of Winnipeg debenture	**497,498**	499,152
City of Winnipeg term loan	**44,348**	44,348
Major repairs and replacement expenditures	**160,545**	558,331
	$ 3,480,648	$ 3,606,000

15. Commitments

The corporation has contracts with Correia Enterprises Ltd. (operating as Bee-Clean), Winnipeg Elevator (1978) Ltd. and Securitas Canada Limited for the provision of housekeeping, elevator and security services. These contracts begin to expire November 30, 2007 with an option to renew for a further five-year term.

Future payments to the expiry of the contracts are as follows:

2007	$ 1,075,613
2008	$ 691,812
2009	$ 691,812
2010	$ 691,812
2011	$ 496,323

16. Pension Plan

The employees of the corporation are members of the City of Winnipeg Civic Employees Pension Plan. The corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg.

17. Economic Dependency

The corporation is dependent on the City of Winnipeg and the Province of Manitoba for funding and financing which is essential to its continuing operations.

18. Comparative Figures

The comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

DESTINATION WINNIPEG INC.

BALANCE SHEET

December 31, 2006, with comparative figures for 2005

	2006	2005
ASSETS		
Current assets:		
Cash	**$ 129,640**	$ 75,375
Investments (Note 3)	**881,220**	935,393
Accounts receivable	**53,937**	91,585
Prepaid expenses	**85,526**	72,039
	1,150,323	1,174,392
Capital assets (Note 4)	**243,922**	261,683
	$ 1,394,245	$ 1,436,075
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 59,738**	$ 97,798
Deferred rent	**54,748**	58,135
Deferred contributions:		
Future expenses (Note 5)	**18,327**	16,527
Capital assets (Note 6)	**215,920**	247,518
	234,247	264,045
NET ASSETS		
Unappropriated:		
Invested in capital assets (Note 7)	**28,002**	14,165
Unrestricted	**464,898**	462,233
	492,900	476,398
Appropriated for Contingency Reserve (Note 8)	**371,582**	358,669
Appropriated for Homecoming Initiative Reserve (Note 9)	**181,030**	181,030
	1,045,512	1,016,097
Commitments (Note 10)		
	$ 1,394,245	$ 1,436,075

See accompanying notes to financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2006, with comparative figures for 2005

	2006	2005
REVENUE		
Funding:		
City of Winnipeg	**$ 1,288,000**	$ 1,228,000
Province of Manitoba	**1,223,000**	1,165,000
Partners on projects	**584,158**	449,589
Other	**42,908**	40,203
Interest	**45,840**	25,509
Amortization of deferred contributions	**31,598**	31,598
	3,215,504	2,939,899
EXPENDITURES		
Initiatives and marketing	**1,398,141**	1,149,078
Personnel	**1,389,182**	1,371,417
Administrative	**183,423**	201,674
Occupancy and facilities	**215,343**	213,752
	3,186,089	2,935,921
EXCESS OF REVENUE OVER EXPENDITURES	**$ 29,415**	$ 3,978

See accompanying notes to financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2006, with comparative figures for 2005

	Unappropriated	Contingency Reserve	Homecoming Initiative Reserve	Total 2006	Total 2005
Balance, beginning of year	**$ 476,398**	**$ 358,669**	**$ 181,030**	**$ 1,016,097**	$ 1,012,119
Excess of revenue over expenditures	**29,415**	**-**	**-**	**29,415**	3,978
	505,813	**358,669**	**181,030**	**1,045,512**	1,016,097
Allocation to/(from) unappropriated (Note 8)	**(12,913)**	**12,913**	**-**	**-**	**-**
Balance, end of year	**$ 492,900**	**$ 371,582**	**$ 181,030**	**$ 1,045,512**	$ 1,016,097

See accompanying notes to financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2006, with comparative figures for 2005

Cash provided by (used in):	**2006**	2005
OPERATING ACTIVITIES		
Excess of revenue over expenditures	**$ 29,415**	$ 3,978
Adjustments for:		
Amortization of capital assets	**50,814**	53,664
Amortization of deferred contributions - capital assets	**(31,598)**	(31,598)
Amortization of deferred rent	**(3,387)**	375
Change in non-cash operating working capital		
Accounts receivable	**37,648**	251
Prepaid expenses	**(13,487)**	(2,623)
Accounts payable and accrued liabilities	**(38,060)**	24,261
Decrease in deferred contributions - future expense, net	**1,800**	(13,409)
	33,145	34,899
FINANCING AND INVESTING ACTIVITIES		
Acquisition of capital assets	**(33,053)**	(13,703)
Investments, net	**54,173**	(32,620)
	21,120	(46,323)
INCREASE (DECREASE) IN CASH	**54,265**	(11,424)
CASH, beginning of year	**75,375**	86,799
CASH, end of year	**$ 129,640**	$ 75,375

See accompanying notes to financial statements

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2006

1. General:

Destination Winnipeg Inc. (the organization) is Winnipeg's economic and tourism services agency, an arm's length organization led by an independent board appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the agency.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition:

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

b) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

Asset	Rate
Computer hardware and software	2 - 3 years
Office furniture and fixtures	5 years
Leasehold improvements	over the term of the related lease

c) Deferred rent:

As part of the organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease.

d) 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 contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. *Investments:*

Investments consist of investments in money market instruments to fund the contingency reserve (Note 8), homecoming initiative reserve (Note 9) and other expenses. Investments are recorded at cost plus accrued interest which approximates market value. When there is an other than temporary decline in the value of investments, a provision for estimated losses is recorded. The organization limits its credit risk by investing in lower risk financial instruments.

4. *Capital assets:*

	2006			2005
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Computer hardware and software	**$ 66,344**	**$ 47,842**	**$ 18,502**	$ 8,403
Office furniture and fixtures	**69,077**	**37,631**	**31,446**	32,709
Leasehold improvements	**283,262**	**89,288**	**193,974**	220,571
	$ 418,683	**$ 174,761**	**$ 243,922**	$ 261,683

5. *Deferred contributions - future expenses:*

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

	2006	2005
Balance, beginning of year	**$ 16,527**	$ 29,936
Amounts received during the year	**156,063**	138,940
	172,590	168,876
Less amounts recognized into revenue in the year	**(154,263)**	(152,349)
Balance, end of year	**$ 18,327**	$ 16,527

6. *Deferred contributions - capital assets:*

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2006	2005
Balance, beginning of year	**$ 247,518**	$ 279,116
Amount amortized to revenue	**(31,598)**	(31,598)
Balance, end of year	**$ 215,920**	$ 247,518

7. *Invested in capital assets:*

	2006	2005
Capital assets	**$ 243,922**	$ 261,683
Deferred contributions - capital assets	**(215,920)**	(247,518)
Invested in capital assets	**$ 28,002**	$ 14,165

8. Contingency reserve:

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the organization is terminated by the City of Winnipeg and the Province of Manitoba. As at December 31, 2006, $12,913 [2005 - $(84,893)] was added to the contingency reserve and deducted from unappropriated surplus, based on the calculation of the contingency reserve requirement as at December 31, 2006.

9. Homecoming initiative reserve:

A homecoming initiative reserve was established in prior years to reserve funds to be used for a future initiative.

10. Commitments:

The organization is committed under leases for office premises and equipment for a total of $1,058,167. The minimum lease payments over the next five years are as follows:

2007	$ 173,853
2008	174,606
2009	178,367
2010	178,367
2011	179,119

11. Segregated funds:

The organization holds funds that are segregated for partners (including the organization) in a separate convention development account. These funds are held in an interest-bearing account for the benefit of convention development.

The balance of these funds and the income and expenditure associated therewith, is not included in these financial statements.

	2006	2005
Balance, beginning of year	**$ 101,929**	$ 100,576
Interest earned on funds received	**2,757**	1,353
Balance, end of year, and amount of funds held	**$ 104,686**	$ 101,929

12. Financial instruments:

lnterest rate risk:

lnterest rate risk is the risk to the organization's earnings that arises from fluctuations in the interest rates and the degree of volatility of those rates. The company is exposed to interest rate risk on its money market investments. The organization does not use derivative instruments to reduce its exposure to interest rate risk.

Fair value:

The fair value of cash, investments, accounts receivable, interest receivable and accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

13. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	2006	2005
ASSETS		
Cash	**$ 180,223**	$ -
Due from City of Winnipeg - General Revenue Fund (Note 3)	**72,666**	-
Accounts receivable	**231,407**	240,191
Long-term investments	**-**	742,458
Due from City of Winnipeg (Note 4)	**6,172,693**	6,906,082
	$ 6,656,989	$ 7,888,731
LIABILITIES		
Bank indebtedness	**$ -**	$ 334,457
Due to City of Winnipeg - General Revenue Fund (Note 3)	**-**	1,243,630
Accounts payable and accrued liabilities	**221,221**	381,695
Debt (Note 5)	**3,955,376**	4,624,940
	4,176,597	6,584,722
NET ASSETS	**2,480,392**	1,304,009
	$ 6,656,989	$ 7,888,731

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the year ended December 31, 2006
with 7 month 2005 comparative figures
(unaudited)

	2006	2005
REVENUES		
Transfer from General Capital Fund	**$ 2,134,475**	$ -
Suites, club seats and other	**144,599**	74,789
	2,279,074	74,789
EXPENSES		
Write-off of long-term receivable (Note 4)	**733,389**	427,809
Interest on debt and other finance charges	**345,481**	166,340
Professional fees, office supplies and other	**23,821**	10,072
Utilities	**-**	69,065
	1,102,691	673,286
NET INCOME (LOSS) FOR THE YEAR	**1,176,383**	(598,497)
NET ASSETS - BEGINNING OF YEAR	**1,304,009**	1,902,506
NET ASSETS - END OF YEAR	**$ 2,480,392**	$ 1,304,009

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(unaudited)

1. Entity Definition and Wind-Up of Operations

Winnipeg Enterprises Corporation ("WEC") is a not-for-profit organization established by the **Winnipeg Enterprises Corporation Incorporation Act** on July 26, 1952 under the laws of the Province of Manitoba. As at March 31, 2005, WEC has wound-down its operations and is being managed by The City of Winnipeg, its sole director. The City of Winnipeg has assumed all remaining and prospective debt and liabilities of WEC. In 2005, The City of Winnipeg changed the year-end of WEC from May 31 to December 31.

2. Significant Accounting Policies

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue as it is earned and measurable. Expenses are recognized as they are incurred and measurable based upon receipt of goods and services and/or the creation of a legal obligation to pay.

Financial instruments

Financial instruments include cash, due from City of Winnipeg - General Revenue Fund, accounts receivable, due from City of Winnipeg, accounts payable and accrued liabilities, debt and an interest rate swap on a portion of the debt. Unless otherwise stated, the book value of the Corporation's financial assets and liabilities approximates their fair value. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments except as per Note 5.

The Corporation uses interest rate swap contracts to manage interest rate risk on certain floating rate debt. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense on a basis which matches the related fluctuations in the interest payments under floating rate debt.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

3. Due to/from City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Due from City of Winnipeg

The due from City of Winnipeg represents the net book value of the property and equipment that was owned by WEC and transferred to the City of Winnipeg based on the assignment agreement dated June 1, 2004 between The City, WEC and the Winnipeg Football Club. The receivable is being written-down based on the amortization of the property and equipment using the straight-line method over 10 years on the remaining unamortized balance.

5. Debt

	2006	2005
Demand loan (credit facility A); bearing interest at prime; repayable in blended monthly instalments of $31,634	**$ 1,483,364**	$ 1,765,636
Demand loan (credit facility B); bearing interest at a fixed swap rate of 5.94%, repayable in quarterly instalments of $70,833 plus interest	**2,101,795**	2,388,296
Demand loan (credit facility C); bearing interest at 7.24% per annum until October 21, 2009, after which, bears interest at prime plus 0.25%; repayable in blended monthly instalments of $11,735; secured by a specific fixed charge on certain equipment	**370,217**	471,008
	$ 3,955,376	$ 4,624,940

Credit facilities A and B are secured by a limited guarantee from the City of Winnipeg of $7,650,000.

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31, 2006

	2006	2005
ASSETS		
Current Assets		
Cash	**$ 51,909**	$ -
Rents receivable	**24,066**	43,660
Other receivables	**53,276**	55,314
Grants receivable	**191,781**	164,441
GST receivable	**39,210**	19,627
Subsidy due from CMHC (Note 3)	**11,054**	14,472
Subsidy due from MHRC (Note 3)	**273,229**	280,089
Due from MHRC (Note 4)	**163,590**	156,788
Prepaid expenses	**97,591**	15,571
Housing inventory (Note 2(a))	**421,930**	806,658
	1,327,636	1,556,620
Restricted Cash and Deposits		
Replacement Reserve Fund (Notes 2(b) and 5)		
CMHC funded	**752,999**	724,792
MHRC funded	**2,026,436**	1,863,378
WHRC funded	**18,305**	17,163
	2,797,740	2,605,333
Subsidy Surplus Reserve Fund (Notes 2(c) and 6)	**79,324**	74,909
Term deposit, Spence project	**-**	154,487
	2,877,064	2,834,729
Capital Assets (Notes 2(e) and 7)	**31,431,390**	32,118,295
	$ 35,636,090	$ 36,509,644

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at March 31, 2006

	2006	2005
LIABILITIES		
Current Liabilities		
Short-term loans (Note 8)	**$ -**	$ 67,000
Bank indebtedness (Note 9)	**-**	144,261
Accounts payable and accrued liabilities	**384,684**	278,938
Accrued interest payable	**241,103**	245,725
Security deposits and prepaid rent	**183,964**	176,253
Current portion of forgivable loans (Notes 2(f) and 10)	**76,590**	97,924
Current portion of long-term debt (Note 11)	**793,823**	743,694
	1,680,164	1,753,795
Deferred Revenue	**209,913**	209,125
Restricted Surplus (Deficit) (Note 12)	**(29,563)**	27,067
Forgivable Loans (Notes 2(f) and 10)	**476,769**	548,381
Long-term debt (Note 11)	**30,944,550**	31,765,321
Replacement Reserves		
Rental Replacement Reserve (Note 2(d))	**-**	23,035
Replacement Reserve - CMHC	**752,999**	724,559
Replacement Reserve - MHRC	**2,026,436**	1,862,227
Subsidy Surplus Reserve	**79,324**	79,324
	2,858,759	2,689,145
NET ASSETS	**(504,502)**	(483,190)
	$ 35,636,090	$ 36,509,644

