THE CITY OF WINNIPEG 2007 ANNUAL FINANCIAL REPORT

Winnipeg









FRONT COVER: The centre of the City, and one of Canada's most recognized intersections, is Winnipeg's famous Portage and Main.

INSIDE COVER: The City opened four new skateboard parks in 2007 to provide additional recreational opportunities for youth



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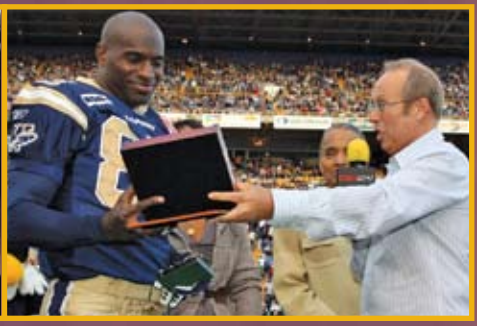
INSET PHOTO RIGHT: Fire Paramedic Station #21 opened in October 2007

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"We have remained committed to maintaining our core services and keeping our city competitive."









Mayor Sam Katz delivers State of the City address at Winnipeg Chamber of Commerce luncheon
INSET PHOTO RIGHT: To recognize Winnipeg Blue Bomber receiver Milt Stegall, in becoming the CFL's all-time touchdown leader, Mayor Katz presented Stegall with the 'key to the city'.

MESSAGE from THE MAYOR



Winnipeg is a City that knows its priorities and has worked hard to meet the demands and expectations of its citizens. We have strived to reinvest in "clean and green" frontline services, invest in crime reduction initiatives, and increased spending on improving and rebuilding our infrastructure.

Winnipeggers have made it clear they want to see a city of opportunity that is competitive with other major Canadian cities. In 2007, we once again froze property taxes for the 10th straight year. We've also continued to reduce the punitive business tax by setting a rate of 7.75% across the entire city, down from 9.75% outside of the downtown.

Crime and safety remains a top priority for our citizens and visitors alike. The highly successful Street Crime Unit is operating as a sustained part of the Winnipeg Police Service thanks to our positive working relationship with our Provincial partners. Additionally, the City will continue to work to use innovative technology and initiatives like CrimeStat to further enhance policing in our communities.

In 2007, we have remained committed to maintaining our core services and keeping our city competitive. The City has continued to work positively with both the Federal and Provincial governments and will continue to explore partnerships to invest in the priorities that matter to Winnipeggers.

Collectively, we were able to find modest dollars to address some long-overdue issues. I thank all Councillors and the Public Service for their dedication to the protection of paramount services Winnipeggers deserve.

As we move forward, we continue to face challenges with rising costs in construction and inflation, but I remain optimistic that by addressing efficiencies, working collaboratively with other levels of government, and using innovative approaches to these challenges, we will continue to grow our city of opportunity and ensure Winnipeg remains a vibrant and competitive City to work, live, and invest in.



Sam Katz, Mayor of the City of Winnipeg

2006 - 2010 12TH COUNCIL OF THE CITY OF WINNIPEG MEMBERS AND APPOINTMENTS

Mayor Sam Katz

Jeff Browaty, North Kildonan Ward
- Chairperson, Mayor's Environmental Advisory Committee (until November 2, 2007)
- Youth Ambassador (commencing November 2, 2007)

Bill Clement, Charleswood – Tuxedo Ward
- Chairperson, Standing Policy Committee on Infrastructure Renewal and Public Works

Scott Fielding, St. James – Brooklands Ward
- Chairperson, Mayor's Economic Opportunity Commission

Jenny Gerbasi, Fort Rouge – East Fort Garry Ward
- Chairperson, Mayor's Environmental Advisory Committee (commencing November 2, 2007)

Harry Lazarenko, Mynarski Ward
- Speaker of Council
- Chairperson, Secretariat Committee
- Chairperson, Riverbank Management Committee

Brenda Leipsic, River Heights – Fort Garry Ward
- Deputy Mayor

Grant Nordman, St. Charles Ward

Mike O'Shaughnessy, Old Kildonan Ward
- Chairperson, Standing Policy Committee on Finance

Mike Pagtakhan, Point Douglas Ward
- Deputy Speaker,
- Chairperson, Winnipeg Housing Steering Committee,
- Youth Ambassador (until November 2, 2007)

Harvey Smith, Daniel McIntyre Ward

Gord Steeves, St. Vital Ward
- Acting Deputy Mayor
- Chairperson, Standing Policy Committee on Protection and Community Services

Justin Swandel, St. Norbert Ward
- Chairperson, Alternate Service Delivery (ASD) Committee
- Chairperson, Standing Policy Committee on Property and Development

Lillian Thomas, Elmwood – East Kildonan Ward

Daniel Vandal, St. Boniface Ward
- Secretary of Urban Aboriginal Opportunities

Russ Wyatt, Transcona Ward
- Chairperson, Red Tape Implementation Committee
- Chairperson, Standing Policy Committee on Downtown Development

"The Public Service has been working on a number of customer service initiatives to make civic services more user-friendly and accessible."







Winnipeg's $300 million Water Treatment Plant is scheduled to open in 2009
INSET PHOTOS: Winnipeg Transit is purchasing 30 new air conditioned buses to add to its fleet; New bike trails and enhanced active transportation corridors are a city priority.

MESSAGE from the ACTING CHIEF ADMINISTRATIVE OFFICER



In 2007, Winnipeg's Public Service worked diligently to help Council achieve its goals for the City. Fiscal discipline, careful operational stewardship, and a commitment to efficiency at all levels helped ensure that both budgetary and service objectives were met.

The City's efforts have been recognized by the major credit rating agencies. In 2007, Winnipeg's credit rating remains robust; Standard & Poor's continues to rate the City at AA, and Moody's Investors Service reaffirmed our rating of Aa1.

Over the past fiscal year, the City dedicated additional resources to improving frontline services like snow removal, grass cutting, and street cleaning. There was a substantial investment in public safety initiatives – CrimeStat began to bear fruit in terms of investigations and arrests, new police and fire paramedic stations were opened, and an additional fire crew and new Winnipeg Police Service foot patrols were added.

During the year, the Public Service reviewed capital projects with a view to adjusting them to reflect an appropriate level of construction inflation. Similarly a process was introduced to review and close out older capital projects.

Construction approvals for road and bridge work increased by 150% in 2007, over the previous year. Work on the City's new water treatment plant reached the halfway mark, phosphorus removal facilities were completed at the North End and West End plants, and a new nitrogen removal facility at the North End plant reached 80% completion.

Construction of the Cindy Klassen recreation complex has begun, the City has invested $1.5 million in recreational bike paths, and the Public Service has been working on a number of customer service initiatives to make civic services more user-friendly and accessible: like the 311 customer contact centre, and Permits X-Press, a project to improve the permit approval process.

As the City's Acting Chief Administrative Officer, I was excited to play a part in these important initiatives to improve our frontline services, public safety, and infrastructure. I would like to thank Mayor Katz and the members of City Council for the opportunity to serve in this way, and for their support during my term as Acting CAO. To Mr. Glen Laubenstein, the City's new CAO, I would like to extend my congratulations and best wishes - and to all members of the Public Service, I would like to express my sincere thanks for their assistance over the past year.



Alex Robinson, Acting Chief Administrative Officer

2007 SENIOR ADMINISTRATORS

Alex Robinson,
A/Chief Administrative Officer

Michael Ruta,
Chief Financial Officer

Jim Brennan,
Chief, Winnipeg Fire Paramedic Service

Nelson Karpa,
City Assessor

Luella Lee,
Director of Internal Services

Bill Larkin,
Director, Public Works

Jim Paterson,
A/Director, Planning, Property and Development

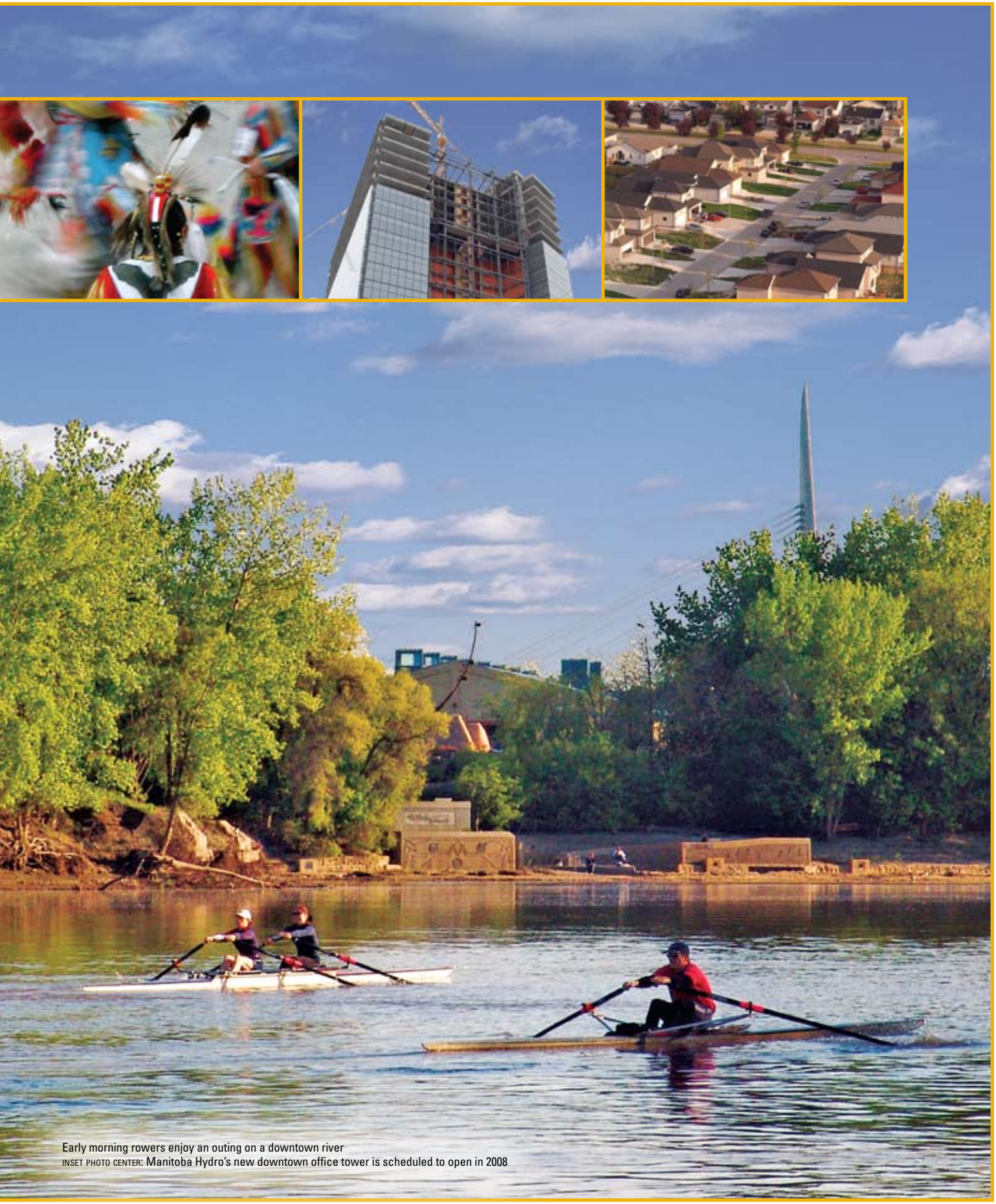
Barry McBride,
Director, Water and Waste