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended March 31, 2006

	2006	2005
REVENUE		
City of Winnipeg operating grant	**$ 200,000**	$ 200,000
City of Winnipeg grant	**-**	49,574
CMHC subsidy (Note 3)	**129,230**	146,735
Development fees	**21,615**	57,087
Home Ownership Training Initiative grant	**47,633**	5,508
Inner City Migrancy grant	**-**	9,168
Insurance proceeds	**-**	9,469
Interest	**12,762**	17,551
Loan forgiveness	**85,200**	79,200
MHRC subsidy (Note 3)	**3,311,425**	3,321,514
MHRC rent supplement (Note 13)	**340,124**	264,769
Miscellaneous income	**20,329**	16,663
Parking and laundry	**68,849**	75,158
Property management fees	**247,890**	243,782
Renovation grants	**-**	16,000
Rental revenue		
Residential	**2,305,357**	2,230,306
Commercial	**54,948**	40,673
Winnipeg Housing and Homelessness Initiative grant	**12,983**	-
	6,858,345	6,783,157
EXPENDITURES	**6,951,405**	6,931,395
Deficiency of revenue over expenditures	**(93,060)**	(148,238)
Net assets, beginning of year	**(483,190)**	(463,501)
Subsidy due (to) from MHRC	**(48,895)**	677
Operating deficiency recoverable from MHRC (Note 4)	**97,582**	127,872
Transfer of replacement reserve	**23,061**	-
Net assets, end of year	**$ (504,502)**	$ (483,190)

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (continued)

Year ended March 31, 2006

	2006	2005
EXPENDITURES		
Administration	**$ 304,360**	$ 266,600
Advertising	**1,614**	6,630
Allocation to Replacement Reserve (Note 5)	**263,828**	274,774
Amortization	**837,208**	780,517
Bad debt	**41,493**	67,887
Bank charges and other interest	**3,010**	4,640
Cable T.V.	**1,236**	1,058
Collection fees	**1,907**	4,979
Disallowed GST	**12,244**	-
Garbage removal	**7,696**	6,791
Heat	**320,937**	274,800
Home Ownership Training Initiative	**47,633**	3,210
Hydro	**276,300**	261,402
Inner City Migrancy	**-**	9,168
Insurance	**103,320**	87,962
Janitorial services	**249,133**	230,849
Legal	**-**	9,357
Licenses and permits	**340**	340
Maintenance and repairs	**514,137**	455,296
Mortgage interest	**2,869,532**	2,914,122
Office operations	**51,487**	58,111
Office salaries and benefits	**348,149**	372,229
Other grants	**-**	16,000
Pest control	**390**	405
Professional fees	**25,317**	85,788
Property taxes	**352,444**	394,532
Recruiting	**605**	1,268
Renovation grants	**549**	49,574
Security	**2,077**	2,990
Snow removal	**5,596**	2,533
Telephone	**772**	1,451
Tenant charge backs (recovery)	**(2,092)**	(2,118)
Terminated project - 83 Kate	**-**	2,369
Utilities	**15,187**	6,174
Water	**294,996**	279,707
Total Expenditures	**$ 6,951,405**	$ 6,931,395

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2006

	2006	2005
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Deficiency of revenue over expenditures	**$ (93,060)**	$ (148,238)
Add non-cash items:		
Amortization	**837,208**	780,517
Loan forgiveness	**(85,200)**	(79,200)
	658,948	553,079
Change in non-cash working capital:		
Rents receivable	**19,594**	(33,910)
Other receivables	**2,038**	113,515
GST receivable	**(19,583)**	20,644
Subsidy due from CMHC	**3,418**	-
Subsidy due from MHRC	**6,860**	12,726
Advances to City of Winnipeg projects	**-**	5,674
Prepaid expenses	**(82,020)**	(4,919)
Housing inventory	**384,728**	(493,451)
Grants receivable	**(27,340)**	372,811
Accounts payable and accrued liabilities	**105,748**	(141,422)
Accrued interest payable	**(4,622)**	(4,480)
Security deposits and prepaid rent	**7,711**	(25,195)
Deferred revenue	**788**	(68,213)
	1,056,268	306,859
INVESTING ACTIVITIES		
Purchase of capital assets	**(150,303)**	(3,601)
Rental property additions	**-**	(55,129)
Increase in MHRC replacement reserve	**164,209**	73,197
Increase in CMHC replacement reserve	**28,440**	38,204
	42,346	52,671
FINANCING ACTIVITIES		
Decrease in restricted surplus (deficit)	**(56,630)**	(20,436)
(Decrease) increase in forgivable loans	**(7,746)**	42,572
Long-term debt proceeds	**-**	582,000
Repayment of long-term debt	**(770,642)**	(493,863)
(Decrease) increase in rental replacement reserve	**(23,035)**	35
Transfer of rental replacement reserve	**23,061**	-
MHRC recoveries	**41,883**	120,000
	(793,109)	230,308
Increase in cash	**305,505**	589,838
Cash, beginning of year	**2,623,468**	2,033,630
Cash, end of year	**$ 2,928,973**	$ 2,623,468
REPRESENTED BY:		
Cash (Bank indebtedness)	**$ 51,909**	$ (144,261)
Restricted cash and deposits	**2,877,064**	2,834,729
Short-term loans	**-**	(67,000)
	$ 2,928,973	$ 2,623,468

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2006

1. Accounting Entity

The corporation is engaged in providing assisted housing in the Core Area of Winnipeg. The corporation is mandated by The City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing and Renewal Corporation (MHRC).

The corporation's activities include a property management head office, management of individual properties and a housing rehabilitation program.

The corporation is not taxable under section 149 of the **Income Tax Act.**

These financial statements consolidate Winnipeg Housing Rehabilitation Corporation (WHRC) and Winnipeg Partners in Housing Inc. (WPH). WHRC controls WPH by virtue of appointing the board of directors. Individual financial statements for both entities are available.

2. Significant Accounting Policies

The consolidated financial statements of the corporation have been prepared solely for the information and use of CMHC and MHRC to comply with each of their operating agreements. The corporation follows certain accounting principles as determined by CMHC and MHRC for administration and funding purposes in recording expenditures.

a) Housing Inventory

Housing inventory is recorded at cost. For properties acquired from The City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No amortization is being taken on the housing inventory. These buildings are either in the pre-renovation or renovation stages.

b) Replacement Reserve Fund

The Replacement Reserve Fund accounts are maintained to provide for future asset replacement. The accounts are established by an annual charge against operations. Interest earned is added and replacement costs are charged directly against the accumulated reserves.

c) Subsidy Surplus Reserve Fund

With the Sargent and Cumberland properties, the corporation is allowed to retain $500 per unit for unforeseen expenses and operating losses. The surplus/deficit between the two properties are netted together into the Subsidy Surplus Reserve Fund.

d) Rental Replacement Reserve

The Rental Replacement Reserve consists of annual operating surpluses for the Spence and West Broadway properties, in addition to an allowance of $1,000 per property at start-up.

2. Significant Accounting Policies (continued)

e) Capital Assets

Capital assets are recorded at cost. Amortization is provided for as follows:

Computer equipment	- straight-line over 3 years
Furniture and equipment	- straight-line over 5 years
Office building	- straight-line over 20 years
Rental properties	- an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies
General	- a replacement reserve is maintained to provide for future asset replacement

For properties acquired from The City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property.

Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, are applied towards the capital cost of the property. Furniture and equipment costing less than $1,000 are expensed. Options and feasibility studies are added to the cost of acquired property or expensed if the property is not acquired. Any forgivable loans received are charged against the capital cost of the property.

f) Forgivable Loans

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years as long as the repairs to the properties are done by a set date.

g) Revenue Recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectibility is reasonably assured.

Revenue is recognized when services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

The corporation enters into rent to own agreements with its tenants. The intent is to have the tenant purchase the home at an agreed upon price at the end of the lease so that a portion of the rent paid goes towards reducing the purchase price. Rent is recognized as revenue when due and includes any amount which would be applied to reducing the purchase price. Upon sale of the property, the purchase price will be recorded net of rent paid.

h) Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting periods presented. Actual results could differ from these estimates.

2. Significant Accounting Policies (continued)

i) Financial Instruments

Financial instruments include cash, restricted cash and deposits, rents receivable and other receivables, subsidy due from CMHC, subsidy due from MHRC, due from MHRC, grants receivable, short-term loans, bank indebtedness, accounts payable and accrued liabilities, accrued interest payable, forgivable loans, and long-term debt. The fair value of these financial instruments approximates fair market value. It is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. Subsidy Due from CMHC and MHRC

The CMHC properties are subsidized for mortgage interest on a monthly basis. The MHRC properties are subsidized for mortgage interest and property taxes on a monthly basis. The amounts represent the accrued interest and property taxes for the month of March 2006 and March 2005, for comparative purposes.

4. Due from MHRC

Pursuant to the current operating agreement with MHRC, and the agreements with CMHC which expired March 31, 1999, on a cumulative basis for each portfolio of properties, any excess funding provided to the corporation is to be repaid. Where a cumulative deficiency exists for MHRC properties, the shortfall is the responsibility of MHRC subject to MHRC approval of project costs.

	2006	2005
Operating deficiency recoverable from MHRC	**$ 225,454**	$ 156,111
Operating surplus due (to) from MHRC - Cumberland and Sargent	**(48,218)**	677
Operating surplus due to MHRC from prior years	**(13,646)**	-
	$ 163,590	$ 156,788

5. Replacement Reserve Fund

Under the terms of the agreements with CMHC/MHRC, the Replacement Reserve account has been credited in the amount of $263,828 (2005 - $274,774). These funds along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/MHRC from time to time. The funds in the account may only be used as approved by CMHC/MHRC. Withdrawals are credited to interest first and then principal. At year end, the funds in the reserve consisted of the following:

	2006	2005
Cash	**$ 39,705**	$ -
Term Deposits	**-**	135,384
Canadian Treasury Bills and Bonds	**2,758,035**	2,383,895
Mutual Funds	**-**	86,054
	$ 2,797,740	$ 2,605,333

6. Subsidy Surplus Reserve Fund

The corporation has established a Subsidy Surplus Reserve Fund for the Sargent and Cumberland properties in accordance with the **National Housing Act** and an agreement with the CMHC. Under the terms of the agreement with CMHC, excess federal assistance payments may be retained in a Subsidy Surplus Reserve up to a maximum of $500 per unit plus interest. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC from time to time. The funds in this account may only be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first and then principal. When the project has attained the maximum of $500 per unit, up to 10% excess assistance during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program. At year end, the funds in the reserve consisted of the following:

	2006	2005
Cash	**$ 79,324**	$ 74,909

7. Capital Assets

	2006		2005	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Rental properties	**$ 38,201,556**	**$ 6,799,130**	$ 38,139,757	$ 6,057,858
Office building	**44,614**	**26,768**	44,614	24,538
Furniture and equipment	**191,584**	**180,466**	188,281	171,961
	$ 38,437,754	**$ 7,006,364**	$ 38,372,652	$ 6,254,357
Net book value	**$ 31,431,390**		$ 32,118,295	

8. Short-Term Loans

	2006	2005
Cham Holdings Inc.		
Property		
283 Furby St, interest is accrued at 7.5%	**$ -**	$ 34,100
287 Furby St, interest after June 30, 2003 has been accrued at 7.5%	**-**	32,900
	$ -	$ 67,000

9. Bank Indebtedness

The corporation has a line of credit with the Assiniboine Credit Union with an approved maximum of $1,800,000 which is due on demand and bears interest at the credit union's prime rate, payable monthly. This line of credit is secured by a $2,000,000 guarantee by The City of Winnipeg. As of March 31, 2006, there is still $1,292,131 available from this line of credit.

10. Forgivable Loans

	2006	2005
Residential Rehabilitation Assistance Program (RRAP) Forgivable loans bearing interest from 6.88% to 8.75%. The loans will be forgiven between July 1, 2017 and March 1, 2019.	**$ 363,200**	$ 394,400
Neighbourhood Housing Assistance (NHA)	**190,159**	251,905
	553,359	646,305
Less: current portion	**(76,590)**	(97,924)
	$ 476,769	$ 548,381

RRAP

WHRC has entered into various forgivable loans with Manitoba Family Services and Housing under the Residential Rehabilitation Assistance Program. These loans are forgivable over a fifteen year period on a pro-rated, monthly basis beginning the first day of the month following final disbursement of funds. In the event a housing unit is sold and meets the following conditions:

- the property is sold at or below fair market value;
- the property is sold to an income qualified purchaser;
- the property is held for 5 years under the RRAP agreement; and
- the purchaser of the property must agree to provide MHRC with acceptable loan security;

then MHRC agrees to release the WHRC from their loan obligation.

These loans will be forgiven as follows:

2007	$ 31,200
2008	31,200
2009	31,200
2010	31,200
2011	31,200
Thereafter	207,200
	$ 363,200

NHA

WHRC has entered into various forgivable loan agreements with MHRC under the Neighbourhood Housing Assistance program. These loans are forgivable over a period of five years, in equal monthly amounts, commencing from the date of execution of the agreement. In the event a housing unit is sold or otherwise transferred before the entire loan is forgiven, any unforgiven portion shall become payable to MHRC.

The loans will be forgiven as follows:

2007	$ 45,390
2008	20,724
2009	6,724
2010	6,724
2011	6,724
Thereafter	103,873
	$ 190,159

11. Long-Term Debt

The corporation finances the purchase of properties by way of mortgage loans as follows:

Lender	Interest Rate	Maturity Dates	**2006**	2005
Royal Bank of Canada	4.64% - 5.10%	2007-2010	**$ 37,617**	$ 45,269
Assiniboine Credit Union	5.80% - 6.85%	2008-2009	**1,222,927**	1,275,717
Canada Mortgage and Housing Corporation	4.52% - 5.50%	2017-2021	**5,389,857**	5,598,743
Manitoba Housing and Renewal Corporation	6.63% - 12.50%	-	**25,087,972**	25,589,286
			31,738,373	32,509,015
Less, current portion			**(793,823)**	(743,694)
			$ 30,944,550	$ 31,765,321

All mortgages are secured by a charge registered against the properties.

Although some of the mortgages may become due within the next fiscal period, these mortgages have not been shown as current as they are expected to be refinanced on similar terms when they come due.