Keith McCaskill,
Chief, Winnipeg Police Service

Dave Wardrop,
Director, Winnipeg Transit

Clive Wightman,
Director, Community Services

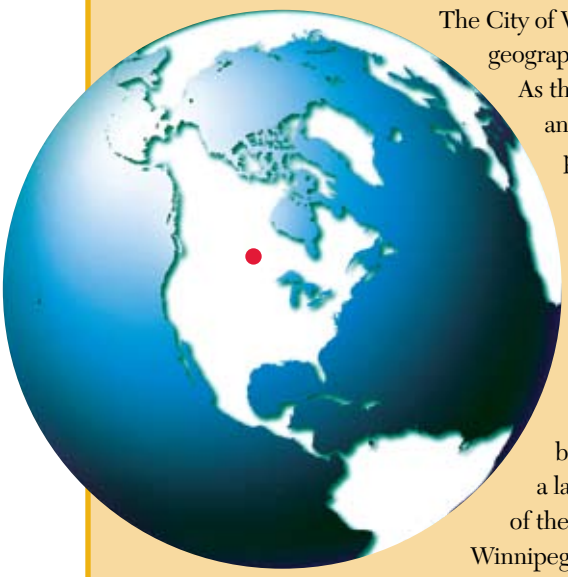
Shannon Hunt, City Auditor
Richard Kachur, City Clerk



Early morning rowers enjoy an outing on a downtown river
INSET PHOTO CENTER: Manitoba Hydro's new downtown office tower is scheduled to open in 2008

WINNIPEG AND ITS ECONOMY

A DIVERSE, VIBRANT CITY



The City of Winnipeg lies at the geographic centre of Canada. As the economic engine and capital city of the province of Manitoba, **Winnipeg has a population of 653,400, the seventh largest city municipality in Canada**.

Winnipeg is popularly known as having all the benefits and amenities of a large city without many of the disadvantages. In fact, Winnipeg's major advantage is its diverse economy, which has allowed the city to experience consistent and steady growth, avoiding the impact of unexpected downturns. In comparing the economic diversities of the largest cities in the country, **the Conference Board of Canada rates Winnipeg's index at 0.89 out of 1.00, with the average of major cities at 0.81**.

Culturally rich, affordable housing, abundance of business office and industrial space, low unemployment rates, manageable traffic volumes, and a diverse economy, make Winnipeg an ideal place for people of all ages and of all nationalities.

POPULATION GROWTH

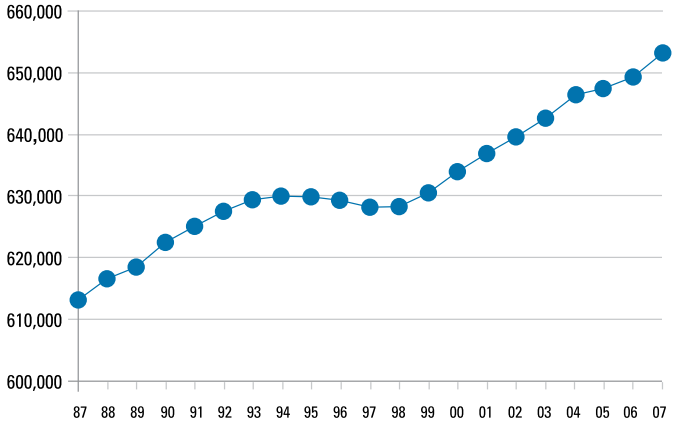
Over the last nine years (1998-2007), **Winnipeg's population (653,400) has grown by 25,000 or 4.0%**.

Winnipeg will continue to experience modest population growth relative to other large Canadian cities. The population growth is largely due to immigration. Total provincial immigration reached 10,000 people in 2006. Historically Winnipeg is destination to about 80% of immigrants to Manitoba.

"Migration will become an increasingly important factor for population growth, and Winnipeg's ability to attract new migrants will become an important determinant of its future economic potential."

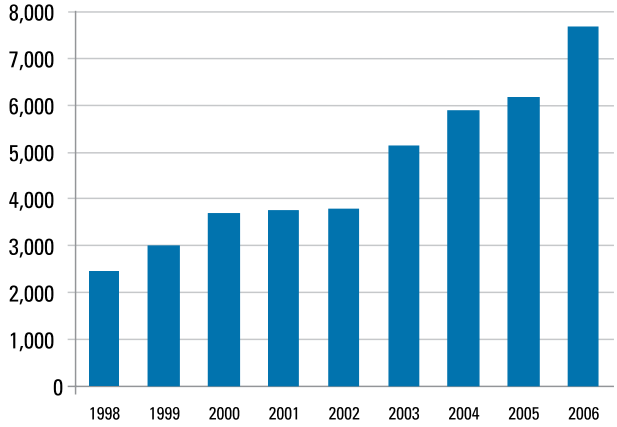
(Conference Board of Canada, Winnipeg long-term forecast 2007)

POPULATION ESTIMATES REFLECT RENEWED GROWTH



Source: Statistics Canada, February 2008. City of Winnipeg data calculated by subtracting Headingley census count from Census Division 11.

RECENT IMMIGRATION TO WINNIPEG



Source: Citizenship & Immigration Canada, Immigration Overview: Facts and Figures 2006

IMMIGRATION, TOP SEVEN CITY REGIONS

Census Metropolitan Area (CMAs)

Toronto	99,263
Montreal	38,379
Vancouver	36,271
Calgary	11,827
Winnipeg	**7,698**
Ottawa	6,287
Edmonton	6,437
82%	206,162
Total Canada	**251,649**

Source: Citizenship & Immigration Canada, Immigration Overview: Facts and Figures 2006

MAJOR SOURCES OF IMMIGRATION TO WINNIPEG, 2006

Philippines	2,462
India	797
China	485
Korea	409
Ethiopia	375
Israel	362
Afghanistan	160
Vietnam	151
Germany	139
Pakistan	128

Source: Manitoba Immigration

STRONG HOUSING DEMAND

Housing starts have tripled since 2000 with the construction of 3,067 dwelling units in 2007. Single detached starts were 1,870 for the year, an 8% gain over 2006. Multi-family starts in 2007 were 44% ahead of those recorded the year previous. The value of residential construction was $450 million which reflects a continued upward trend over the past number of years.

"Winnipeg Housing starts reach 20-year high in 2007"
(Canada Mortgage and Housing Corporation January 9, 2008 release)

"Over the next 25 years, Winnipeg's housing market is forecast to go through a transformation as aging baby boomers increase the demand for multi-family units."
(Conference Board of Canada, Winnipeg long-term forecast 2007)

Winnipeg's average resale house price has increased 96% since 2000. In other words the average house price has doubled in value over the last seven years.

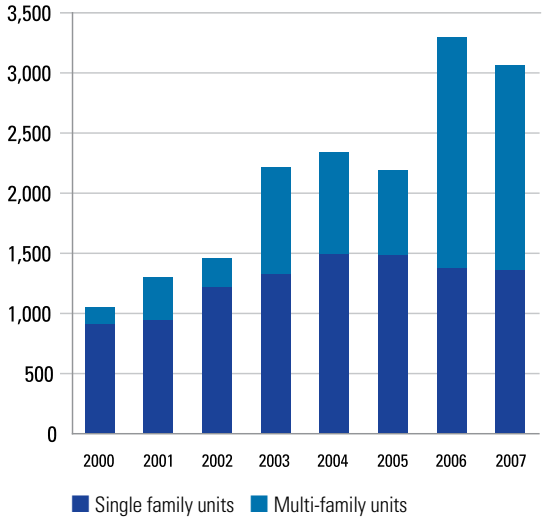
With a forecasted population increase of 188,000 people over the next 25 years, the demand for housing will continue. It is estimated that about 87,000 additional dwellings units (about half of those apartment units) will need to be constructed to meet Winnipeg's housing demand.

In 2007 the Sage Creek housing development in the south-east portion of the city saw the construction of 73 homes. When completed, Sage Creek will be a community of 4,000 dwellings, including both single family home and multiple units. Work has also started on the first phase of the Waverley West housing development in Southwest Winnipeg. Waverley West is 2,900 acres with the development potential to add up to seven residential communities and accommodate approximately 30,000 people over the next 20-25 years.

A GOOD PLACE TO CONDUCT BUSINESS

Winnipeg's relatively low cost of living and low business costs make it an attractive place for people and businesses considering relocation within Canada and from abroad. In fact, **according to the 2006 KPMG Competitive Alternatives report, Winnipeg enjoys one of the lowest cost centres for business in North America**.

CONSTRUCTION OF DWELLING UNITS IN WINNIPEG



Source: City of Winnipeg, Planning, Property and Development Dept.

VALUE OF BUILDING PERMITS CITY OF WINNIPEG

	2005	2006	2007
Residential	$337,000,000	$446,000,000	$450,000,000
Non-Residential	$319,000,000	$404,000,000	$394,000,000
Total	**$656,000,000**	**$850,000,000**	**$844,000,000**

Source: City of Winnipeg, Planning, Property and Development Dept.



"Winnipeg will have the third-fastest-growing economy among the 13 largest cities in the country this year."

(Conference Board of Canada forecast)

Winnipeg's Property Taxes are in the low range of other Canadian Cities:

For the average single detached house, Winnipeg's property tax ranking out of 16 large cities (Total owner costs include municipal taxes, school taxes, municipality charged utilities and other utilities.):

4th lowest for Municipal property taxes only

(one position lower from previous survey)

5th lowest for total property tax bill and utilities

(Source: City of Edmonton residential property taxes and utility charges survey released Jan. 2008)

Economic Indicators

(**CMA -** Census Metropolitan Area) The CMA figures include the core city and neighbouring municipalities where 50% or more of the labour force works in the core city:

Winnipeg's GDP in 2007: $23 billion (1997 dollars)

Winnipeg has 60% of Manitoba's population and generates 64% of the provinces total economic output.

Building permit values in 2007: $901 million

(two consecutive years of strong activity)

Labour Force: 410,000

WINNIPEG'S MAJOR ECONOMIC STRENGTHS

Gross Domestic Product:

Winnipeg is expected to enjoy a relatively healthy economy over the next 25 years, in good part thanks to a diversifying manufacturing sector, an expanding services sector and solid employment growth. Strong domestic demand will continue to bolster economic activity, as personal income growth is expected to be steady over the entire forecast period. Therefore, consumer spending will remain robust, as retail sales are projected to grow by an average of 4.5% per year from 2007-2030.

Overall, real GDP is expected to grow by an average annual compound growth rate of 2.5% over 2007-2030.

Labour Market:

Winnipeg's mature and stable economy will serve as a foundation for steady population growth over the medium term (2009-11).

Employment growth in Winnipeg is expected to be stable over the forecast, coming in at an annual average rate of 0.9%. Winnipeg's labour force is expected to undergo major changes in the long term, partly because of the aging population. Fortunately, Winnipeg's immigration policy has been quite successful the past few years. This is expected to continue over the long term, providing much-needed support to labour force growth. International immigration will keep growing over the long run: by 2030, roughly 10,000 new international migrants are expected.

Winnipeg's manufacturing sector is expected to keep generating high-paying, good quality jobs. As well, Winnipeg has attracted several high-profile research centres, allowing the city to be a player in the knowledge economy era.

Investment:

In recent years, the construction sector has been the growth leader in Winnipeg's economy, as construction output increased by more than 6% from 2004-2006.

Both residential and non-residential activity contributed positively to this result. In the medium term, non-residential activity is expected to stay healthy, led by work on some large projects, including the $585 million upgrade at the Winnipeg International Airport, which will be completed in 2010, and the $265 million Canadian Museum of Human Rights, which is expected to open in 2011-2012.

Construction activity is also expected to get a boost in the medium term from the residential sector. Since total population growth is forecast to average 0.9% per year until 2011, steady growth in the number of new housing starts must be maintained to meet demographic requirements. Therefore, builders are projected to break ground on roughly 3,100 units per year from 2007-2011. Currently, single starts are outnumbering multiple starts by about 700 units, with single-family homes making up 63% of total housing starts in Winnipeg in 2006.

As baby boomers retire, the demand for apartments is expected to increase. In 2006, apartment complexes made up roughly 86% of all multiple units with semi-detached units and row apartments rounding out the rest. By 2011, that share will rise slightly, as the first wave of baby boomers retires.

(Based on Conference Board of Canada Long Term Demographic and Economic Forecast for Winnipeg CMA)



INSET PHOTO RIGHT: Construction began on the Cindy Klassen recreation complex

SERVICE HIGHLIGHTS 2007

2007 OPERATING BUDGET

Frontline services were a priority in the City's 2007 operating budget, which included more funding for snow removal, grass cutting, street cleaning and tree pruning. Many of the proposed 2007 service enhancements were possible without raising the mill rate because of a growing tax base. This growth was the result of over $14 million in new property tax revenue.

2007 CAPITAL BUDGET

The 2007 Capital Budget and forecast outlined a $2 billion investment plan for the City's priority projects for 2007-12 including $427 million for projects in 2007. **These capital investments focused on sewer and water systems, roads and bridges, transit, police systems and infrastructure, and community recreational facilities.** In 2007, construction authorizations for roads and bridge work increased by 154% over 2006 levels.

The Capital budget authorized the use of Private Public Partnerships (P3s) to accelerate construction projects and transfer financial risk. Road and bridge projects eligible for acquiring a private sector partner include the repair of the Disraeli Bridge and the East District Police Station replacement project.

CUSTOMER SERVICE

New Winnipeg Zoning By-law

In 2007, the City of Winnipeg completed a major review of its Zoning By-law for all lands in the city outside of the downtown. The new By-law was approved by City Council in November 2007 and came into effect March 1, 2008.

The new Winnipeg Zoning By-law has been modernized, streamlined and made more flexible. It is intended to make the development process more efficient and customer friendly, and more closely aligned with civic goals.



Leisure on Line

In February 2007, the City launched Leisure on Line, its first online registration system in both official languages. This new customer service initiative provides citizens with 24/7 access to registration for recreation and aquatic programs. By the end of 2007, 35% of program registrations were being done online, well exceeding the City's expectations for the first year.

Funding of $1.4 million for the Leisure on Line system was provided by the City through the Winnipeg Partnership Agreement.

Public Wireless Service

The City launched a public wireless service that provides access to internet hotspots at all branches of Winnipeg Public Libraries and the Pan Am Pool. The new Wi-Fi service builds on the free Internet access available from the Library's computer workstations and provides greater access to City e-government services.

311 - Customer Contact Centre

In 2007, the City issued a Request for Proposals (RFP) regarding the provision of a consolidated 311 service to handle all non-emergency city calls. After review of all proposals, the City's Public Service recommended to Council the adoption of an internally operated model of a 311 service. **In October, Council adopted this recommendation. Work on the implementation of a 311 Service began in late 2007 and will continue through 2008 with plans to launch the new service in early 2009.**

Permits X-Press

Improving customer service through the Permits X-Press initiative is a priority in the Planning, Property and Development Department. Working with an Industry Advisory Group, much progress has been made over the past four years in improving systems and speeding up the permit approval process.

In 2007, Planning, Property and Development made progress in implementing recommendations from the Red Tape Report, related to various aspects of land development approvals and building permit processes. Significant among these were efforts to make the permit process more convenient for homeowners including the development of information-to-go in building supply stores and the provision of user-friendly web pages for residential customers. Online permits for homeowners will be available in 2008.

A pilot project to provide a fast track application process for simple occupancy permit applications in 2007 was very successful. Occupancy applications that did not involve either a change of use or any interior alterations were targeted for the fast track process. A total of 315 occupancy applications qualified for the fast track, and the average application issue time was five days, an improvement of seven days over the standard occupancy process in 2006. The program will be fully rolled out in 2008.

SERVICE HIGHLIGHTS 2007

BizPal launched

In October 2007, Winnipeg became the largest Canadian city to offer the BizPal online permit and license information service to current and prospective business owners.

BizPal is a web site that gives people one window to search for the required permits and licenses they need to establish and run their business. Permit requirements for over 200 business types are currently available, with another 200 under construction. The BizPal service is available on the City of Winnipeg home page, winnipeg.ca. BizPal is an initiative of Industry Canada in partnership with provincial and municipal governments.

Winnipeg Parking Authority

In 2007, the Winnipeg Parking Authority (WPA) continued the deployment of new solar powered pay stations, improving the management of on-street parking for the benefit of both downtown businesses and citizens. The new machines, coupled with the introduction of cell phone payment, makes parking more convenient and accessible.

In 2007, the Winnipeg Parking Authority received the National Parking Facilities Standards Award from the Canadian Parking Association. This award recognizes WPA improvements in safety and customer service in city-operated parking facilities since taking over in 2005.

INFRASTRUCTURE INVESTMENT

Water Treatment Plant

Winnipeg's new $300 million, 400 million litre per day Water Treatment Plant is more than half built. One of the largest construction projects currently underway in Manitoba, the treatment plant will enhance the security, safety and quality of our drinking water and is expected to be completed in the first quarter of 2009.

Wastewater plant upgrades underway

The total cost of improving the City's wastewater treatment facilities is expected to be about $1.2 billion. **To date, the City has committed more than $80 million to comply with the Clean Environment Commission requirements to reduce phosphorus and nitrogen discharges to protect the aquatic environment of the rivers and Lake Winnipeg for future generations.**

Phosphorus reduction

With the completion of phosphorus removal facilities at both the North End and West End wastewater treatment plants in 2007, Winnipeg became the first municipality in the province to start reducing phosphorus loads on Lake Winnipeg. The North End phosphorus facility cost approximately $2.6 million while phosphorus removal was part of an overall $35 million upgrade at the West End plant.

Nitrogen reduction

Construction of the new nitrogen removal facility at the North End wastewater treatment plant is 80% complete and is expected to be in operation in late 2008. At a projected cost of approximately $29 million, this project will significantly advance the City's overall wastewater treatment improvement plan and Winnipeg will become the first municipality in Manitoba to reduce nitrogen loads on Lake Winnipeg.



CentreVenture continues to develop WaterFront Drive

Recycling continues to rise

Winnipeggers are great recyclers and in 2007 citizens set another record for the amount of recycling collected. **In 2007, citizens recycled approximately 44,000 tonnes as compared to 24,000 tonnes in 1999.** Our surveys show that about 90% of Winnipeg households participate in the recycling program.