Principal repayments due within the next five years are as follows:

2007	$ 793,823
2008	850,817
2009	926,283
2010	1,003,370
2011	1,093,944
Thereafter	25,974,265
CMHC second mortgages	1,095,871
	$ 31,738,373

12. Restricted Surplus (Deficit)

The gains and losses on the sale of properties that were in construction are recorded as restricted surplus (deficit). The net gains must ultimately be used in the specific communities in which they were earned.

13. MHRC Rent Supplement

Two projects, 435 Sargent and 461 Cumberland, receive monthly rent supplements from Manitoba Housing.

	2006	2005
435 Sargent	**$ 119,738**	$ 96,376
461 Cumberland	**220,386**	168,393
	$ 340,124	$ 264,769

14. Additional Information to Cash Flows Statement

	2006	2005
Interest received	**$ 13,836**	$ 17,551
Interest paid	**$ 2,874,154**	$ 2,920,469

15. Comparative Figures

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

	2006	2005
ASSETS		
Current Assets		
Cash and bank	**$ 1,333,943**	$ 1,232,802
Short-term investments	**4,082,422**	6,985,658
Accounts receivable	**364,489**	243,611
Prepaid expenses	**13,638**	9,945
Property held for resale (Note 2)	**1,474,003**	1,049,069
Current portion of mortgages receivable (Note 3)	**1,148,925**	115,999
Current portion of loans receivable (Note 4)	**315,285**	149,572
	8,732,705	9,786,656
Mortgages receivable (Note 3)	**1,112,717**	1,164,085
Loans receivable (Note 4)	**713,219**	588,877
Capital assets (Note 5)	**1,954,332**	1,251,280
	$ 12,512,973	$ 12,790,898
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 99,128**	$ 93,788
Deferred grant revenue (Note 6)	**373,436**	465,936
	472,564	559,724
Commitments and contingencies (Note 7)		
NET ASSETS		
Invested in capital assets	**1,954,331**	1,251,279
General	**1,669,566**	1,333,835
Urban Development Bank	**8,416,512**	9,646,060
	12,040,409	12,231,174
	$ 12,512,973	$ 12,790,898

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	Invested in Capital Assets	**General**	**Urban Development Bank**	**Total 2006**	Total 2005
Balance, beginning of year	**$ 1,251,279**	**$ 1,333,835**	**$ 9,646,060**	**$ 12,231,174**	$ 11,182,569
Excess (deficiency) of revenue over expenditures for the year	**(61,722)**	**335,731**	**(464,774)**	**(190,765)**	1,048,605
Capital expenditures during the year	**764,774**	**-**	**(764,774)**	**-**	-
Balance, end of year	**$ 1,954,331**	**$ 1,669,566**	**$ 8,416,512**	**$ 12,040,409**	$ 12,231,174

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS - GENERAL

For the years ended December 31

	2006	2005
REVENUE		
Interest	**$ 449,717**	$ 436,708
City of Winnipeg - grant	**250,000**	250,000
Rental	**190,817**	178,347
Adjustment of investments to market value	**(31,900)**	(73,700)
	858,634	791,355
EXPENDITURES		
Administration	**342,793**	275,837
Professional fees	**95,726**	140,956
Amortization	**61,722**	64,680
Office	**53,618**	55,977
Property rental costs	**19,394**	18,282
Insurance	**10,050**	9,577
Bank charges and interest	**1,322**	1,339
	584,625	566,648
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	**$ 274,009**	$ 224,707
ALLOCATED TO		
General	**$ 335,731**	$ 289,387
Invested in Capital Assets	**(61,722)**	(64,680)
	$ 274,009	$ 224,707

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS - URBAN DEVELOPMENT BANK

For the years ended December 31

	2006			2005
	Special Urban Development	**Projects**	**Total**	Total
REVENUE				
Sale of properties	**$ 251,500**	**$ -**	**$ 251,500**	$ 851,776
Grants				
Province of Manitoba	**-**	**-**	**-**	476,000
	251,500	**-**	**251,500**	1,327,776
Deferred revenue, beginning of year	**-**	**465,936**	**465,936**	546,773
Deferred revenue, end of year	**-**	**(373,436)**	**(373,436)**	(465,936)
	251,500	**92,500**	**344,000**	1,408,613
EXPENDITURES				
Cost of properties	**388,728**	**-**	**388,728**	149,280
Professional fees	**168,553**	**-**	**168,553**	8,399
Grants paid out	**142,030**	**-**	**142,030**	312,770
Special project costs	**-**	**92,500**	**92,500**	80,837
Project development	**16,963**	**-**	**16,963**	33,429
	716,274	**92,500**	**808,774**	584,715
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES FOR THE YEAR	**$ (464,774)**	**$ -**	**$ (464,774)**	$ 823,898

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the years ended December 31

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess (deficiency) of revenues over expenditures for year	**$ (190,765)**	$ 1,048,605
Adjustment for amortization of capital assets	**61,722**	64,680
	(129,043)	1,113,285
Changes in non-cash working capital balances		
Short-term investments	**2,903,236**	(328,066)
Accounts receivable	**(120,878)**	(237,171)
Prepaid expenses	**(3,693)**	(2,578)
Property held for resale	**(424,934)**	-
Accounts payable and accrued liabilities	**5,339**	78,119
Deferred grant revenue	**(92,500)**	(80,837)
	2,266,570	(570,533)
	2,137,527	542,752
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	**(764,774)**	(3,190)
Advances (net of repayments) of mortgages receivable	**(981,559)**	(492,779)
Advances of loans receivable	**(290,053)**	1,383
	(2,036,386)	(494,586)
Increase in cash and cash equivalents during the year	**101,141**	48,166
Cash and cash equivalents, beginning of year	**1,232,802**	1,184,636
Cash and cash equivalents, end of year	**$ 1,333,943**	$ 1,232,802

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

December 31, 2006

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require 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 revenue and expenditures during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Basis of Financial Presentation

The corporation records its financial transactions on the deferred fund accounting basis as follows:

General

General includes transactions related to general operations and administration of the corporation.

Urban Development Bank

The Urban Development Bank represents funds intended to enable CentreVenture Development Corporation to facilitate economic development initiatives with private and non-profit sectors and provide creative financing options to encourage downtown investment.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.

Revenue Recognition

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgages and agreements. Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser.

Mortgages and Loans Receivable

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the income is received.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Allowance for Doubtful Loans

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income, and is reduced by write-offs.

Financial Instruments

The corporation's financial instruments consist of cash, accounts receivable, short-term investments, mortgages and loans receivable and accounts payable. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Property Held for Resale

Property held for resale is recorded at the lower of cost or net realizable value.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided for on a straight-line basis in accordance with the following terms:

Building	25 years
Computer equipment	3 years
Furniture and fixtures	5 years

The acquisition costs of capital assets which are funded from capital financing sources are charged to operations and matched with the applicable revenue sources in the year of expenditure. Where capital is financed using prior years equity, the cost will be charged to the related net asset balance. These expenditures are recorded as an addition to assets with a corresponding increase in Invested in Capital Assets.

Short-term Investments

Short-term investments are recorded at cost, which approximates market value unless otherwise noted.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Special Projects - Restricted Funding Arrangements

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by the corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were ongoing during the year:

Province of Manitoba:

North Main Economic Development Program Grant
The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

City of Winnipeg:

Downtown Housing Strategy
The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

City of Winnipeg:

Hammerquist 2003 and 2004
The purpose of these grants is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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 management's best estimates as additional information becomes available in the future.

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2006

1. Nature and Purpose of the Corporation

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.

2. Property Held for Resale

Under the asset agreement between CentreVenture Development Corporation and The City of Winnipeg, the corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price.

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost.

3. Mortgages Receivable

Mortgages receivable on various properties in downtown Winnipeg with interest rates ranging from 5.25% to 7.0%, terms ranging from demand to maturity of 5 years, monthly instalments applied to interest first, compounded semi-annually not in advance, and secured by recourse to the related underlying property or other forms of security.	**2006**	2005
	$ 2,305,744	$ 1,300,522
Accrued interest receivable	**5,898**	4,562
Allowance for doubtful loans	**(50,000)**	(25,000)
	2,261,642	1,280,084
Current portion of mortgages receivable	**1,148,925**	115,999
	$ 1,112,717	$ 1,164,085

4. Loans Receivable

	2006	2005
Loans receivable from various borrowers with interest rates ranging from 4.75% to 9%, maximum term to maturity of 10 years, payable in monthly interest instalments plus annual principal payment, and secured by an assignment of Heritage Tax Credits or other forms of security	**$ 1,124,159**	$ 859,052
Accrued interest receivable	**4,345**	4,397
Allowance for doubtful loans	**(100,000)**	(125,000)
	1,028,504	738,449
Current portion of loans receivable	**315,285**	149,572
	$ 713,219	$ 588,877

5. Capital Assets

	2006			2005
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 764,774**	**$ -**	**$ 764,774**	$ -
Building	**1,485,000**	**297,000**	**1,188,000**	1,247,400
Computer equipment	**49,078**	**48,348**	**730**	2,624
Furniture and fixtures	**8,720**	**7,892**	**828**	1,256
	$ 2,307,572	**$ 353,240**	**$ 1,954,332**	$ 1,251,280

Building with an original cost of $2,999,327 was written down in 2003 to recognize a permanent impairment in value.

6. Deferred Grant Revenue

Deferred grant revenue represents restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for projects during the year is as follows:

	2006	2005
Hammerquist 2004	**$ 290,000**	$ 290,000
Downtown Housing Strategy	**49,990**	129,990
Hammerquist 2003	**30,846**	43,346
North Main Economic Development Program Grant	**2,600**	2,600
	$ 373,436	$ 465,936

7. Commitments and Contingencies

The corporation has made commitments for grants that had not been disbursed by the December 31, 2006 year end in the approximate amount of $157,663.

The corporation has made commitments for loans that had not been disbursed by the December 31, 2006 year end in the approximate amount of $1,849,460.

The corporation has made commitments for streetscaping and landscaping with the maximum amount committed to be $419,435 pending the recipient's ability to meet the requirements of the agreement.

8. Comparative Figures

Certain of the comparative figures for the year ended December 31, 2005 have been reclassified to provide better comparison with the current year's presentation.

9. Related Party Transactions

The following table summarizes the corporation's related party transactions for the year:

	2006	2005
REVENUE		
Contributions from		
City of Winnipeg - operating grant	**$ 250,000**	$ 250,000
Proceeds from sale of properties	**$ -**	$ 75,122
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Property taxes	**$ 39,209**	$ 33,902
Property purchases	**$ 14,517**	$ 21,001
OTHER		
Heritage Tax Credits, applied to loans outstanding	**$ 99,016**	$ 139,499

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties which is recognized to be at fair market value).

CENTREVENTURE DEVELOPMENT CORPORATION

SCHEDULE OF SPECIAL PROJECTS

For the year ended December 31, 2006

	Hammerquist 2004	North Main Economic Development Program Grant	Downtown Housing Strategy	Hammerquist 2003	Total
Revenue	$ -	$ -	$ -	$ -	$ -
Deferred revenue, beginning of year	290,000	2,600	129,990	43,346	465,936
Deferred revenue, end of year	(290,000)	(2,600)	(49,990)	(30,846)	(373,436)
	-	-	80,000	12,500	92,500
Expenditures					
Grant dispersal	-	-	80,000	12,500	92,500
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	$ -	$ -	$ -	$ -	$ -

WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
BALANCE SHEET

As at December 31, 2006, with comparative figures as at December 31, 2005

	2006	2005
ASSETS		
Current Assets:		
Cash	**$ 5,149**	$ 12,216
Term Deposits	**1,212,000**	1,005,000
Grant and Other Receivable	**477,066**	398,600
Goods and Services Tax Rebate	**7,482**	4,434
Accrued Interest	**38,507**	14,249
Prepaid Expenses	**1,826**	1,931
Advance on Grant	**-**	15,000
	1,742,030	1,451,430
Capital Assets, at cost		
New Office Construction (Note 3)	**62,653**	-
Computer Hardware	**19,428**	10,062
Telephone Hardware	**5,347**	-
	87,428	10,062
Less: Accumulated Amortization (Note 4)	**(2,762)**	-
	84,666	10,062
	$ 1,826,696	$ 1,461,492
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	**$ 48,995**	$ 9,051
Grant Holdbacks (Note 5)	**572,989**	528,821
Public Art Fund (see page 358 and Note 6)	**889,635**	555,898
	1,511,619	1,093,770
NET ASSETS		
Invested in Capital Assets	**84,666**	10,062
Internally Restricted for Client Cash Flow Assistance (Note 7)	**100,000**	100,000
Internally Restricted for Municipal Arts and Culture Development (Note 8)	**42,821**	42,821
Internally Restricted for Future Programs	**47,590**	-
Internally Restricted for Future Administrative Capital Asset Acquisitions	**40,000**	-
Unrestricted Net Assets	**-**	214,839
	315,077	367,722
	$ 1,826,696	$ 1,461,492

WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
STATEMENT OF NET RESULT AND CHANGES IN NET ASSETS

For the year ended December 31, 2006, with comparative figures for the year ended December 31, 2005

	2006	2005
REVENUES:		
Grants from the City of Winnipeg	**$ 3,924,552**	$ 3,674,552
Interest Income	**42,221**	16,354
Other Income	**2,110**	-
	3,968,883	3,690,906
GRANTS AWARDED AND DIRECT EXPENSES THEREOF:		
Operating Grants	**2,671,400**	2,546,062
New Creations Grants (Note 5)	**341,862**	328,820
Downtown Festivals Grants (Note 5)	**186,000**	186,000
Individual Artists Grants	**105,000**	102,934
Project Grants (Note 5)	**133,775**	81,800
Professional Development Grants	**62,343**	54,196
Carol Shields Winnipeg Book Award	**3,750**	1,250
Youth Arts Initiative Pilot Program (Note 5)	**64,939**	-
Jury Honoraria and Expenses	**15,070**	9,646
Translation Services	**10,231**	4,635
	3,594,370	3,315,343
ADMINISTRATIVE EXPENSES:		
Salaries and Benefits	**128,475**	109,270
Professional and Consultants Fees	**28,796**	10,997
Promotion	**8,502**	11,885
Office Rent	**9,758**	9,514
Professional Development, Memberships, and Conferences	**11,498**	7,094
Supplies and Other Office Expenses	**16,304**	9,978
Telecommunications	**3,351**	3,945
Board and Committee Meetings	**3,190**	2,223
Hospitality and Promotion	**2,005**	1,288
Executive Search	**31,180**	10,891
	243,059	177,085
	3,837,429	3,492,428
EXCESS OF REVENUES OVER AWARDS AND EXPENSES FOR THE YEAR	**131,454**	198,478
NON-RECURRING GRANTS (Note 9)		
Supplemental Operating Grants	**(130,100)**	-
Supplemental Project Grants	**(34,000)**	-
Supplemental Individual Artists Grants	**(20,000)**	-
	(184,100)	-
NET RESULT AFTER SUPPLEMENTAL GRANTS	**$ (52,646)**	$ 198,478

WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
STATEMENT OF NET RESULT AND CHANGES IN NET ASSETS (continued)

For the year ended December 31, 2006, with comparative figures for the year ended December 31, 2005

		2006	2005
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR		**$ 214,840**	$ 26,423
(Deficiency) Excess of Revenues over Expenses for the Year	$ (52,646)		198,478
Add Back: Amortization of Capital Assets	2,762	**(52,646)**	
		162,194	224,901
Internally Restricted for Future Programs		**(47,590)**	-
Internally Restricted for Capital Assets		**(40,000)**	-
		74,604	224,901
Purchase of Capital Assets	$ 77,366		(10,062)
Less: Amortization of Capital Assets	(2,762)	**(74,604)**	
UNRESTRICTED NET ASSETS, END OF YEAR		**$ -**	$ 214,839

WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended December 31, 2006

1. Purpose of the Organization:

Winnipeg Arts Council Inc. is a not for profit arm's length agency that provides funding to artists and arts organizations in the City of Winnipeg based upon the assessment of peer juries.