Traffic light synchronization

The 2007 Capital Budget and 2008-2012 capital forecast allocated a total of $12 million for traffic signals enhancement. During 2007, changes to the signal operations on Kenaston Boulevard improved traffic progression along this major high volume route and reduced vehicle emissions. The future of the system will see opportunities to remotely monitor traffic flows and traffic conditions, as well as adjust traffic signal systems operations to better accommodate unusual traffic volumes that could develop along this and other major routes.

Council approved Clean and Green Initiatives

Committed to building a cleaner, greener downtown, the 2007 operating budget provided more than $3 million of the $10 million budgeted to increase frontline beautification services across Winnipeg for downtown initiatives. The City increased tree pruning activities and planted 2,200 street and park trees, compared to 600 trees the year before. There was a doubling in the number of floral planters and displays, litter collection in the downtown was more frequent, and over 20 new play structures were replaced in city parks.

SERVICE HIGHLIGHTS 2007

PARTNERSHIPS

New Conservancy model for Assiniboine Park

Committed to the future enhancement of Assiniboine Park, a new Board of Directors comprising community leaders were appointed to develop and lead a new Conservancy model for Assiniboine Park to explore new alternatives to stimulate much needed investment in the Park. It is anticipated the new conservancy will assume operations of Assiniboine Park by September 2008.

Flora Place – Affordable housing in the North End

Flora Place is a new affordable housing project developed by the Winnipeg Housing Rehabilitation Corporation, with the assistance of $2.8 million in funding provided through the Winnipeg Housing and Homelessness Initiative. **Flora Place features 28 new townhouses, developed in a cluster design concept, creating a sense of community within the neighbourhood.**






New transit shelter on Graham Mall; flowerbeds beautify major streets; Councillor Mike Pagtakhan with Provincial Minister Gord McIntosh (RIGHT) and Menno Peters of the Winnipeg Housing Rehabilitation Corporation at the opening of Flora Place; firefighters use jaws of life in rescue demonstration

Transit enhancements

Phase One of the Transit Improvements Program began in 2007. This Council approved initiative includes a series of measures designed to enhance the speed, comfort and convenience of Winnipeg Transit. **The initiatives will help reduce traffic congestion, lower greenhouse gas emissions, and improve the quality of the transit system.**

The program includes bus stop upgrades such as: new transit shelters, new signage and information kiosks; on-street transit priority systems such as transit only lanes for quicker service; and the testing of an articulated Hybrid bus.

Funding for the Transit Improvement Program was announced in 2007 as a partnership of the Government of Canada, Province of Manitoba and City of Winnipeg.

Northeast Pioneers Greenway

Phase One of the Northeast Pioneers Greenway, a bicycle/walking trail on a former rail line between Raleigh Street and Gateway Road, was opened in 2007 by Mayor Katz and Premier Gary Doer. Upon completion of Phase Two, the Greenway will be approximately 6 kms in length and cost approximately $3 million. The project brings the City closer to realizing the long-range vision "for enhanced active transportation corridors city-wide."

Industrial site prepared for new housing development

A new residential development will be built on the site of a former city hydro steam plant, fronting Waterfront Drive, thanks to a $1.1 million investment under the Winnipeg Partnership Agreement. The land has been excavated, with the removal of 42,000 metric tonnes of contaminated earth, to prepare for the new residential development.

SAFETY INITIATIVES

125 years of service

In 2007, the Winnipeg Fire Paramedic Service celebrated 125 years of fire and rescue service in Winnipeg with a public event at the Forks. Firefighters and paramedics had displays and conducted live demonstrations of high angle rescue, water rescue, auto extrication (Jaws of Life), hazardous materials, and heritage equipment.

New safety and training equipment

In April 2007, the Co-operators Group Limited presented the Winnipeg Fire Paramedic Service (WFPS) with a state-of-the-art Bullard T4 thermal imaging device as part of the department's continuing measures to modernize its equipment and increase citizen and firefighter safety. The thermal imaging camera helps firefighters identify pockets of intense heat in burning buildings.

SERVICE HIGHLIGHTS 2007

In May 2007, the Kinsmen Club of Winnipeg presented the WFPS with a flashover simulator, a key piece of training equipment used to observe fire activity and the signs that lead to the flashover phenomenon in a controlled setting.

New station opened

In October 2007, the City officially opened a new Fire Paramedic Station #21, located at 1446 Regent Avenue West. The 8,000 square foot, $2.3 million facility is strategically located to optimize fire rescue and ambulance response capability into Transcona, Elmwood and East Kildonan. The station was designed under universal design principles for accessibility, and incorporates the latest fibre optic, dispatch, and computer aided technology.

New fire crew added

Also in October, Station #23 on Dalhousie Drive became home to 20 new firefighters and an additional fire truck, providing more firefighting and emergency medical response capabilities in the south end of the city. The addition of this pumper truck and crew was made possible by a provincial government commitment of $3.8 million to WFPS for public safety and other priorities, and marks the first increase in on-duty staffing of the Winnipeg Fire Department since amalgamation of municipalities in 1974.

Increased ambulance hours

In December, 12 new paramedics were added to the service permitting the conversion of two 12-hour peak time ambulances to 24-hour ambulances. In addition to increasing ambulance hours and adding paramedic positions to the complement of resources, four new Medical Supervisor positions and equipment such as defibrillators were added to Winnipeg's Emergency Medical Services through the provincial funding commitment.

Appointment of Chief of Police

On December 10, 2007, Keith McCaskill assumed the role of Chief of Police with the Winnipeg Police Service (WPS). A former 29-year member of WPS, McCaskill joined the ranks of the Service in 1976 and held various leadership roles – including Divisional Commander of the Criminal Investigations Division and Division Commander of District 3 (North) and District 2 (West).

Neighbourhood Safety and Crime Prevention Strategy

2007 saw the implementation of WPS's Neighbourhood Safety and Crime Prevention Strategy, including the first full year of operating a permanent Street Crime Unit; the establishment of the CrimeStat management and accountability model to focus police actions on the areas of greatest need; and the launch and enhancement of the CrimeStat website to provide open and transparent information to the public.



CrimeStat Management and Accountability Model

WPS used CrimeStat information to assist in developing and executing: the rapid deployment of the Street Crime Unit and other Divisional and Unit resources to target hot-spots of criminal activity throughout the city. In addition, bi-weekly CrimeStat Commander meetings became an ongoing forum where Commanders discussed crime problems and collaborated to develop long-term, sustainable solutions.

Major Organized Crime investigations

During 2007 the WPS took an aggressive stand against organized crime. **Project Kite was a joint forces operation that resulted in eight arrests and over 100 criminal charges. Project Drill, also a joint forces operation, resulted in the arrest of numerous high-ranking members of drug cells across Canada.**

Street Crime Unit

Since becoming fully operational in September 2006 the Street Crime Unit has continued the highly effective policing model piloted under Operation Clean Sweep. The SCU is a highly visible police presence operating throughout the city as required to combat street level crime issues including drugs, weapons, prostitution and street-level violence.

Downtown Safety

Working to enhance safety in the downtown, **WPS began phasing in additional foot patrols and full-time units in November 2007; they have also been increasing partnerships with business and community groups, providing safety audits of facilities, and engaging business owners in an effort to prevent crime.** WPS also continues its lead role in Project Breakaway, a multi-agency approach to helping people get off the streets and into better conditions.

East District Station

In October, Mayor Sam Katz officially broke ground on the new East District Station for the Winnipeg Police Service. The East District Station, located at 1750 Dugald Road, is being built at a cost of approximately $12 million and is the first phase of implementation of the Winnipeg Police Service's four-district model, which will see the construction of three new police stations city-wide. The new 32,000 square-foot facility will serve District 4 and District 5. The new station, a Public Private Partnership (P3) initiative, is the first new Police facility to be built in Winnipeg in the last 40 years.

SERVICE HIGHLIGHTS 2007

RECREATION AND LEISURE FACILITIES

Construction underway on Cindy Klassen complex

Construction began on the Cindy Klassen recreation complex. Once complete, the renovated complex will contain several building improvements, including a second storey running track and fitness centre, an addition to the existing indoor pool area; an enhanced, customer-friendly lobby; more space to run programs; and upgraded air conditioning and light control systems.

Recreation spending

The City continued to reinvest in communities through ongoing implementation of $43 million worth of recreation and leisure facilities renewal projects. **The budget included $1.75 million every year for playground renewal, and provided $1.5 million for recreational walkways and bike paths in 2007.**

Community enhancements

The $43 million Recreation and Leisure projects continued in 2007 with both planning and construction.







Lindenwoods community spray pad opened in July 2007; Junior golfers learn to play free at Crescent Park Golf Course; Traffic flows smoothly on the newly built Kenaston Boulevard underpass

The complex will also become home to the new West End Library, which is being relocated to the Cindy Klassen Recreation Complex from its current Ellice Avenue location. The new 6,000 sq. ft. library will offer the community significant improvements in services and amenities. From increased study and reading space to improved collections, additional computer workstations, a universally accessible layout and increased parking, the new library will better meet the needs of the community and the users of the complex. Construction is scheduled for completion in late 2008.

Vimy Ridge Memorial Park

The Building Communities Initiative (BCI), a five year $14 million capital investment program co-funded by the City of Winnipeg and Province of Manitoba, invested $850,000 toward recreational improvements to Vimy Ridge Memorial Park in Winnipeg's Wolseley neighbourhood. Overall, the Wolseley community was allocated $2.2 million for neighbourhood enhancements.

Soccer Complex

The City of Winnipeg contributed $3.4 million towards the development of a new $12.5 million indoor Soccer Complex located at the University of Manitoba.

The new facility was jointly funded by the City, the University of Manitoba, the Province of Manitoba, the Government of Canada and the Winnipeg Soccer Federation. The 105,000 square foot complex will provide a much needed resource for amateur soccer players in the city.

Skateboard projects completed included: Victoria Jason, St. Vital, Komenda and SkatePark West. Fort Garry Skateboard project commenced construction in May 2008 with a scheduled completion of August 2008.

The spraypad at Lindenwoods Community Club was opened in 2007 and the Norquay WaterPlay Park will officially open in July 2008. Work on the St.Norbert, Provencher, Fort Rouge and River Heights spray pads began in September 2007 and construction continues with a scheduled opening of each for July 2008.

Planning continues on the North Centennial Recreation and Leisure Facility, and Kildonan Park Outdoor Pool Redevelopment. The Greater Council of Winnipeg Community Centres continues to work on the redevelopment of the Sinclair Park, Norberry/Glenlee and Valour Community Centres.

Golf for Kids

To promote junior golf, a "Kids Play Free" program was introduced at the City's Crescent Drive Golf Course. On weekend afternoons, juniors played free when accompanied by an adult or senior golfer. This has proven to be a popular and affordable family outing. Many juniors were introduced to the game in 2007 and learned proper technique and etiquette from their golfing mentors.

CITY OF WINNIPEG
CONSOLIDATED FINANCIAL STATEMENTS 2007

REPORT FROM THE CHIEF FINANCIAL OFFICER
FINANCIAL STATEMENT DISCUSSION AND ANALYSIS



I am pleased to present the following Financial Statement Discussion and Analysis, which has been prepared by management. The following discussion and analysis of the financial performance of The City of Winnipeg ("City") should be read in conjunction with the audited consolidated financial statements ("Statements") and their accompanying notes and schedules, which are prepared in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The Statements provide information about the economic resources, obligations and accumulated surplus of the City. They include departments of the City, special operating agencies, utilities, and corporations that are controlled by the City, as well as its investment in government businesses. Below is a brief description of the major funds, entities and investments that are included in the Statements.

FUNDS, ENTITIES, AND INVESTMENT IN GOVERNMENT BUSINESSES

Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

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 reporting on 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.

There are five Special Operating Agency ("SOA") Funds 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. 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 operate 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 the Reserves' permitted costs. Stabilization Reserves were created to assist in the funding of major unexpected expenses or deficits recorded in the General Revenue Fund.

Entities and Investment in Government Businesses

The civic corporations included in the Statements are 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 various activities including economic development, recreation, tourism, entertainment and conventions. North Portage Development Corporation and Winnipeg Housing Rehabilitation Corporation are included in the Statements as an investment in government businesses.

RESULTS OF OPERATIONS

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2007, on a comparative basis. As the annual excess of revenues over expenses is positive, it indicates that the City increased its accumulated surplus during the year.

During 2007, the City recorded consolidated revenues of $1,220.8 million (2006 - $1,105.5 million), including capital grants and developer contributions-in-kind, and consolidated expenses of $1,033.5 million (2006 - $985.2 million). As a result, accumulated surplus increased by $187.3 million (2006 - $120.3 million).

CONSOLIDATED REVENUES

For the years ended December 31 (in thousands of dollars)	2007	2006	Variance
Taxation	$ 515,197	$ 518,661	$ (3,464)
Sales of services and regulatory fees	381,273	356,761	24,512
Government transfers			
Operating	117,195	109,236	7,959
Capital	71,368	43,064	28,304
Investment, land sales and other revenue	85,143	62,507	22,636
Developer contributions-in-kind	50,638	15,304	35,334
	$ 1,220,814	$ 1,105,533	$ 115,281

Revenues improved by $115.3 million in 2007 from 2006 due to several factors. Government transfers related to the purchase of tangible capital assets increased by $28.3 million, of which $25.5 million was from the Province of Manitoba ("Province"). The Province provided the Transit System with $9.0 million primarily for the acquisition of buses. The Sewage Disposal System's provincial transfer rose by $7.8 million under the Canadian Strategic Infrastructure Fund ("CSIF"), and the General Capital Fund reported $8.7 million of additional revenue under the Urban Capital Projects Allocation program and the Manitoba/Winnipeg Infrastructure Program.

Government transfers related to operating activities increased by $8.0 million. The increase is primarily due to additional funding from the Province for 14 new police officers, including five in the City's stolen auto unit, and additional firefighters and paramedics.

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 4.46 per 100 cubic feet from 3.87 per 100 cubic feet and increased water rates. Also, transit ridership increased during the year by 2.5%.

Investment, land sales and other revenue increased as a result of the sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge facilities, equipment and reserve assets for $11.0 million. As well, additional revenue of approximately $4.6 million was derived from property disposed of through the Land Operating Reserve.

Developer contributions-in-kind rose because of construction activity resulting in increased roads and underground water and waste networks.

The major components of taxation revenue are property, business, local improvements, electricity and natural gas taxes. Business tax revenue decreased by $5.0 million resulting from a reduced rate of 7.75% across the entire city, down from 9.75% for businesses outside of the downtown area.

CONSOLIDATED EXPENSES

For the years ended December 31(in thousands of dollars)	2007	2006	Variance
Protection and community services	$ 336,743	$ 319,705	$ 17,038
Public works	249,323	224,390	24,933
Utility operations	242,797	231,306	11,491
Property and development	90,001	80,017	9,984
Finance and administration	56,262	59,677	(3,415)
General government	33,403	45,964	(12,561)
Civic corporations	25,000	24,174	826
	$ 1,033,529	$ 985,233	$ 48,296

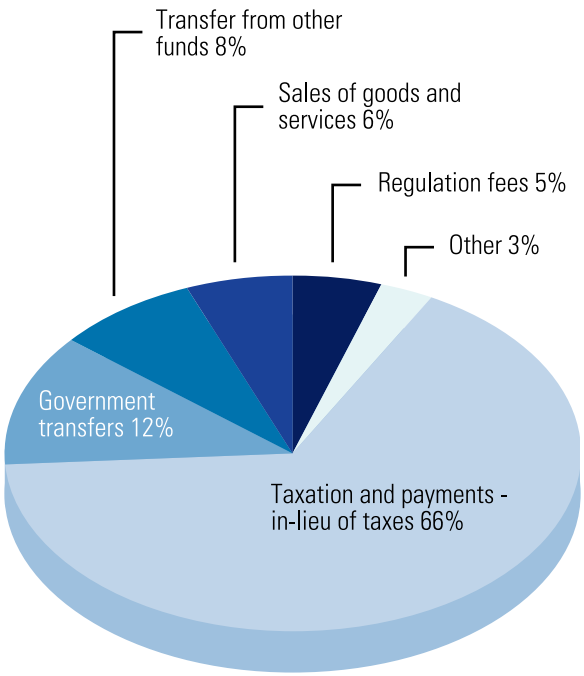
Consolidated expenses grew by $48.3 million from the previous year resulting from additional spending of $17.0 million on protection and community services, which includes the Police Services and Fire Paramedic Service departments. The increase mainly resulted from salaries and employee benefits. Expenses related to public works rose by $24.9 million primarily related to roadway snow and ice control and parks and urban forestry work.

CONSOLIDATED EXPENSES BY OBJECT

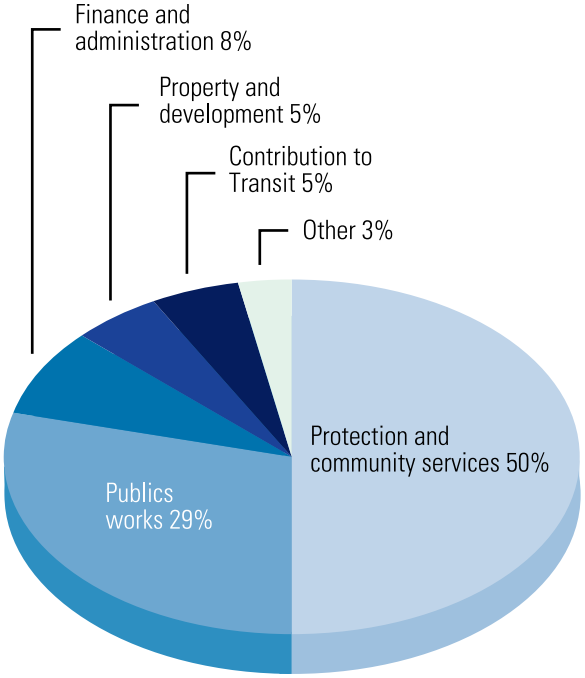
For the years ended December 31(in thousands of dollars)	2007	2006	Variance
Salaries and benefits	$ 539,405	$ 530,881	$ 8,524
Goods and services	291,032	271,530	19,502
Amortization	133,635	125,681	7,954
Interest	46,950	45,665	1,285
Other expenses	22,507	11,476	11,031
	$ 1,033,529	$ 985,233	$48,296

As previously indicated, the Statements incorporate the revenues and services reported in the General Revenue Fund. During 2007, municipal realty tax revenues funded 52% (2006 - 52%) of these services. The 2007 budget for property tax-supported operations was adopted by City Council on March 20, 2007. 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 tenth consecutive approved budget without an increase to property tax rates. The budget included increased funding for clean and green services, public safety, infrastructure, and the emphasis continued on efficiencies in service delivery.

GENERAL REVENUE FUND 2007 ACTUAL REVENUES



GENERAL REVENUE FUND 2007 ACTUAL EXPENSES

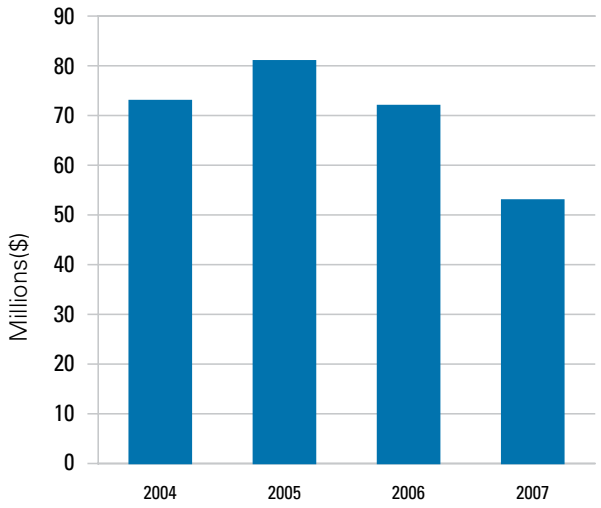


During 2007, the General Revenue Fund incurred revenues and expenses of $756.3 million (2006 - $724.6 million). Several unexpected events occurred that impacted the financial results of property tax-supported operations at the City, including increased snow clearing and fire paramedic service costs. These increases were offset by savings achieved in other departments, and increased revenue from investments and government transfers. At the end of the year, the General Revenue Fund reported a net surplus of $1.6 million, which was transferred to the Mill Rate Stabilization Reserve.