2. Financial Dependency:

Winnipeg Arts Council Inc. is financially dependent upon an annual allocation from the City of Winnipeg.

3. Construction Advances:

The Council has entered into contracts to renovate office space in rental premises for the purpose of a new administrative centre to be occupied in 2007.

4. Amortization of Fixed Assets:

Computer Hardware is being written off over three years from the month of the acquisition of each item. The Telephone Hardware is being written off over five years from the month of the acquisition of this system. In the current year, $2,762 of this expense was charged to administration.

5. Grant Holdbacks:

Winnipeg Arts Council Inc. has a policy of holding back a proportion of grants awarded in a year until certain completion criteria are satisfied. Furthermore, some awards will be disbursed according to a cash-flow schedule developed with the agreement of the client organizations. Accordingly, this account represents those award balances which will be disbursed in the future.

The composition of these holdbacks according to award category is as follows:

New Creations	$	537,212
Project Grants		18,527
Downtown Festivals		10,750
Youth Arts Initiative		6,500
	$	572,989

6. Public Art Fund:

Winnipeg Arts Council Inc. maintains a separate fund for the financing of the design and execution of particular artworks to be created in public areas of the city. This fund is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendations of juries selected by the Council.

At the year-end, the following unexpended balances remain, from the original financial commitments for public art made in prior years, after cumulative expenses incurred. A balance of $64,800 remains in the fund for future administrative expenses.

6. Public Art Fund (continued):

	Original Funding	Unexpended Commitment
Artwork for a Major Street	$ 192,600	$ 192,600
Transit Project	165,500	165,500
Community Arts Projects	120,000	97,183
Vimy Ridge Memorial Park	98,000	10,774
Greenbelt Project	97,500	97,500
Artist Residency	96,700	79,539
Assiniboine Park	94,677	94,522
Playground Project	42,000	42,000
Artwork for a Park	28,000	28,000
Public Education Program	13,000	12,217
BIZ Collaboration	5,000	5,000
		$ 824,835

The City of Winnipeg allocated $508,200 to the Public Art Program, of this amount $470,200 was not received until 2007. This is included in Grant Receivable. Also received was a direct contribution from the Library towards the Millennium Library project. The City of Winnipeg retains a percentage for future maintenance for each Public Art Project.

7. Cash Flow Assistance Reserve:

This allocation was made in order to provide cash-flow assistance to client organizations until such time as operating grants for their use have been received by Winnipeg Arts Council Inc. from The City of Winnipeg.

8. Municipal Arts and Culture Development Reserve:

This allocation was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg. Although there was no activity in this fund in 2006, plans for 2007 are underway.

9. Non-Recurring Grants:

During the current year, the Council awarded one-time supplemental grants to various arts organizations from funds available from the prior year's unrestricted net assets.

10. Provision for Income Taxes:

Winnipeg Arts Council Inc. was incorporated as a Not-for-Profit Organization and, as such, no provision has been made in these financial statements for income taxes.

11. Directors' Remuneration:

Winnipeg Arts Council Inc. is governed by a volunteer board of directors, who receive no remuneration for their services.

WINNIPEG ARTS COUNCIL INC.

(Incorporated under the Laws of Manitoba)

SCHEDULE OF CONTINUITY OF THE PUBLIC ART FUND

For the year ended December 31, 2006, with comparative figures for the year ended December 31, 2005

	2006	2005
UNEXPENDED FUND BALANCE, BEGINNING OF THE YEAR	**$ 555,898**	$ 403,920
INCREASE IN FUND BALANCE:		
Grants from The City of Winnipeg	**471,100**	398,600
Interest Income	**19,154**	5,370
	490,254	403,970
DECREASE IN FUND BALANCE:		
Artists' Fees	**67,600**	164,313
Artists' Proposal Honoraria	**-**	6,000
Candidates' Interview Expenses	**-**	4,928
Jury Honoraria and Expenses	**3,863**	8,815
Public Art Promotion	**2,364**	375
Public Art Workshop for Artists	**783**	350
Artist Legal Agreements	**13,609**	-
Administration	**68,298**	67,211
	156,517	251,992
NET INCREASE FOR THE YEAR	**333,737**	151,978
UNEXPENDED FUND BALANCE, END OF THE YEAR	**$ 889,635**	$ 555,898

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

As at December 31

	2006	2005
ASSETS		
Current		
Cash (Note 3)	**$ 15,261**	$ 51,242
Guaranteed investment certificates (Note 4)	**20,000**	20,000
Prepaid expenses	**1,042**	1,042
	$ 36,303	$ 72,284
LIABILITIES		
Current		
Accounts payable		
Regular	**$ 505**	$ 594
Library Advisory Committees (Note 5)	**1,199**	2,149
	1,704	2,743
NET ASSETS	**34,599**	69,541
	$ 36,303	$ 72,284

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS AND NET ASSETS

For the years ended December 31

	2006	2005
REVENUE		
City of Winnipeg operating grant	**$ 36,792**	$ 65,482
Interest	**511**	198
	37,303	65,680
EXPENSES		
Administrative	**45,894**	29,365
Development and research	**10,089**	3,117
Sponsorship	**7,990**	8,957
Promotion, advertising and community outreach	**8,272**	6,858
	72,245	48,297
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	**(34,942)**	17,383
NET ASSETS, BEGINNING OF YEAR	**69,541**	52,158
NET ASSETS, END OF YEAR	**$ 34,599**	$ 69,541

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2006

1. Purpose and Organization

The Winnipeg Public Library Board (the Board) was organized to provide the City of Winnipeg with the guidance with respect to improving the City's library system.

The Board was created by a by-law of the City of Winnipeg. As a not-for-profit organization, the Winnipeg Public Library Board is a tax-exempt organization under the provisions of the **Income Tax Act.**

2. Summary of Significant Accounting Policies

Investments:

The company follows the cost method of accounting for its investments.

3. Cash

	2006	2005
Bank	**$ 15,089**	$ 51,152
Petty cash		
Treasurer	**17**	17
Executive Assistant	**155**	73
	$ 15,261	$ 51,242

4. Investments

	2006	2005
RBC GIC #0006 variable interest rate paid semi-annually maturing October 31, 2007	**$ 15,000**	$ 15,000
RBC non redeemable GIC #0001, 2.150% rate of interest paid at maturity on January 2, 2007	**5,000**	5,000
	$ 20,000	$ 20,000

5. Library Advisory Committees

	2006	2005
Trust funds		
Assiniboia	**$ 319**	$ 199
City Centre	**168**	274
EK - Transcona	**81**	423
LS/WC	**390**	270
Riel	**241**	983
	$ 1,199	$ 2,149

6. Statement of Cash Flows

A statement of cash flows has not been prepared as the cash flows are evident from the statement of financial position and the statement of operations and net assets.

7. Comparative Figures

Certain of the comparative figures have been reclassified to conform with the financial statements adopted for the current year.

Other 2006 DETAILED FINANCIAL STATEMENTS



Photo: Destination Winnipeg Inc. / Christopher McDonald

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

His Worship the Mayor
and Members of the Council
of the City of Winnipeg

Ladies and Gentlemen:

Pursuant to the requirements of **The City of Winnipeg Charter**, the Sinking Fund Trustees submit the 2006 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported net income of $1,152,000 for the year ended December 31, 2006.

The Trustees appropriated $700,000 of the accumulated surplus towards levy commutations, leaving a balance of surplus in the amount of $604,000 as at December 31, 2006.

The rates of interest earned by the Fund for the years 1997 to 2006 are shown below:

1997.....7.77%	2002.....6.61%
1998.....7.07%	2003.....6.02%
1999.....7.10%	2004.....6.27%
2000.....7.43%	2005.....5.55%
2001.....6.91%	2006.....5.41%

Changes in the sinking fund reserve during 2006 are summarized as follows. The total reserve for retirement of debenture debt increased to $356,369,000 as at December 31, 2006 (2005 - $334,568,000) of which $131,500,000 represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and $2,750,000 represents full funding of all future serial debt repayments on the Winnipeg Hydro portion of the City's serial debt, as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

Sinking funds are invested in securities with maturities which closely match the current position of related reserves.

Respectfully submitted,

J. S. McCALLUM
Chairman

G. V. STESKI
Trustee

A. S. PENMAN
Trustee

J. L. FERRIER
Trustee

L. J. DERRY
Secretary

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2006	2005
ASSETS		
Investment in bonds and debentures (Schedule 1)	**$ 334,318**	$ 325,741
Call loans - City of Winnipeg (Note 3)	**22,036**	11,639
Accrued interest receivable	**4,067**	3,901
Cash	**2**	3
	$ 360,423	$ 341,284
LIABILITIES, RESERVE AND SURPLUS		
Accounts payable - City of Winnipeg	**$ 700**	$ 3,800
Accrued interest payable (Note 5)	**2,736**	2,750
Accrued liabilities	**14**	14
	3,450	6,564
Reserve for retirement of debenture debt (Note 6)	**356,369**	334,568
Surplus	**604**	152
	$ 360,423	$ 341,284

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF INCOME

For the years ended December 31
(in thousands of dollars)

	2006	2005
Interest income (Schedule 2)	**$ 21,344**	$ 23,406
Interest requirements - debenture debt reserves	**(10,348)**	(11,502)
Interest requirements - Manitoba Hydro bonds (Note 5)	**(9,726)**	(9,969)
Excess of interest earned over requirements	**1,270**	1,935
Administration expenses	**118**	118
Net income for the year	**$ 1,152**	$ 1,817

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF SURPLUS

For the years ended December 31
(in thousands of dollars)

	2006	2005
Balance, beginning of year	**$ 152**	$ 2,135
Add:		
Net income for the year	**1,152**	1,817
	1,304	3,952
Deduct:		
Appropriations for City of Winnipeg - provision for levies	**700**	3,800
Balance, end of year	**$ 604**	$ 152

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

For the years ended December 31
(in thousands of dollars)

	2006	2005
Balance, beginning of year	**$ 334,568**	$ 376,557
Add:		
Installments - City of Winnipeg	**12,958**	16,037
Interest credited - debenture debt reserves	**10,348**	11,502
	357,874	404,096
Deduct:		
Applied to debt redemption (Note 6)	**1,505**	69,528
Balance, end of year	**$ 356,369**	$ 334,568

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars)

1. Status of The Sinking Fund Trustees of The City of Winnipeg

The Sinking Fund Trustees of The City of Winnipeg (the "Fund") was established as a body corporate by subsection 314(1) of **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba ("the province"). The **City of Winnipeg Act** was repealed by the province effective January 1, 2003 and replaced by **The City of Winnipeg Charter**, a statute of the province. Under section 520 of **The City of Winnipeg Charter**, The Sinking Fund Trustees continues to have the same rights and obligations as outlined under the former **City of Winnipeg Act** for Sinking Fund debentures issued prior to December 31, 2002 and any future refinancing of these debentures.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

a) Bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

b) Bond residues and coupons

Bond residues and coupons are carried at cost plus accrued income. Income is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

c) Statement of cash flows

A statement of cash flows has not been prepared as its presentation would not provide additional information.

3. Call loans - City of Winnipeg

Call loans represent short-term investments with The City of Winnipeg which are callable by the Fund upon one business day notice.

4. Interest Rate and Credit Risk

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2006 was 5.41% (2005 - 5.55%).

4. Interest Rate and Credit Risk (continued)

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2006 are as follows:

Term To Maturity	Par Value	Book Value
Less than one year	$ 2,750	$ 2,750
Two to five years	103,384	94,987
Greater than five years	237,129	236,581
	$ 343,263	$ 334,318

b) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2006 the Fund's maximum credit risk exposure at fair market value was $371,269.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

5. Purchase of Winnipeg Hydro by Manitoba Hydro

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the Asset Purchase Agreement between The City of Winnipeg and Manitoba Hydro and **The Purchase of Winnipeg Hydro Act**, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to:

a) Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity.

The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2006 amounted to $134,250 (2005 - $135,755).

b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

6. Reserve for Retirement of Debenture Debt

Amounts applied to debt redemption on the statement for retirement of debenture debt are as follows:

	Principal		
	Hydro Portion	Other Purposes	Total
Serial Debt :			
By-laws 7054/97	$ 250	$ -	$ 250
6897/96	1,255	-	1,255
	$ 1,505	$ -	$ 1,505

As at December 31, 2006 the reserve for retirement of debenture debt is allocated as follows:

	Hydro Portion	Other Purposes	Total
Sinking Fund Debt	$ 131,500	$ 222,119	$ 353,619
Serial Debt	2,750	-	2,750
	$ 134,250	$ 222,119	$ 356,369

As at December 31, 2006, the reserve for retirement of debenture debt includes $131,500 (2005 - $131,500) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and $2,750 (2005 - $4,255) representing full funding of all future serial debt repayments on the Winnipeg Hydro portion of the City's serial debt, as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 1

SCHEDULE OF INVESTMENTS

As at December 31
(in thousands of dollars)

	2006					2005	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Government of Canada and Government of Canada guaranteed	**$ 28,000**	**$ 29,037**	**8**	**$ 27,819**	**8**	$ 27,746	9
Provincial and Provincial guaranteed (Notes 5 and 6)	**201,798**	**204,615**	**60**	**201,343**	**61**	201,303	62
Municipal	**57,581**	**59,152**	**17**	**57,441**	**17**	53,442	16
City of Winnipeg	**6,013**	**6,988**	**2**	**5,786**	**2**	5,734	2
Supranationals	**7,000**	**7,169**	**2**	**7,085**	**2**	5,094	2
	$ 300,392	**306,961**	**89**	**299,474**	**90**	293,319	91
Bond residues and coupons							
Government of Canada		**18,964**	**5**	**16,804**	**5**	15,536	4
Provincial		**19,241**	**6**	**18,040**	**5**	16,886	5
		$ 345,166	**100**	**$ 334,318**	**100**	$ 325,741	100

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 2

SCHEDULE OF INTEREST INCOME

For the years ended December 31
(in thousands of dollars)

	2006	2005
Interest on bonds and debentures	**$ 18,085**	$ 21,378
Income accrued - bond residues and coupons	**2,422**	2,251
Call fund interest	**612**	833
Net bond discount amortization	**186**	(1,091)
Securities lending income	**39**	35
	$ 21,344	$ 23,406

NORTH PORTAGE DEVELOPMENT CORPORATION

Incorporated under the laws of Manitoba

CONSOLIDATED BALANCE SHEET

As at March 31

	2006	2005
ASSETS		
Current		
Cash and cash equivalents	**$ 1,952,677**	$ 2,849,404
Accounts receivable	**850,649**	610,928
Inventory	**8,927**	11,152
Prepaid expenses	**370,910**	358,928
Current portion of loans receivable [Note 3]	**9,783**	8,827
Total current assets	**3,192,946**	3,839,239
Loans receivable [Note 3]	**191,358**	199,270
Property and equipment [Note 4]	**22,624,184**	21,147,770
Investment in properties and infrastructure enhancements [Note 6]	**66,323,131**	66,571,954
Deferred charges	**362,500**	412,500
	$ 92,694,119	$ 92,170,733
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**$ 1,763,706**	$ 1,540,143
Accrual for unsettled land expropriation claims [Note 7]	**1,500,000**	2,000,000
Loan payable [Note 1[c]]	**1,711,636**	1,711,636
Current portion of obligations under capital lease [Note 11]	**256,312**	-
Total current liabilities	**5,231,654**	5,251,779
Prepaid land rents	**671,987**	680,073
Obligations under capital lease [Note 11]	**1,100,876**	-
Deferred contributions	**26,463,114**	26,503,859
Total liabilities	**33,467,631**	32,435,711
Commitments and contingent liabilities [Notes 12 and 13]		
SHAREHOLDERS' EQUITY		
Share capital		
Authorized		
Unlimited number of common shares		
Issued		
3 common shares	**3**	3
Contributed surplus [Notes 1 [a] and [b]]	**39,310,266**	39,310,266
Donated land [Note 9]	**8,000,000**	8,000,000
Retained earnings	**11,916,219**	12,424,753
Total shareholders' equity	**59,226,488**	59,735,022
	$ 92,694,119	$ 92,170,733

See accompanying notes

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF LOSS AND RETAINED EARNINGS

Year ended March 31

	2006	2005
REVENUE		
Rental	**$ 487,070**	$ 488,452
Parking	**3,771,144**	3,720,627
Theatre	**828,255**	839,099
Forks Market	**1,716,494**	1,537,262
Public amenities recoveries	**178,606**	158,147
Lease	**1,657,506**	1,648,107
Events	**53,304**	33,472
Sponsorship	**204,717**	223,500
Interest income	**65,366**	61,614
Miscellaneous	**45,679**	244,213
	9,008,141	8,954,493
EXPENSES		
Forks Market	**1,614,021**	1,634,415
General and administration	**1,033,078**	995,284
Marketing	**255,878**	250,518
Parking	**1,722,789**	1,828,131
Planning and development	**297,381**	361,725
Program and events	**554,669**	574,635
Public amenities	**910,279**	940,675
Rental	**343,747**	326,588
Sponsorship	**96,897**	95,860
Theatre	**1,211,373**	1,230,441
	8,040,112	8,238,272
Operating income	**968,029**	716,221
Depreciation and amortization [Note10]	**(1,476,563)**	(1,397,612)
Net loss for the year	**(508,534)**	(681,391)
Retained earnings, beginning of year	**12,424,753**	13,106,144
Retained earnings, end of year	**$ 11,916,219**	$ 12,424,753

See accompanying notes

NORTH PORTAGE DEVELOPMENT CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31

	2006	2005
OPERATING ACTIVITIES		
Net loss for the year	**$ (508,534)**	$ (681,391)
Add charges (deduct credits) to operations not requiring a current cash payment (receipt)		
Depreciation and amortization [Note 10]	**1,476,563**	1,397,612
Amortization of deferred charges	**50,000**	50,000
Prepaid land rent revenue	**(8,086)**	(8,087)
Contribution revenue	**(101,000)**	(164,605)
	908,943	593,529
Net change in non-cash working capital balances related to operations		
Accounts receivable	**(240,677)**	361,627
Inventory	**2,225**	(1,517)
Prepaid expenses	**(11,982)**	13,155
Accounts payable and accrued liabilities	**324,863**	(349,278)
Accrual for unsettled land expropriation	**(500,000)**	-
Cash provided by operating activities	**483,372**	617,516
INVESTING ACTIVITIES		
Additions to property and equipment	**(4,608,355)**	(1,990,186)
Repayment of loans receivable	**7,912**	26,321
Cash used in investing activities	**(4,600,443)**	(1,963,865)
FINANCING ACTIVITIES		
Receipt of deferred contributions	**1,863,156**	1,199,848
Proceeds from capital lease obligations	**1,357,188**	-
Cash provided by financing activities	**3,220,344**	1,199,848
Net decrease in cash during the year	**(896,727)**	(146,501)
Cash and cash equivalents, beginning of year	**2,849,404**	2,995,905
Cash and cash equivalents, end of year	**$ 1,952,677**	$ 2,849,404

See accompanying notes

1. Nature of Business

The mission of North Portage Development Corporation [the "Corporation" or "NPDC"] is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. The Corporation is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks.

The merger of the operations of The Forks Renewal Corporation ["FRC"] and the North Portage Development Corporation in 1994, established one management structure to oversee development and operations at the two sites. Since the time of implementation of the Initial Concept and Financial Plans for the North Portage site (1984) and The Forks site (1987), the Corporation has carried out its mandate through a mixed use approach to renewal activities, resulting in a diverse mix of developments and uses to bring people downtown.

North Portage Theatre Corporation, ["NPTC"] a subsidiary of NPDC, owns and operates an Imax theatre within the Portage Place Retail Complex.

The Corporation is exempt from income tax.

[a] North Portage Development Corporation

NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg. Funding provided by the shareholders, as noted below, was utilized to acquire capital assets.

The Government of Canada's Special Capital Recovery Projects Program	$ 22,000,000
The Province of Manitoba	22,000,000
The City of Winnipeg	22,000,000
Winnipeg Core Area Initiative - Program 7	5,000,000
	$ 71,000,000

The funding has been allocated as follows:

	2006	2005
Deferred contributions	**$ 14,831,478**	$ 15,648,042
Amortization of deferred contributions recognized in income	**17,403,950**	16,587,386
Contributed surplus	**37,052,933**	37,052,933
Applied to operations	**1,711,639**	1,711,639
	$ 71,000,000	$ 71,000,000

1. Nature of Business (continued)

[b] The Forks Renewal Corporation

FRC has received its funding from the following sources:

	2006 [cumulative]	2005 [cumulative]
Nature Conservancy	**$ 226,005**	$ 177,045
Winnipeg Core Area Initiative - I		
Program 8.2	**657,000**	657,000
Winnipeg Core Area Initiative - II		
Program 3	**20,000,000**	20,000,000
Program 5.7	**5,000,000**	5,000,000
The Canada - Manitoba Tourism Development Agreement	**1,250,000**	1,250,000
The Western Diversification Program	**2,914,816**	2,914,816
Equivalency contribution - Canada	**4,000,000**	4,000,000
Equivalency contribution - Province of Manitoba	**5,000,000**	5,000,000
Equivalency contribution - The City of Winnipeg	**6,736,946**	6,736,946
Winnipeg Core Initiative - Public Amenity	**931,000**	931,000
Canada - Manitoba Infrastructure Works Program	**2,020,011**	2,020,011
Province of Manitoba WDA		
Program 12 Riverbank Development	**363,268**	363,268
The City of Winnipeg WDA		
Program 12 Riverbank Development	**159,764**	159,764
The Canada - Manitoba Economic Development		
Partnership Program	**598,527**	598,527
The Forks Foundation Inc.	**1,336,854**	-
CentreVenture Development Corporation	**334,847**	-
The Winnipeg Foundation	**142,494**	-
	$ 51,671,532	$ 49,808,377

The funding has been allocated as follows:

	2006 [cumulative]	2005 [cumulative]
Deferred contributions	**$ 11,631,636**	$ 10,855,817
Amortization of deferred contributions recognized in income	**22,055,056**	20,967,720
Contributed surplus	**2,257,333**	2,257,333
Applied to operations	**15,727,507**	15,727,507
	$ 51,671,532	$ 49,808,377

During 2006, FRC received funding of $48,960 in support of the construction of various components of the Prairie Garden, $1,671,701 in support of various components of the Skate Board Park and $142,494 in support of various components of the Peace Meeting Site.

1. Nature of Business (continued)

[c] North Portage Theatre Corporation

NPTC includes the accounts of 3898211 Manitoba Ltd. Funding of NPTC was provided as follows:

	2006	2005
Repayable loan		
Manitoba Development Corporation	**$ 1,800,000**	$ 1,800,000
Contributions from shareholders		
North Portage Development Corporation	**1,800,000**	1,800,000
Destination Manitoba and the Canada-Manitoba (1985) Tourism Development Agreement	**3,900,000**	3,900,000
	$ 7,500,000	$ 7,500,000

The repayable loan is non-interest bearing until demand at which time it will bear interest at 10% per annum. The loan payable to the Manitoba Development Corporation is collateralized by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the Imax Theatre at Portage Place and film rental revenue. Cumulative repayments to date have been $88,364. At March 31, 2006 no demand had been made.

2. Significant Accounting Policies

[a] Basis of presentation

These financial statements consolidate the accounts of NPDC and its wholly-owned subsidiaries NPTC, FRC and 3898211 Manitoba Ltd. The consolidated entity including all of these subsidiaries referred to as the "Group".

[b] Cash and cash equivalents

Cash and cash equivalents is comprised of cash and short-term investments which are readily convertible to cash with maturities not exceeding 90 days.

[c] Capital assets

Capital assets are recorded at cost. Depreciation and amortization is calculated at the following rates based on the estimated useful lives of the assets:

Office equipment	Declining balance basis at 20% per year
Computers	Declining balance basis at 30% per year
Parking equipment	Declining balance basis at 30% per year
Rental buildings	Straight line basis over 10 to 20 years
Plaza and pavilion furniture and equipment	Declining balance basis at 20% - 30% per year
Leasehold improvements	Straight line basis over 10 years
3D projector - capital lease	Straight line basis over 10 years
Theatre equipment	Straight line basis over 5 to 10 years

2. Significant Accounting Policies (continued)

The Forks site:	
Building	Straight line basis over 40 years
Parking structure	Straight line basis over 40 years
Roads and services	Straight line basis over 20 years
Parks and plaza	Straight line basis over 20 years
Tenant allowances and pre-opening costs	Straight line basis over 5 years
Furniture and equipment	Declining balance basis at 20% - 30% per year
Equipment under capital lease	Straight line basis over 5 years
North Portage properties and infrastructure enhancements:	
Site servicing costs and infrastructure enhancements	Straight line basis over 20 and 40 years
Land carrying costs and development projects	Straight line basis over 10 years
The Forks infrastructure enhancements:	
Land carrying costs	Straight line basis over 10 years
Development projects	Straight line basis over 10 years
Site servicing	Straight line basis over 20 years
Infrastructure enhancements	Straight line basis over 10 - 20 years

[d] Deferred contributions

Contributions to acquire capital assets are deferred and amortized to income on the same basis as the related capital assets.

[e] Donated land

Donated land is recorded at fair market value as approved by the Board of Directors of FRC in 1989.

[f] Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the term of the related lease of 75 to 99 years.

[g] Deferred charges

Deferred charges relate to a prepayment of rent for a 10 year lease of a building for redevelopment purposes. The deferred charges are being amortized over 10 years.

[h] Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the Group are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

[i] Financial instruments

Financial instruments include cash and cash equivalents, accounts receivable, loans receivable, accounts payable and accrued liabilities, loans payable and obligations under capital lease. It is management's opinion that the Group is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Group's financial assets and liabilities approximates their fair value.

2. Significant Accounting Policies (continued)

[j] Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods presented. Actual results could differ from these estimates.