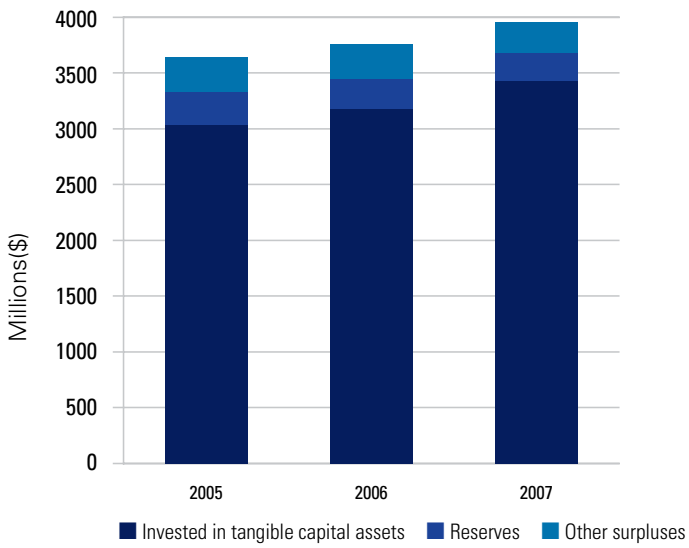
FINANCIAL POSITION

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2007, 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 Consolidated Statement of Financial Position is the City's net financial assets.

NET FINANCIAL ASSETS



ACCUMULATED SURPLUS



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, 2007, the City was in a net financial asset position of $52.4 million (2006 - $71.8 million). The change in net financial assets during the year resulted from the purchase of tangible capital assets, totalling $352.1 million, partially offset by the excess of revenues over expenses of $187.3 million and amortization of tangible capital assets of $133.6 million.

Another important indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. Accumulated surplus represents the net assets of the City and the yearly change in the accumulated surplus is equal to the annual excess of revenues over expenses for the year (results of operations). In 2007, accumulated surplus increased primarily as a result of surpluses realized in the Utility operations, and investments made in tangible capital assets.

The following is a discussion on some of the items that are included in the Consolidated Statement of Financial Position.

Accounts Receivable

As at December 31, 2007, property, payments-in-lieu of taxes and business tax receivables, net of the estimated uncollectible amounts, represented 20% (2006 - 25%) of total receivables. Taxation revenue is 42% (2006 - 47%) of total consolidated revenues.

As at December 31 (in thousands of dollars)	2007	2006	2005	2004	2003
Taxes receivable	$ 38,038	$ 41,350	$ 37,698	$ 40,436	$ 42,761
Allowance for tax arrears	(6,228)	(6,326)	(6,364)	(6,394)	(5,056)
	$ 31,810	$ 35,024	$ 31,334	$ 34,042	$ 37,705

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

Investments

In 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale includes payments of $20 million per annum for 2007 to 2010 and $16 million annually thereafter 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 perpetual maintenance at the three cemeteries that are maintained by the City. City Council has approved an Investment Policy to provide the Public Service 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)	2007	2006
Marketable securities		
Government of Canada	$ 10,883	$ 12,100
Provincial	7,317	8,466
Municipal	1,850	1,457
	20,050	22,023
Manitoba Hydro long-term receivable	238,376	243,751
Other	2,288	914
	$ 260,714	$ 266,688
Market value of marketable securities	$ 21,545	$ 23,757

Debt

As at December 31(in thousands of dollars)	2007	2006
Net debt		
Sinking fund debentures	$ 488,500	$ 488,500
Equity in Sinking Fund	(248,686)	(222,723)
	239,814	265,777
Serial and installment debt	98,539	130,855
Bank loans	38,113	28,497
Capital lease obligations	20,996	22,478
	$ 397,462	$ 447,607

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, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

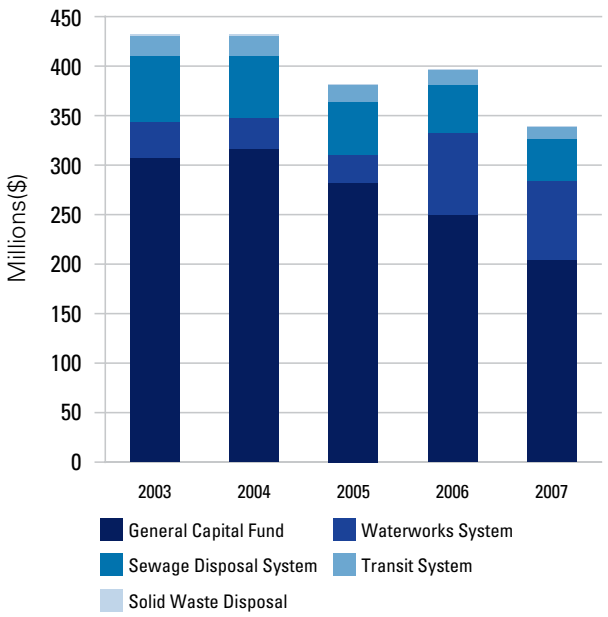
The City did not issue sinking fund debt during 2007. However, in 2006 the City issued a $60.0 million 30-year debenture for water utility projects, which matures on July 17, 2036. Except for the debt issued in 2006, the remaining outstanding sinking fund debt will mature by 2017. Repayment of debt will 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.

The City has also incurred serial and installment debt that have varying maturities up to 2014 and carry a weighted average interest rate of 4.6% (2006 - 4.8%). Annual interest and principal payments are made on the debt to the investors. Of the $32.3 million of serial and installment debt that matured in 2007, there was a maturity shortfall of $17.5 million. It is anticipated this will also be refinanced. In addition, the City has guaranteed the payment of principal and interest on capital loans for several third parties that totalled $5.6 million (2006 - $6.3 million). The City does not anticipate incurring future payments relating to these guarantees.

In 2007, Standard & Poor's advised the City that its credit rating would be maintained at AA. Moody's Investors Service also announced it would be maintaining the City's credit rating at Aa1. These debt ratings contribute to the City's ability to access capital markets and should result in low borrowing costs in the future.

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 $272.9 million

NET SINKING FUND DEBENTURES, SERIAL AND INSTALLMENT DEBT



from 1999, and is expected to decrease continuously over the next few years along with the associated debt-servicing costs. Within the utilities, in the next year the City anticipates issuing $100.0 million in debt to finance the water treatment plant estimated to cost $300 million. The Water Treatment Reserve funded a significant proportion of the cost of this project. As at December 31, 2007, this Reserve has been depleted, as planned.

In addition, the 2004 to 2008 utilities capital budget and the 2009 to 2013 capital forecast includes an additional $563.9 million of future debt 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. Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, which had a balance at December 31, 2007 of $37.5 million, CSIF, and retained earnings.

Tangible Capital Assets

The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment and fiscal responsibility. The 2007 capital budget and the 2008 to 2012 five-year forecast was adopted by City Council on January 25, 2007. The capital investment plan detailed $2.0 billion in spending over the next six years with $427.3 million in 2007. The focus on investment occurred in sewer and water systems, roads and bridges, transit, police systems and infrastructure, and community facilities. Areas of major capital investment included in the six-year plan are $826.0 million for the sewage disposal projects; $498.0 million for roads and bridges; $164.0 million for the water system; $145.0 million for the transit system; $82.0 million for land drainage and flood control; $43.0 million for police systems and infrastructure; and $31.0 million to complete the implementation of the recreation and leisure facilities initiative.

The capital investment plan incorporated Public Private Partnership ("P3") opportunities by way of $91.0 million for the Disraeli Bridge and Overpass facility and $16.9 million for Police Service's four district model building replacement program. Also included in the capital investment plan is $56.0 million of funding from the senior levels of government through the CSIF, which was applied towards the Nutrient Removal/Expansion South End Water Pollution Control Centre - $39.0 million and the recreation and leisure facilities - $17.0 million. It is anticipated that $70.0 million will be provided under the Manitoba/Winnipeg Infrastructure Program, $78.0 million under the Federal Gas Tax Agreement, and $150.0 million from unallocated Provincial funding.

During 2007, the City spent $352.1 million on capital projects (2006 - $263.1 million), which included $144.5 million for tax-supported projects. Spending on tax-supported projects was made primarily on roads and bridges, water and waste infrastructure, buildings and information technology.

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 estimated residual value, of the tangible capital assets are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 100 years.

During the year there were no write-downs of tangible capital assets. Roads and underground networks contributed to the City totalled $50.6 million (2006 - $15.3 million) and were capitalized at their fair value at the time of receipt along with $1.8 million (2006 - $1.8 million) of interest.

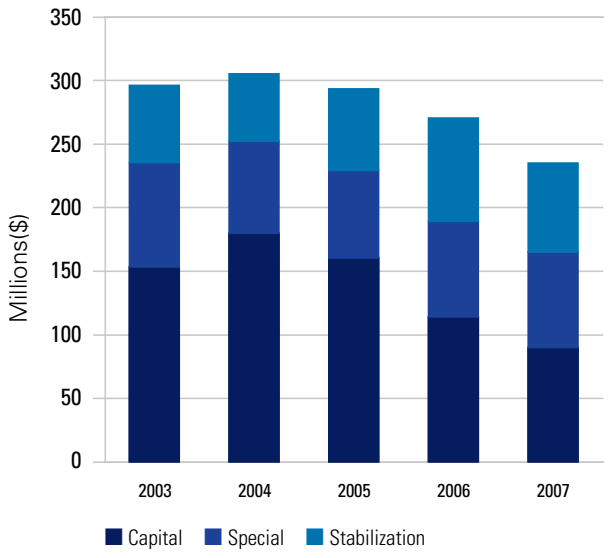
In 2006, the City early adopted PSAB section PS 3150 - Tangible Capital Assets. This was an important step in the City's plan to develop its systems of managing capital assets. The City will be improving this area in the future through enhanced reporting, including capturing information on asset condition. Information would include a physical condition rating assessment and remaining average life expectancy of tangible capital assets.