3. Loans Receivable

	2006	2005
Loan receivable due July 1, 2028, with interest at 6.5%, repayable in quarterly instalments of $2,500 collateralized by equipment	**$ 125,381**	$ 127,968
Loan receivable due July 1, 2012, with interest at 6.5%, repayable in monthly instalments of $1,148 collateralized by equipment	**75,760**	80,129
	201,141	208,097
Less current portion	**9,783**	8,827
	$ 191,358	$ 199,270

4. Property and Equipment

	2006		
	Cost	**Accumulated Depreciation and Amortization**	**Net Book Value**
The Forks site [Note 5]	**$ 32,286,126**	**$ 14,099,318**	**$ 18,186,808**
3D projector	**1,375,781**	**34,394**	**1,341,387**
Theatre equipment	**75,527**	**1,888**	**73,639**
Box office	**7,660**	**255**	**7,405**
Theatre facilities	**3,200,000**	**3,199,999**	**1**
Projection equipment	**-**	**-**	**-**
Fixtures and signage	**90,763**	**90,763**	**-**
Rental buildings	**2,680,967**	**435,157**	**2,245,810**
Parking equipment	**2,111,796**	**1,812,696**	**299,100**
Office equipment	**241,567**	**152,372**	**89,195**
Plaza and pavilion furniture and equipment	**552,210**	**363,792**	**188,418**
Leasehold improvements	**292,898**	**157,529**	**135,369**
Computers	**409,978**	**352,926**	**57,052**
	$ 43,325,273	**$ 20,701,089**	**$ 22,624,184**

4. Property and Equipment (continued)

	2005		
	Cost	Accumulated Depreciation and Amortization	Net Book Value
The Forks site [Note 5]	$ 31,782,517	$ 12,884,775	$ 18,897,742
3D projector	-	-	-
Theatre equipment	-	-	-
Box office	-	-	-
Theatre facilities	3,200,000	3,199,999	1
Projection equipment	104,510	104,510	-
Fixtures and signage	90,763	90,763	-
Rental buildings	1,677,284	245,138	1,432,146
Parking equipment	1,982,360	1,712,079	270,281
Office equipment	240,638	130,209	110,429
Plaza and pavilion furniture and equipment	639,681	419,457	220,224
Leasehold improvements	292,898	138,858	154,040
Computers	394,812	331,905	62,907
	$ 40,405,463	$ 19,257,693	$ 21,147,770

In December 2006, NPTC entered into a capital lease with Imax Corporation for a 3D projection unit to replace the previous theatre equipment.

5. The Forks Site

	2006		
	Cost	**Accumulated Depreciation**	**Net Book Value**
Land	**$ 120,694**	**$ -**	**$ 120,694**
Building	**7,593,710**	**3,046,684**	**4,547,026**
Roads and services	**7,050,734**	**4,955,132**	**2,095,602**
Parks and plaza	**8,932,919**	**2,835,463**	**6,097,456**
Parking structure	**5,002,682**	**372,778**	**4,629,904**
Furniture and equipment	**665,863**	**512,233**	**153,630**
Equipment under capital lease	**283,275**	**-**	**283,275**
Tenant allowances and pre-opening costs	**2,636,249**	**2,377,028**	**259,221**
	$ 32,286,126	**$ 14,099,318**	**$ 18,186,808**

	2005		
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 119,944	$ -	$ 119,944
Building	7,500,313	2,857,108	4,643,205
Roads and services	7,046,727	4,622,887	2,423,840
Parks and plaza	8,880,954	2,383,941	6,497,013
Parking structure	5,002,837	247,720	4,755,117
Furniture and equipment	662,437	483,422	179,015
Equipment under capital lease	-	-	-
Tenant allowances and pre-opening costs	2,569,305	2,289,697	279,608
	$ 31,782,517	$ 12,884,775	$ 18,897,742

6. *Investment in Properties and Infrastructure Enhancements*

	2006	2005
North Portage Properties and infrastructure enhancements [Note 7]	**$ 52,017,859**	$ 53,243,914
The Forks infrastructure enhancements [Note 8]	**6,374,490**	5,397,258
The Forks donated land [Note 9]	**7,930,782**	7,930,782
	$ 66,323,131	$ 66,571,954

7. *North Portage Properties and Infrastructure Enhancements*

	2006		
	Cost	**Accumulated Amortization**	**Net Book Value**
Land assembly and demolition	**$ 34,401,388**	**$ -**	**$ 34,401,388**
Land carrying costs	**572,244**	**572,244**	**-**
Site servicing	**6,609,999**	**6,333,457**	**276,542**
Development projects	**1,843,915**	**1,792,975**	**50,940**
Infrastructure enhancements	**31,993,622**	**14,704,633**	**17,288,989**
	$ 75,421,168	**$ 23,403,309**	**$ 52,017,859**

	2005		
	Cost	Accumulated Amortization	Net Book Value
Land assembly and demolition	$ 34,450,077	$ -	$ 34,450,077
Land carrying costs	572,244	572,244	-
Site servicing	6,529,999	6,030,957	499,042
Development projects	1,843,914	1,762,949	80,965
Infrastructure enhancements	31,993,622	13,779,792	18,213,830
	$ 75,389,856	$ 22,145,942	$ 53,243,914

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the Corporation's Unanimous Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to $32,901,388. During the year, one of the claims was settled reducing the accrual from $2,000,000 to $1,500,000. These amounts are included in land assembly and demolition costs.

8. *Forks Infrastructure Enhancements*

	2006		
	Cost	**Accumulated Depreciation**	**Net Book Value**
Clearing and relocation, net	**$ 2,257,333**	**$ -**	**$ 2,257,333**
Land carrying costs	**1,771,315**	**1,769,206**	**2,109**
Site servicing	**5,330,378**	**3,618,580**	**1,711,798**
Development projects	**586,745**	**575,941**	**10,804**
Infrastructure enhancements	**5,374,694**	**2,982,248**	**2,392,446**
	$ 15,320,465	**$ 8,945,975**	**$ 6,374,490**

8. Forks Infrastructure Enhancements (continued)

	2005		
	Cost	Accumulated Depreciation	Net Book Value
Clearing and relocation, net	$ 2,257,333	$ -	$ 2,257,333
Land carrying costs	1,771,316	1,768,973	2,343
Site servicing	5,247,894	3,354,845	1,893,049
Development projects	586,745	573,907	12,838
Infrastructure enhancements	4,030,956	2,799,261	1,231,695
	$ 13,894,244	$ 8,496,986	$ 5,397,258

9. Forks Donated Land

FRC acquired title and possession to 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

From Canada	From Winnipeg	From Core Area Initiative	Total
49.6 acres	3.3 acres	3.0 acres	55.9 acres

These lands were acquired pursuant to the Land Exchange Agreement. Donated land is recorded at fair market value as approved by the Board of Directors on June 5, 1989.

During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land was transferred to the City of Winnipeg.

The remaining lands under the FRC's ownership total 51.6 acres.

10. Depreciation and Amortization

Included in depreciation and amortization is the following:

	2006	2005
Depreciation of capital assets	**$ (3,380,464)**	$ (3,290,633)
Amortization of deferred contributions	**1,903,901**	1,893,021
	$ (1,476,563)	$ (1,397,612)

11. Capital Lease Obligations

Under the terms of a capital lease dated December 22, 2005, lease payments are payable to Imax Corporation for the use of the 3D projector. The obligation is denominated in US dollars and has an assumed interest rate of 5.75%.

In fiscal 2006, FRC entered into a capital lease contract to purchase $283,275 in equipment. The obligation is repayable in blended monthly payments of $5,433 per month and at an interest rate of 5.87% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of $2,500 and in Theatre expenses in the amount of $15,486.

11. Capital Lease Obligations (continued)

The payment terms are as follows:

	3D Projector	Forks Market Equipment	Total
2007	$ 262,970	$ 65,195	$ 328,165
2008	291,611	65,195	356,806
2009	320,251	65,195	385,446
2010	62,488	65,195	127,683
2011	62,488	48,721	111,209
Thereafter to 2016	296,818	-	296,818
	1,296,626	309,501	1,606,127
Less amounts representing interest	(208,936)	(40,003)	(248,939)
	1,087,690	269,498	1,357,188
Less current principal portion of obligation	(204,652)	(51,660)	(256,312)
	$ 883,038	$ 217,838	$ 1,100,876

12. Commitments

[a] Office computer facility

NPDC has leased land to 2700760 Manitoba Limited ["2700760"] for the development of an office and computer facility which, in turn has been leased to ISM Information Systems Management Manitoba Corporation ["ISM"].

NPDC has the option, within 105 days after the 15th anniversary of the opening date of March 1, 1993, to sell the land to 2700760 for a price of $2.3 million.

2700760 has the option to purchase the land on the twelfth and fifteenth anniversaries of the opening date for a price which is the greater of $2.3 million and the fair market value at those times. In addition, ISM has the option to purchase the land and improvements from 2700760.

[b] Equipment Maintenance Agreement - 3D Projector

Under the terms of an agreement dated December 22, 2005, a maintenance fee is payable to Imax Corporation. The commitment is denominated in U.S. dollars. The payment terms are as follows:

2007	$ -
2008	62,800
2009	48,300
2010	48,300
2011	48,300
Thereafter to 2016	241,500
	$ 449,200

13. Contingent Liability

A statement of claim for unspecified damages was filed against FRC for an alleged breach of contract. FRC has filed a statement of defence. No liability has been recorded as the outcome is undeterminable at this time.

14. Sponsorship

FRC has levered in-kind contributions [non-cash contributions] from suppliers to offset the direct cost of carrying out its business operations. As part of FRC's sponsorship agreements with suppliers, in exchange for recognition benefits, FRC has received goods and services to cover the following costs:

	2006	2005
Spiritfest concert series	**$ -**	$ 34,760
Media promotions	**348,620**	145,965
Suppliers	**-**	11,500
Total in-kind contributions	**$ 348,620**	$ 192,225

No amount has been recorded in these financial statements for in-kind contributions.

15. Comparative Figures

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

16. Subsequent Events

[a] One Canada Centre

NPDC has leased land to Investors Syndicate Property Corporation ["Investors"]. NPDC had the option in 2006 to sell the land to Investors at a price of $6 million. In May of 2006, NPDC exercised its option to sell the land to Investors.

[b] 340 Vaughan Street

Subsequent to year end, NPDC has signed a letter of intent to sell their rental building located at 340 Vaughan Street for net proceeds of approximately $800,000.

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2006	2005
ASSETS		
Investments, at market		
Bonds	**$ 1,124,617**	$ 1,183,161
Cash and short-term deposits	**468,486**	280,520
	1,593,103	1,463,681
Due from The City of Winnipeg	**4,027**	3,910
Accrued interest	**2,960**	2,264
Prepaid expense	**-**	1,242
Total Assets	**1,600,090**	1,471,097
LIABILITIES		
Accounts payable and accrued liabilities	**26,199**	9,860
NET ASSETS AVAILABLE FOR BENEFITS	**$ 1,573,891**	$ 1,461,237

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	2006	2005
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	**$ 120,986**	$ 132,026
Plan members	**41,068**	45,283
	162,054	177,309
Investment income from		
Bonds	**36,618**	35,409
Cash and short-term investments	**11,941**	3,493
	48,559	38,902
Current period change in market value of investments	**(58,544)**	92,375
Total increase in assets	**152,069**	308,586
DECREASE IN ASSETS		
Administrative expenses		
Investment management and audit fees	**12,716**	12,903
Actuarial fees	**9,935**	11,206
	22,651	24,109
Pension payments	**16,764**	7,586
Total decrease in assets	**39,415**	31,695
Increase in net assets	**112,654**	276,891
Net assets available for benefits at beginning of year	**1,461,237**	1,184,346
Net assets available for benefits at end of year	**$ 1,573,891**	$ 1,461,237

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006

1. Description of Plan

a) General

The City of Winnipeg Council Pension Plan (the Plan) was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Plan to have come into existence on January 1, 2001. The Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg Council members. All members of Council were required to become members of the Plan on January 1, 2001.

b) Contributions

Plan members contribute 6 1/2% of their Canada Pension Plan earnings plus 7 1/2% of any earnings in excess of their Canada Pension Plan earnings. The City makes contributions as required, based on the recommendation of the Plan's actuary. The City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded over time.

Any surplus disclosed in an actuarial valuation of the Plan may be used to reduce the City's required contributions to the Plan or used as a contingency reserve to offset possible future losses of the Plan.

c) Retirement pensions

The Plan allows for retirement at or after the age 55, or following completion of 30 years of service, or when the sum of a Plan member's age plus years of credited service equals 80, or if the Plan member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the Plan member's best 5-year average earnings, multiplied by the number of years of credited service. The pension formula after the age 65 is equal to the Plan member's years of credited service multiplied by the aggregate of 1.5% of the Plan member's best 5-year average Canada Pension Plan earnings plus 2% of the Plan member's best 5-year average non-Canada Pension Plan earnings.

d) Deemed retirement

Any Plan member who is not retired on December 1 of the taxation year in which the Plan member attains age 69 shall be deemed to have retired on that day.

e) Survivor's benefits

The Plan provides for benefits on death before or after retirement.

f) Termination benefits

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits are payable to the Plan member when the Plan member ceases to be an elected official with the City.

1. Description of Plan (continued)

g) Re-election

If a Plan member who is receiving a pension from the Plan is re-elected, the Plan member's pension will be suspended prior to the Plan member becoming an elected official with the City and their years of credited service will be added to the Plan member's years of credited service after re-election.

h) Administration

The Plan is administered by the Council Pension Benefits Board which is comprised of three representatives appointed by City Council, only one of whom may be a Councillor, and the Chief Financial Officer of the City or his or her designate.

2. Summary of Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

The financial statements of the Plan are prepared in accordance with Canadian generally accepted accounting principles.

b) Investments

Investments are stated at market value. Fixed income investments are valued using published mid-market quotations.

Cash and short-term deposits are comprised of cash and investments that are readily convertible to cash with maturities of less than 90 days. The effective interest rate during the year was 3% (2005 - 2%).

Investment income is recorded on the accrual basis.

3. Contributions Receivable

City contributions to the Plan are due within four weeks of the required date. The City is charged interest on all balances outstanding past the due date.

4. Obligation for Pension Benefits

The actuarial present value of accrued pension benefits was determined using the projected benefit method prorated on service and using assumptions recommended by the actuary and approved by the Council Pension Benefits Board. An actuarial funding valuation of the Plan was prepared, effective December 31, 2003, by Mercer Human Resource Consulting Limited, a firm of consulting actuaries. The results of this valuation were extrapolated to December 31, 2006.

4. Obligation for Pension Benefits (continued)

The extrapolated actuarial present value of benefits, as at December 31, and the principal components of changes in the actuarial present values during the year, were as follows:

	2006	2005
Actuarial present value of accrued pension benefits at beginning of year	**$ 1,432,668**	$ 1,229,305
Interest accrued on benefits	**78,386**	68,403
Benefits accrued (service costs)	**143,443**	142,546
Benefits paid	**(16,764)**	(7,586)
Actuarial loss	**596,768**	-
Actuarial present value of accrued pension benefits at the end of year	**$ 2,234,501**	$ 1,432,668

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 4% (2005 - 5%) per annum, a rate of return on assets of 4% (2005 - 5%) per annum and a general rate of salary increase of 2.9% (2005 - 2.5%) per annum.

The actuarial value of net assets available for benefits has been determined at fair market value.