TANGIBLE CAPITAL ASSETS

As at December 31(in thousands of dollars)	2007	2006
General		
Land	$ 173,030	$ 171,400
Buildings	238,341	234,070
Vehicles	127,124	125,225
Computer	42,651	45,092
Other	52,214	39,406
Infrastructure		
Plants and facilities	250,928	228,320
Roads	767,508	723,638
Underground and other networks	1,657,343	1,633,958
Bridges and other structures	307,211	315,176
	3,616,350	3,516,285
Assets under construction	260,840	153,460
	$ 3,877,190	$ 3,669,745

Reserves

Reserve balances have decreased overall by $26.8 million (2006 - $22.5 million) from the prior year. The City's Capital Reserves have dropped by $24.4 million. In particular, the Water Treatment Reserve declined by $25.2 million as work continued on the water treatment plant. Special Purpose Reserves rose by $0.2 million, while the Stabilization Reserves decreased by $2.6 million. The Stabilization Reserves' accumulated surpluses have reached their individual targeted level of 5% of the General Revenue Fund's adopted budget expenses. During 2007, one new reserve fund was consolidated into the financial statements. The Permit Reserve was created to mitigate permit revenue shortfalls during slower economic growth periods; fund additional temporary staff resources to respond to annual fluctuations in construction activity; and fund service and system improvements.



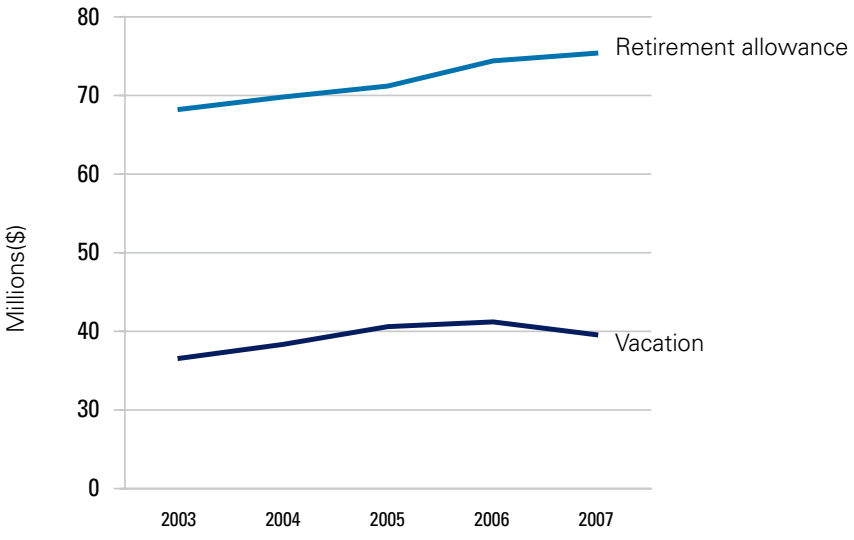
ACCOUNTING POLICIES

The significant accounting policies used in preparing the City's consolidated financial statements are summarized in Note 2 to the Statements. The accounting policies section of the 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.

LIABILITY



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 because it is a multi-employer contributory plan governed by an independent board of directors. As a defined contribution pension plan it eliminates the City's exposure to future unfunded liabilities. The Winnipeg Police Pension 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 Statements.

Tangible Capital Assets

The City's management makes estimates about the expected useful lives, projected residual values and the potential for impairment of its tangible capital assets. In estimating the lives and expected residual values of assets, reliance is placed mainly on experience with the asset. Revisions to the estimates of the asset can be caused by maintenance and renewal expenditures that may result in a change in service levels and can affect the life expectancy of the asset. Management evaluates these estimates and potential impairment on all tangible capital assets annually and when events and circumstances indicate that the assets may be impaired. The effects of maintenance and renewal costs on estimated useful lives is not reported until the reduction in future economic benefits is expected to be permanent.

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

For the year ended December 31, 2007, 52% (2006 - 54%) of the City's expenses related to salaries and employee benefits. The City employed approximately 8,500 staff, the majority being represented by eight unions and associations. The City has in place labour agreements with its unions and associations as follows:

Union/Association	Number of Staff	Agreement Expiry Date
ATU	934	January 12, 2008
CUPE	3,912	December 31, 2010
PPAW	208	February 13, 2007
UFFW	899	December 26, 2007
WAPSO	603	October 11, 2008
WFPSOA	35	February 22, 2007
WPA	1,647	December 23, 2006
WPSOA	26	December 19, 2006

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; PPAW - Professional Paramedics Association of Winnipeg; UFFW - United Fire Fighters of Winnipeg Local 867; WAPSO - Winnipeg Association of Public Service Officers; WFPSOA - Winnipeg Fire Paramedic Senior Officers' Association; WPA - Winnipeg Police Association; and WPSOA - Winnipeg Police Senior Officers' Association

The collective agreements provide 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. This 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 part of the sale agreement, the City is entitled to purchase material for its own purpose at prices paid by preferential clients and to be supplied with emergency materials at preferred rates.

On April 25, 2007, City Council approved the amendments to the City Organization By-law to support the implementation of the shared services model and administrative restructuring. Under the shared services model, the Corporate Services and Corporate Information Technology departments will be consolidated into one department effective January 1, 2008.

On June 20, 2007, City Council approved that the facilities maintenance and security function (Building Services Fund) be moved from the Public Works department to the Planning, Property and Development department.

On November 21, 2007, City Council approved that effective January 1, 2008, the Property Assessment department and the Taxation and Revenue branch of the Corporate Finance department be merged into a single department named the Assessment and Taxation department. The citizens of Winnipeg will receive the benefits of the merger through a single service window that deals with all matters related to assessment and taxation. It is anticipated the amalgamation of these two functions will achieve savings of approximately $1.7 million over five years, excluding one-time transition costs.

SERVICE BASED BUDGET AND SEGMENTED INFORMATION REPORTING

During 2005, Executive Policy Committee directed the preparation of a Service Based Budgeting Report including an overview of each municipal service, its goals and performance information. The 2007 Operating Budget was prepared in this view.

The service based budget provides a more direct link between investments and results. The service based view is an additional tool to assist in City Council's budget decision-making process and may assist City Council in strategic policy-based discussions. The City's first non-consolidated Service Based Operating Budget included Tax-Supported, Utilities, Special Purpose Funds and Special Operating Agencies services.

In 2006, the City adopted PSAB section PS 2700 - Segment Disclosures. In 2007, the Statements included budget information by segment for the General Revenue Fund.

CONTROLS AND PROCEDURES

Over the past year a number of reviews were conducted by the City Auditor. Reviews included audits of the City's methods and processes used to early adopt the recommendations of PSAB section PS 3150 - Tangible Capital Assets. As well, reviews were conducted on various revenue streams. The Public Service 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 26, 2008, City Council approved the 2008 operating budget that provides for the 11th year of property tax freezes or reductions. The budget plan continues to focus investment on public safety and the infrastructure while maintaining enhanced clean and green programs.

GENERAL REVENUE FUND - BUDGET

For the years ended December 31(in thousands of dollars)	2008	2007	2006	2005	2004
Revenues					
Property tax	$ 424,422	$ 419,035	$ 404,828	$ 399,507	$ 391,657
Government transfers	90,237	81,172	87,991	77,617	73,066
Sale of goods and services	66,810	63,312	65,720	69,900	68,682
Transfer from other funds	62,361	59,918	45,557	31,450	28,278
Business tax	57,584	57,584	62,240	62,273	62,662
Regulation fees	30,349	26,948	23,573	31,678	34,431
Other taxation	25,253	22,943	22,158	22,423	20,975
Interest	9,326	9,310	7,796	11,344	13,608
Other	1,280	1,020	1,096	807	875
	767,622	741,242	720,959	706,999	694,234
Expenses					
Police service	169,936	160,223	153,312	146,695	140,570
Public works	165,502	161,890	153,567	149,798	147,639
Fire paramedic service	123,613	113,899	108,753	103,785	103,165
Community services	97,150	97,228	88,588	85,814	83,030
Corporate	66,343	61,435	71,203	66,229	65,503
Planning, property and development	37,120	37,186	35,146	38,730	39,294
Water and waste	29,373	30,674	32,140	33,433	33,468
Internal services	27,053	26,049	-	-	-
Assessment and taxation	13,378	14,139	-	-	-
City clerks	12,133	11,847	11,256	11,356	10,565
Street lighting	10,533	10,492	10,128	9,522	9,610
Corporate finance	6,642	6,831	9,832	12,883	14,980
Other departments	8,846	9,349	9,432	9,396	8,965
Corporate information technology	-	-	16,918	16,519	16,260
Property assessment	-	-	11,413	12,418	11,972
Corporate services	-	-	9,271	10,421	9,213
	767,622	741,242	720,959	706,999	694,234
	$ -	$ -	$ -	$ -	$ -

The 2008 and 2007 figures include department restructuring and reallocation of financing charges. The 2004 - 2006 expense figures have not been restated.

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 December 18, 2007, City Council approved the 2008 capital budget and the 2009 to 2013 forecast. Due to construction inflation levels, the City undertook a complete review of capital authorizations and capital spending over the past several years. As a result, a $10.5 million tax-supported capital surplus from older capital projects was identified and will be used to fund 2008 tax-supported capital projects. In addition, the City will set aside funding to respond to ongoing and future inflationary pressures, with spending authority delegated to the Standing Policy Committee on Finance.