The actuarial value of net assets at December 31, was as follows:

	2006	2005
Actuarial value of net assets available for benefits	**$ 1,573,891**	$ 1,461,237

The next full actuarial valuation of the Plan will be effective December 31, 2006 and will be completed in 2007.

5. Interest Rate and Credit Risk

a) Interest Rate Risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position, and income. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

The plan has approximately 70% (2005 - 80%) of its assets invested in fixed income securities as at December 31, 2006. The effective interest rate on the securities is 3% (2005 - 3%). The returns of fixed income securities are particularly sensitive to changes in nominal interest rates.

All investments in bonds held by the Plan at December 31, 2006 have a term to maturity in excess of five years.

5. Interest Rate and Credit Risk (continued)

b) Credit Risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2006, the Plan's maximum credit risk exposure relates to bonds, accrued interest and short-term deposits totalling $1,596,063. The Plan's concentration of credit risk as at December 31, 2006 related to bonds is categorized amongst the following types of issuer:

Type of Issuer	Market Value
Government of Canada and Government of Canada guaranteed	$ 1,124,617

The plan limits credit risk by investing in bonds of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2006	2005
ASSETS		
Current		
Cash	**$ 322**	$ 265
Accounts receivable (Note 3)	**671**	769
Prepaid claims (Note 4)	**100**	100
	$ 1,093	$ 1,134
LIABILITIES		
Current		
Accounts payable (Note 5)	**$ 504**	$ 549
EQUITY		
Dental Services Plan	**435**	431
Vision Care Plan	**154**	154
	589	585
	$ 1,093	$ 1,134

See accompanying notes to the financial statements

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

STATEMENT OF CHANGES IN TRUST ACCOUNTS

For the years ended December 31
(in thousands of dollars)

	2006	2005
DENTAL SERVICES PLAN		
Opening balance	**$ 431**	$ 428
Add:		
Contributions - The City of Winnipeg	**7,306**	7,265
Interest earned	**13**	9
	7,750	7,702
Deduct:		
Dental claims	**6,981**	6,937
Administration fees	**334**	334
	7,315	7,271
Ending balance	**$ 435**	$ 431
VISION CARE PLAN		
Opening balance	**$ 154**	$ 154
Add:		
Contributions - The City of Winnipeg	**1,026**	935
Interest earned	**1**	1
	1,181	1,090
Deduct:		
Vision claims	**965**	880
Administration fees	**62**	56
	1,027	936
Ending balance	**$ 154**	$ 154

See accompanying notes to the financial statements

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2006
(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenditures are recognized as they are incurred and measurable based upon receipt of goods or services and/or the creation of a legal obligation to pay.

b) Allocation of interest

The funds of the Dental Services and Vision Care Plans (the Plans) are deposited in a single bank account. Interest earned is apportioned on the basis of the ratio of the contributions received from The City of Winnipeg by the Plans.

2. Status of the Trustees of the Dental Services and Vision Care Plans for The City of Winnipeg Employees

City Council, on October 15, 1980, authorized the appointment of the City Treasurer, the Medical Health Officer and the Director of Personnel as trustees of the Dental Services Plan for The City of Winnipeg Employees.

City Council, on June 9, 1989, authorized the appointment of the aforementioned officers as trustees of the Vision Care Plan for The City of Winnipeg Employees.

The revenue for both plans consists of contributions from The City of Winnipeg equal to dental and vision claims paid by the Trustees and bank interest earned. The disbursements are limited to eligible dental and vision claims processed and administration fees of the servicing organization.

3. Accounts Receivable

The accounts receivable is due from The City of Winnipeg for unpaid claims and administration charges as follows:

	2006	2005
Dental Services Plan	**$ 592**	$ 686
Vision Care Plan	**79**	83
	$ 671	$ 769

4. Prepaid Claims

The prepaid claims represents the amount held by Manitoba Blue Cross for incurred but unreported claims.

5. Accounts Payable

The accounts payable include amounts due to the servicing organization for claims and administration, along with amounts due to The City of Winnipeg as follows:

	2006	2005
Dental Services Plan - Claims	**$ 280**	$ 327
Prepaid claims - Due to City of Winnipeg	**100**	100
Vision Care Plan - Claims	**74**	78
Vision Care Plan - administration	**27**	32
Due to City of Winnipeg	**18**	7
Vision Care Plan - administration	**5**	5
	$ 504	$ 549

THE CITY OF WINNIPEG
TABLE OF FINANCIAL STATISTICS & SELECTED RATIOS

FIVE-YEAR REVIEW

As at December 31

("$" amounts in thousands of dollars, except as noted)

		2006	2005	2004	2003	2002
Population (Statistics Canada)		**648,600**	647,600	646,700	642,700	639,700
Consolidated debt (1)	**$**	**670,330**	613,667	702,675	707,302	826,356
Net tax-supported debenture debt (2)	**$**	**287,338**	322,617	332,936	347,518	337,879
Debt per capita:						
Consolidated (dollars)	**$**	**1,034**	948	1,087	1,101	1,292
Net tax-supported (dollars)	**$**	**443**	498	515	541	528
Non-portioned taxable assessments (millions) (3)	**$**	**30,923**	25,772	25,512	25,274	24,957
Debt as a % of non-portioned taxable assessments						
Consolidated		**2.2%**	2.4%	2.8%	2.8%	3.3%
Net tax-supported		**0.9%**	1.3%	1.3%	1.4%	1.4%
Consolidated revenues (4)	**$**	**1,105,533**	1,039,124	968,883	961,429	1,158,384
Consolidated debt as a % of consolidated revenues		**60.6%**	59.1%	72.5%	73.6%	71.3%

Notes:

(1) Consolidated debt is gross debt outstanding for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and Winnipeg Enterprises Corporation.

(2) Net tax-supported debt is gross debt less accumulated sinking funds, less City-owned utilities (except Transit System) net of sinking funds, less special operating agencies and Winnipeg Enterprises Corporation.

(3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.

(4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations and special operating agencies, but excludes revenues collected on behalf of School authorities. The 2002 - 2004 figures have not been restated to reflect the change in accounting policy concerning tangible capital assets, revenue from contributed assets and government grants related to tangible capital assets acquisitions, and to record the City's investment in government businesses.

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

As at December 31, 2006

		General Municipal Purposes	City-owned Utilities				Special Operating Agencies	
By-Law Number	Minister of Finance/Council Approval	General	Transit System	Solid Waste Disposal	Waterworks System	Sewage Disposal System	Fleet Management	Total
6520/94	December 2/94	$ 7,000,000	$ -	$ -	$ -	$ -	$ -	$ 7,000,000
6745/96	February 22/96	-	-	-	-	6,024,693	-	6,024,693
6774/96	April 16/96	14,801,000	1,144,000	200,000	4,615,000	-	-	20,760,000
6973/97	March 17/97	27,254,138	463,325	2,588,000	-	-	-	30,305,463
6976/97	March 17/97	18,213,000	650,000	-	200,000	-	-	19,063,000
7125/98	January 22/98	-	1,062,000	-	980,000	-	-	2,042,000
7335/98	January 13/99	-	-	-	3,715,000	-	-	3,715,000
7751/01	March 9/01	14,699,820	770,000	7,210,000	-	-	-	22,679,820
183/2004	January 13/05	-	-	-	-	16,084,000	-	16,084,000
72/2006	March 22/06	5,452,000	6,808,000	-	55,300,000	-	-	67,560,000
	July 26/06	-	-	-	-	-	6,100,000	6,100,000
		$ 87,419,958	$ 10,897,325	$ 9,998,000	$ 64,810,000	$ 22,108,693	$ 6,100,000	$ 201,333,976

Council has the authority under the **City of Winnipeg Charter** to approve the borrowing authority for Special Operating Agencies. Therefore, the City is not required to obtain approval from the Minister of Finance and to create a by-law.

Outstanding Capital Borrowing Authorization at December 31, 2005	$ 171,173,976
Add:	
By-law 72, 2006	93,560,000
Fleet Management - Special Operating Agency Authorization March 22, 2006	5,800,000
Fleet Management - Special Operating Agency Authorization July 26, 2006	8,500,000
Deduct:	
Debenture debt issued during the year	(60,000,000)
Royal Bank Loan Facility	(17,700,000)
Outstanding Capital Borrowing Authorization at December 31, 2006	$ 201,333,976

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT ISSUES

As at December 31, 2006

Term	Month	Interest Rate	By-Law Number	Payable at	Cities	Amount of Debt	
The City of Winnipeg							
Sinking Fund Debt							
1999-2009	Feb. 2	5.350	7368/99	Bank of Montreal	Any branch in Canada	$ 50,000,000	
1989-2009	Dec. 14	10.000	5286/89	Royal Bank	Any branch in Canada	85,500,000	$ 135,500,000
1993-2013	Feb. 11	9.375	6090/93	Royal Bank	Any branch in Canada		90,000,000
1994-2014	Jan. 20	8.000	6300/94	Royal Bank	Any branch in Canada		85,000,000
1995-2015	May 12	9.125	6620/95	Bank of Montreal	Any branch in Canada		88,000,000
1997-2017	Nov. 17	6.250	7000/97	Bank of Montreal	Any branch in Canada		30,000,000
2006-2036	July 17	5.200	183/2004 and 72/2006	Royal Bank	Any branch in Canada		60,000,000
							488,500,000
Serial Debt							
1997-2007	June 27	6.375	7054/97	Bank of Montreal	Any branch in Canada	19,250,000	
2003-2013	Jan. 17	4.899	8138/02	Royal Bank	Any branch in Canada	73,047,000	
2004-2014	Mar. 24	3.940	86/2003	Royal Bank	Any branch in Canada	38,558,000	130,855,000
Total Debt							$ 619,355,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2006

Description	Debenture Debt		
	Gross	Sinking Fund	Net
Tax-Supported			
General	$ 364,399,345	$ 130,299,806	$ 234,099,539
Unallocated Sinking Fund Surplus	-	603,995	(603,995)
Total Tax-Supported	364,399,345	130,903,801	233,495,544
Other Funds			
Civic Accommodations	24,165,975	8,087,118	16,078,857
Transit System	26,813,437	11,527,199	15,286,238
Total Tax-Supported and Other Funds	415,378,757	150,518,118	264,860,639
City-Owned Utilities			
Solid Waste Disposal	2,935,000	1,959,047	975,953
Waterworks System	104,500,000	21,609,605	82,890,395
Sewage Disposal System	96,541,243	48,636,218	47,905,025
Total City-Owned Utilities	203,976,243	72,204,870	131,771,373
	$ 619,355,000	$ 222,722,988	$ 396,632,012

Description	2007 Fixed Annual Charges		
	Interest	Principal	Total
Tax-Supported	$ 25,812,210	$ 36,172,879	$ 61,985,089
Other Funds			
Civic Accommodations	1,588,655	1,826,093	3,414,748
Transit System	2,150,728	1,999,413	4,150,141
Total Tax-Supported and Other Funds	29,551,593	39,998,385	69,549,978
City-Owned Utilities			
Solid Waste Disposal	284,750	88,762	373,512
Waterworks System	7,060,000	2,329,795	9,389,795
Sewage Disposal System	8,117,542	3,841,927	11,959,469
Total City-Owned Utilities	15,462,292	6,260,484	21,722,776
	$ 45,013,885	$ 46,258,869	$ 91,272,754

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT CHANGES DURING 2006

Gross Debt as at January 1, 2006			$ 581,225,828
Debt Issued During 2006			
Utilities Debt:			
Waterworks System	$ 60,000,000		60,000,000
Debt Retired During 2006			
Tax-Supported Debt:			
Streets and Bridge System	6,392,371		
Land Drainage	3,969,991		
Culture and Recreation	1,743,951		
Parks and Recreation	172,786		
Libraries	43,301		
Protection	819,122		
Fire	28,744		
Police	65,592		
Health and Social Development	580,872		
Special Projects	501,044		
Convention Centre	20,325		
City Development and Dev. Agreements	38,447		
Overhead Walkways	15,017		
Core Area Programs	1,473,259		
North Portage Development	126,059		
Land Acquisition	13,995		
Infrastructure - Streets and Bridge	123,900		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335	$ 16,236,176	
Utilities Debt:			
Transit	707,214		
Waterworks System	2,391,573		
Sewage Disposal System	1,577,573		
Solid Waste Disposal	92,669		
Civic Accommodations	865,623	5,634,652	(21,870,828)
Gross Debt as at December 31, 2006			$ 619,355,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT - MATURITY BY YEARS

As at December 31, 2006

Maturity Year	Sinking Fund Debt	Serial and Installment Debt	Total	%
2007	$ -	$ 32,316,000 (1)	$ 32,316,000	5.2
2008	-	13,706,000	13,706,000	2.2
2009	135,500,000 (2)	14,378,000	149,878,000	24.2
2010	-	15,083,000	15,083,000	2.4
2011	-	15,824,000	15,824,000	2.6
2012	-	16,600,000	16,600,000	2.7
2013	90,000,000	17,415,000	107,415,000	17.3
2014	85,000,000	5,533,000	90,533,000	14.6
2015	88,000,000	-	88,000,000	14.2
2016	-	-	-	-
2017	30,000,000	-	30,000,000	4.8
2036	60,000,000	-	60,000,000	9.8
Gross Debt	$ 488,500,000	$ 130,855,000	619,355,000	100.0
Less: Sinking Fund Reserve			222,722,988	
Net Debt			$ 396,632,012	

(1) Of the $32,316,000 serial debt that matures in 2007, there will be a maturity shortfall of $17,500,000, which will need to be refinanced.

(2) Of the $135,500,000 sinking fund debt that matures in 2009, there will be a maturity shortfall of $30,980,600, which will need to be refinanced.

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES

As at December 31, 2006

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Civic Accommodations	Total
2007	$ 28,447,290	$ 1,349,196	$ -	$ 1,241,064	$ -	$ 1,278,450	$ 32,316,000
2008	11,206,212	549,760	-	1,302,466	-	647,562	13,706,000
2009	121,676,868	3,576,597	1,500,000	12,366,967	1,935,000	8,822,568	149,878,000
2010	12,333,583	604,744	-	1,434,673	-	710,000	15,083,000
2011	12,940,282	634,326	-	1,505,849	-	743,543	15,824,000
2012	13,575,688	665,299	-	1,580,430	-	778,583	16,600,000
2013	52,444,076	5,697,819	5,000,000	41,658,804	-	2,614,301	107,415,000
2014	26,925,877	6,735,696	13,000,000	35,450,990	-	8,420,437	90,533,000
2015	54,849,469	7,000,000	25,000,000	-	1,000,000	150,531	88,000,000
2016	-	-	-	-	-	-	-
2017	30,000,000	-	-	-	-	-	30,000,000
2036	-	-	60,000,000	-	-	-	60,000,000
	$ 364,399,345	$ 26,813,437	$ 104,500,000	$ 96,541,243	$ 2,935,000	$ 24,165,975	$ 619,355,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT

For the years ending December 31

	Tax-Supported (Includes Transit System)			Utilities			
Year	**Principal**	**Interest**	**Sub-total**	**Principal**	**Interest**	**Sub-total**	**Total**
2007	$ 38,172,292	$ 27,962,938	$ 66,135,230	$ 8,086,577	$ 17,050,947	$ 25,137,524	$ 91,272,754
2008	20,131,781	26,930,521	47,062,302	7,517,092	16,957,881	24,474,973	71,537,275
2009	20,708,772	25,266,993	45,975,765	7,612,098	16,702,740	24,314,838	70,290,603
2010	17,899,126	16,605,884	34,505,010	7,028,875	14,827,694	21,856,569	56,361,579
2011	18,535,408	15,988,318	34,523,726	7,133,593	14,726,203	21,859,796	56,383,522
2012	19,201,787	15,312,498	34,514,285	7,243,214	14,615,137	21,858,351	56,372,636
2013	19,901,696	12,559,351	32,461,047	7,358,305	12,301,712	19,660,017	52,121,064
2014	8,330,189	8,893,282	17,223,471	4,325,978	7,786,236	12,112,214	29,335,685
2015	2,777,688	4,696,882	7,474,570	1,774,860	4,313,118	6,087,978	13,562,548
2016	907,200	1,875,000	2,782,200	984,000	3,120,000	4,104,000	6,886,200
2017	907,200	1,875,000	2,782,200	984,000	3,120,000	4,104,000	6,886,200
2018	-	-	-	984,000	3,120,000	4,104,000	4,104,000
2019-2036	-	-	-	17,712,000	56,160,000	73,872,000	73,872,000
	$ 167,473,139	$ 157,966,667	$ 325,439,806	$ 78,744,592	$ 184,801,668	$ 263,546,260	$ 588,986,066

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
STREETS AND BRIDGE SYSTEM **(street improvements, street lighting, bridges and underpasses)**								
7054/97	$ 9,665,700	June 27, 1997-2007	CAN	Serial	6.375	$ 308,094	$ 9,665,700	$ -
7368/99	25,364,600	Feb. 2, 1999-2009	CAN	5.000	5.350	1,357,006	767,091	6,529,712
5286/89	28,210,000	Dec. 14, 1989-2009	CAN	5.000	10.000	2,821,000	853,143	22,096,877
8138/02	27,594,592	Jan. 17, 2003-2013	CAN	Serial	4.899	1,282,000	3,363,619	-
6090/93	14,067,475	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	7,869,187
6300/94	11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	5,802,048
86/2003	17,173,201	Mar. 24, 2004-2014	CAN	Serial	3.940	676,605	1,853,697	-
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	10,035,075
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	6,943,879
	176,918,683					12,043,363	18,587,231	59,276,778

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
LAND DRAINAGE **(storm water relief sewers, drainage sewers and flood control)**								
7054/97	2,970,000	June 27, 1997-2007	CAN	Serial	6.375	94,669	2,970,000	-
7368/99	1,535,000	Feb. 2, 1999-2009	CAN	5.000	5.350	82,123	46,422	395,161
5286/89	7,950,000	Dec. 14, 1989-2009	CAN	5.000	10.000	795,000	240,429	6,227,230
8138/02	7,469,420	Jan. 17, 2003-2013	CAN	Serial	4.899	347,017	910,478	-
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	727,205
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	1,323,486
86/2003	4,361,267	Mar. 24, 2004-2014	CAN	Serial	3.940	171,829	470,761	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	998,233
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	1,643,720
	35,362,499					2,334,237	4,973,068	11,315,035
CULTURE AND RECREATION **(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)**								
5286/89	10,967,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,096,700	331,670	8,590,445
8138/02	7,677,050	Jan. 17, 2003-2013	CAN	Serial	4.899	356,663	935,787	-
86/2003	1,159,528	Mar. 24, 2004-2014	CAN	Serial	3.940	45,684	125,161	-
	19,803,578					1,499,047	1,392,618	8,590,445

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
PARKS AND RECREATION								
7054/97	1,265,000	June 27, 1997-2007	CAN	Serial	6.375	40,322	1,265,000	-
7368/99	2,739,900	Feb. 2, 1999-2009	CAN	5.000	5.350	146,585	82,862	705,344
6090/93	5,360,525	Feb. 11, 1993-2013	CAN	5.000	9.375	502,549	162,116	2,998,618
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	2,847,630
86/2003	557,445	Mar. 24, 2004-2014	CAN	Serial	3.940	21,963	60,172	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	376,859
	16,421,529					1,240,875	1,766,686	6,928,451
LIBRARIES								
7054/97	220,000	June 27, 1997-2007	CAN	Serial	6.375	7,013	220,000	-
7368/99	376,500	Feb. 2, 1999-2009	CAN	5.000	5.350	20,143	11,386	96,923
6090/93	100,000	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	55,939
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	36,821
86/2003	224,776	Mar. 24, 2004-2014	CAN	Serial	3.940	8,856	24,263	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	303	4,434
	1,004,316					52,143	261,185	194,117

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
PROTECTION **(firehalls, police garage and public safety building)**								
5286/89	940,000	Dec. 14, 1989-2009	CAN	5.000	10.000	94,000	28,428	736,301
8138/02	3,520,589	Jan. 17, 2003-2013	CAN	Serial	4.899	163,561	429,139	-
86/2003	1,030,091	Mar. 24, 2004-2014	CAN	Serial	3.940	40,584	111,189	-
	5,490,680					298,145	568,756	736,301
FIRE								
7368/99	403,500	Feb. 2, 1999-2009	CAN	5.000	5.350	21,587	12,203	103,875
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	727,205
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	6,952
86/2003	277,284	Mar. 24, 2004-2014	CAN	Serial	3.940	10,925	29,931	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	61	887
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	603,816
	3,796,575					268,173	136,359	1,442,735

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
POLICE								
7054/97	660,000	June 27, 1997-2007	CAN	Serial	6.375	21,037	660,000	-
7368/99	2,066,000	Feb. 2, 1999-2009	CAN	5.000	5.350	110,531	62,481	531,858
6090/93	1,600,000	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	895,022
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	169,224
86/2003	53,947	Mar. 24, 2004-2014	CAN	Serial	3.940	2,125	5,823	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	44,336
	4,815,625					319,672	789,868	1,640,440
HEALTH AND SOCIAL DEVELOPMENT **(urban renewal, community health centres and hospital capital grants)**								
5286/89	1,030,000	Dec. 14, 1989-2009	CAN	5.000	10.000	103,000	31,150	806,798
8138/02	1,867,503	Jan. 17, 2003-2013	CAN	Serial	4.899	86,761	227,638	-
6090/93	150,000	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	83,909
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	6,414
86/2003	995,877	Mar. 24, 2004-2014	CAN	Serial	3.940	39,236	107,496	-
	4,056,103					244,078	371,205	897,121

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
SPECIAL PROJECTS								
7054/97	440,000	June 27, 1997-2007	CAN	Serial	6.375	14,025	440,000	-
5286/89	4,800,000	Dec. 14, 1989-2009	CAN	5.000	10.000	480,000	145,164	3,759,837
8138/02	2,944,904	Jan. 17, 2003-2013	CAN	Serial	4.899	136,815	358,966	-
6090/93	14,098,000	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,688	426,360	7,886,262
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	1,143,015
86/2003	1,157,778	Mar. 24, 2004-2014	CAN	Serial	3.940	45,615	124,972	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	295,724
	26,375,006					2,240,393	1,584,204	13,084,838
CONVENTION CENTRE								
5286/89	500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	50,000	15,121	391,650
8138/02	175,513	Jan. 17, 2003-2013	CAN	Serial	4.899	8,154	21,394	-
6090/93	225,000	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	125,862
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	1,374,427
	4,000,513					362,123	137,072	1,891,939
OVERHEAD WALKWAYS								
86/2003	144,867	Mar. 24, 2004-2014	CAN	Serial	3.940	5,708	15,637	-

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
CORE AREA PROGRAM								
5286/89	12,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,200,000	362,911	9,399,593
8138/02	7,896,965	Jan. 17, 2003-2013	CAN	Serial	4.899	366,880	962,594	-
86/2003	3,671,524	Mar. 24, 2004-2014	CAN	Serial	3.940	144,654	396,309	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	104,191
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	335,453
	24,803,489					1,795,478	1,759,161	9,839,237
NORTH PORTAGE DEVELOPMENT								
8138/02	1,088,570	Jan. 17, 2003-2013	CAN	Serial	4.899	50,573	132,690	-
LAND ACQUISITION								
86/2003	135,012	Mar. 24, 2004-2014	CAN	Serial	3.940	5,319	14,573	-
INFRASTRUCTURE								
7368/99	2,100,000	Feb. 2, 1999-2007	CAN	5.000	5.350	112,350	63,509	540,612
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	11,084,087
	27,100,000					2,393,600	819,574	11,624,699

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
INFRASTRUCTURE - STREETS AND BRIDGE								
7054/97	1,362,900	June 27, 1997-2007	CAN	Serial	6.375	43,442	1,362,900	-
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	536,725
	2,962,900					143,442	1,411,284	536,725
INFRASTRUCTURE - LAND DRAINAGE								
7054/97	968,715	June 27, 1997-2007	CAN	Serial	6.375	30,878	968,715	-
INFRASTRUCTURE - PARKS AND RECREATION								
7054/97	212,685	June 27, 1997-2007	CAN	Serial	6.375	6,779	212,685	-
COMMUNITY IMPROVEMENT PROGRAM								
7368/99	1,250,000	Feb. 2, 1999-2009	CAN	5.000	5.350	66,875	37,803	321,793
WINNIPEG DEVELOPMENT AGREEMENT								
7368/99	2,000,000	Feb. 2, 1999-2009	CAN	5.000	5.350	107,000	60,485	514,868
SPECIAL PROJECTS - PARKS AND RECREATION								
7368/99	1,215,000	Feb. 2, 1999-2009	CAN	5.000	5.350	65,003	36,745	312,782

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
SPECIAL PROJECTS - COMMUNITY SERVICES								
7368/99	428,500	Feb. 2, 1999-2009	CAN	5.000	5.350	22,925	12,959	110,311
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
7368/99	2,367,000	Feb. 2, 1999-2009	CAN	5.000	5.350	126,635	71,584	609,347
SPECIAL PROJECTS - ASSESSMENT								
7368/99	1,582,500	Feb. 2, 1999-2009	CAN	5.000	5.350	84,664	47,859	407,389
SPECIAL PROJECTS - CORPORATE FINANCE								
7368/99	90,000	Feb. 2, 1999-2009	CAN	5.000	5.350	4,815	2,722	23,169
SPECIAL PROJECTS - BUSINESS LIAISON								
7368/99	5,000	Feb. 2, 1999-2009	CAN	5.000	5.350	267	151	1,286
Tax-Supported Total	**364,399,345**					**25,812,210**	**36,172,879**	**130,299,806**

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2007		Sinking Fund Reserve at Dec. 31, 2006
				Sinking Fund	Debt	Interest	Principal	
TRANSIT SYSTEM								
7054/97	825,000	June 27, 1997-2007	CAN	Serial	6.375	26,297	825,000	-
5286/89	3,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	300,000	90,728	2,349,898
8138/02	2,845,935	Jan. 17, 2003-2013	CAN	Serial	4.899	132,218	346,903	-
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	2,796,944
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	3,276,813
86/2003	1,642,502	Mar. 24, 2004-2014	CAN	Serial	3.940	64,713	177,294	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	3,103,544
	26,813,437					2,150,728	1,999,413	11,527,199
WATERWORKS SYSTEM								
5286/89	1,500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	150,000	45,364	1,174,949
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	2,796,944
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,153	6,553,625
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	11,084,087
183/2004, 72/2006	60,000,000	July17, 2006-2036	CAN	5.000	5.200	3,120,000	984,000	-
	104,500,000					7,060,000	2,329,795	21,609,605

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
SEWAGE DISPOSAL SYSTEM								
5286/89	11,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,100,000	332,669	8,616,294
8138/02	7,398,411	Jan. 17, 2003-2013	CAN	Serial	4.899	343,718	901,823	-
6090/93	40,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	22,375,549
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	17,644,375
86/2003	3,142,832	Mar. 24, 2004-2014	CAN	Serial	3.940	123,824	339,241	-
	96,541,243					8,117,542	3,841,927	48,636,218
SOLID WASTE DISPOSAL								
5286/89	1,935,000	Dec. 14, 1989-2009	CAN	5.000	10.000	193,500	58,519	1,515,684
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	443,363
	2,935,000					284,750	88,762	1,959,047

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2006

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2007 Interest	Annual Charges 2007 Principal	Sinking Fund Reserve at Dec. 31, 2006
CIVIC ACCOMMODATIONS								
7054/97	660,000	June 27, 1997-2007	CAN	Serial	6.375	21,038	660,000	-
7368/99	6,476,500	Feb. 2, 1999-2009	CAN	5.000	5.350	346,493	195,866	1,667,272
5286/89	1,668,000	Dec. 14, 1989-2009	CAN	5.000	10.000	166,800	50,445	1,306,543
8138/02	2,567,548	Jan. 17, 2003-2013	CAN	Serial	4.899	119,284	312,969	-
6090/93	1,799,000	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,407	1,006,340
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	4,040,223
86/2003	2,830,069	Mar. 24, 2004-2014	CAN	Serial	3.940	111,502	305,481	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,551	66,740
	24,165,975					1,588,655	1,826,093	8,087,118
Utility Total	**254,955,655**					**19,201,675**	**10,085,990**	**91,819,187**
Unallocated Sinking Fund Surplus								**603,995**
Grand Total	**$ 619,355,000**					**$ 45,013,885**	**$ 46,258,869**	**$ 222,722,988**

Note: With passing of the new **City of Winnipeg Charter** in 2003, the City is no longer required to pass a by-law when it issues debentures.



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