The capital budget continues to invest in priority road, bridge and other infrastructure projects. P3s provide opportunity to accelerate projects and maximize program outcomes for the citizens of Winnipeg. The first new police station is under construction as a result of a P3 arrangement recently authorized. The P3 approach is planned for the new north and west district stations, the rehabilitation of the Disraeli Freeway, and the Chief Peguis Trail.

REQUEST FOR INFORMATION

The Financial Statement Discussion and Analysis and the Statements are designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show accountability for the funding it receives. Both the Annual Financial Report and the Detailed Financial Statements Document are available on-line at www.winnipeg.ca. Questions concerning the information provided in these reports should be addressed to the Corporate Controller's Office, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.



Michael Ruta, FCA
Chief Financial Officer

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
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, 2007 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
April 7, 2008.

Ernst & Young LLP
Chartered Accountants

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

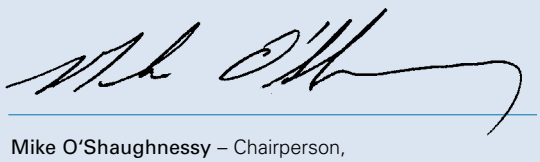
As at December 31 (in thousands of dollars)	2007	2006
Financial Assets		
Cash and cash equivalents (Note 3)	$ 404,742	$ 445,049
Accounts receivable (Note 4)	160,796	141,204
Land held for resale	10,627	13,054
Investments (Note 5)	260,714	266,688
Investment in government businesses (Note 6)	22,609	22,096
	859,488	888,091
Liabilities		
Accounts payable and accrued liabilities (Note 7)	185,130	158,140
Deferred revenue (Note 8)	43,637	29,639
Debt (Note 9)	397,462	447,607
Other liabilities (Note 10)	37,665	38,841
Retirement allowance, vacation, compensated absences and other (Note 11)	143,154	142,097
	807,048	816,324
Net Financial Assets	52,440	71,767
Non-financial Assets		
Tangible capital assets (Note 13)	3,877,190	3,669,745
Inventories	13,937	13,731
Prepaid expenses	2,930	3,969
	3,894,057	3,687,445
Accumulated Surplus (Note 14)	$ 3,946,497	$ 3,759,212
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:



Sam Katz – Mayor



Mike O'Shaughnessy – Chairperson,
Standing Policy Committee on Finance

CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

For the years ended December 31 (in thousands of dollars)	2007	2006
Revenues		
Taxation (Note 16)	$ 515,197	$ 518,661
Sales of services and regulatory fees (Note 17)	381,273	356,761
Government transfers (Note 18)	117,195	109,236
Investment income	50,118	47,123
Land sales and other revenue (Notes 6 and 23)	35,025	15,384
Total Revenues	1,098,808	1,047,165
Expenses (Note 19)		
Protection and community services	336,743	319,705
Public works	249,323	224,390
Utility operations	242,797	231,306
Property and development	90,001	80,017
Finance and administration	56,262	59,677
General government	33,403	45,964
Civic corporations	25,000	24,174
Total Expenses	1,033,529	985,233
Excess Revenues Over Expenses Before Other	65,279	61,932
Other		
Government transfers related to capital (Note 18)	71,368	43,064
Developer contributions-in-kind related to capital	50,638	15,304
	122,006	58,368
Excess Revenues Over Expenses	187,285	120,300
Accumulated Surplus, Beginning Of Year	3,759,212	3,638,912
Accumulated Surplus, End Of Year	$ 3,946,497	$ 3,759,212

See accompanying notes and schedules to the consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended December 31(in thousands of dollars)	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
Operating		
Excess Revenues Over Expenses	$ 187,285	$ 120,300
Non-cash charges to operations		
Amortization	133,635	125,681
Other	(7,867)	6,364
	313,053	252,345
Net change in non-cash working capital balances related to operations	29,116	45,479
Cash provided by operating transactions	342,169	297,824
Capital		
Acquisition of tangible capital assets	(352,149)	(263,066)
Proceeds on disposal of tangible capital assets	12,544	5,406
Cash used in capital transactions	(339,605)	(257,660)
Financing		
Increase in sinking fund investments	(25,963)	(23,758)
Debenture and serial debt retired	(32,316)	(21,871)
Sinking fund debenture issued	-	60,000
Other	8,622	17,084
Cash (used in) provided by financing activities	(49,657)	31,455
Investing		
Reduction of investments	6,786	82,216
Cash provided by investing activities	6,786	82,216
(Decrease) increase in cash and cash equivalents	(40,307)	153,835
Cash and Cash Equivalents, Beginning Of Year	445,049	291,214
Cash and Cash Equivalents, End Of Year	$ 404,742	$ 445,049

See accompanying notes and schedules to the consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS

For the years ended December 31 (in thousands of dollars)	2007	2006
Excess Revenues Over Expenses	**$ 187,285**	$ 120,300
Amortization of tangible capital assets	**133,635**	125,681
Proceeds on disposal of tangible capital assets	**12,544**	5,406
Change in inventories and prepaid expenses	**833**	(718)
Gain on sale of tangible capital assets	**(6,425)**	(2,672)
Acquisition of tangible capital assets	**(352,149)**	(263,066)
Other	**4,950**	5,816
Decrease In Net Financial Assets	**(19,327)**	(9,253)
Net Financial Assets, Beginning Of Year	**71,767**	81,020
Net Financial Assets, End Of Year	**$ 52,440**	$ 71,767

See accompanying notes and schedules to the consolidated financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 (in thousands of dollars, except as noted)

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. Inter-fund and inter-corporate 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 inter-corporate transactions are not eliminated (Note 6).

iii) 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

d) Cash equivalents

Cash equivalents consist of Government of Canada treasury bills and crown corporation commercial paper; provincial government bonds, floating rate notes, promissory notes and treasury bills; City of Winnipeg municipal bond; schedule A bankers acceptances; floating rate notes; and bearer deposit notes. Cash equivalents are recorded at cost, which approximates their quoted market value and are redeemable on demand.

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

Assessment appeal costs are estimated at the beginning of the four year assessment cycle and are amortized over the cycle. The liability is net of the unamortized costs.

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 site's 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

Government transfers, 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 Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program with contributions expensed as incurred. The costs of other 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 consolidated Change in Net Financial Assets for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Significant Accounting Policies (continued)

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:

Buildings	10 to 50 years	**Water and waste plants and networks**	
Vehicles		Underground networks	50 to 100 years
Transit buses	18 years	Sewage treatment plants and lift stations	50 to 75 years
Vehicles	5 to 10 years	Water pumping stations and reservoirs	50 to 75 years
Computer hardware and software	5 to 10 years	Flood stations and other infrastructure	50 to 75 years
Other		**Transportation**	
Machinery and equipment	10 years	Roads	10 to 50 years
Land improvements	15 years	Bridges and structures	25 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.

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) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

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

	2007	2006
Cash	$ 4,917	$ 2,347
Cash equivalents	399,825	442,702
	$ 404,742	$ 445,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Cash and Cash Equivalents (continued)

Cash equivalents have an effective average interest rate of 4.4% (2006 - 4.3%).

Cash and cash equivalents are net of $203.6 million (2006 - $113.2 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.

Cash received for interest during the year is $49.7 million (2006 - $46.3 million).

4. ACCOUNTS RECEIVABLE

	2007	2006
Property, payments-in-lieu and business taxes receivable	$ 38,038	$ 41,350
Allowance for property, payments-in-lieu and business tax arrears	(6,228)	(6,326)
	31,810	35,024
Trade accounts and other receivables	80,960	74,150
Province of Manitoba	35,017	27,229
Government of Canada	19,001	9,586
Allowance for doubtful accounts	(5,992)	(4,785)
	128,986	106,180
	$ 160,796	$ 141,204

5. INVESTMENTS

	2007	2006
Marketable securities		
Government of Canada bonds, bond residues, and coupons	$ 10,883	$ 12,100
Provincial bonds and coupons	7,317	8,466
Municipal bonds	1,850	1,457
	20,050	22,023
Manitoba Hydro long-term receivable	238,376	243,751
Other investments	2,288	914
	$ 260,714	$ 266,688

The aggregate market value of marketable securities at December 31, 2007 is $21.5 million (2006 - $23.8 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 through 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%.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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. NPDC is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks. The Partnership is involved in certain business and core activities regarding the ownership, development and management of its two sites that include land investment properties and public amenities.

The condensed supplementary financial information of NPDC is as follows:

	2007	2006
Financial position		
Capital assets and investment in properties and infrastructure enhancements	$ 79,584	$ 88,947
Current and other assets	11,166	3,747
	$ 90,750	$ 92,694
Deferred contributions	$ 24,780	$ 26,463
Current and other liabilities	6,788	7,005
	31,568	33,468
Net assets	59,182	59,226
	$ 90,750	$ 92,694
Results of operations		
Revenues	$ 9,427	$ 9,008
Expenditures	8,622	8,040
	805	968
Depreciation and amortization	(1,626)	(1,477)
Gain on disposal of assets	777	-
Deficiency of revenues over expenditures for the year	$ (44)	$ (509)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Investment in Government Businesses (continued)

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:

	2007	2006
Financial position		
Capital assets	$ 30,197	$ 31,431
Current and other assets	6,573	4,258
	$ 36,770	$ 35,689
Long-term debt	$ 29,852	$ 30,945
Current and other liabilities	4,036	2,390
	33,888	33,335
Replacement Reserves	3,103	2,858
Net assets	(221)	(504)
	2,882	2,354
	$ 36,770	$ 35,689
Results of operations		
Revenues	$ 6,950	$ 6,858
Expenditures	6,902	6,902
Excess (Deficiency) of revenues over expenditures for the year	48	(44)
Gain on sale of capital assets	235	-
Change to Replacement Reserves during the year	245	192
	$ 528	$ 148

During the year, the City paid WHRC an operating grant of $200 thousand (2006 - $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2006 - $2.0 million).

Summary of investment in government businesses

	2007	2006
North Portage Development Corporation (1/3 share)	$ 19,727	$ 19,742
Winnipeg Housing Rehabilitation Corporation	2,882	2,354
	$ 22,609	$ 22,096

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Investment in Government Businesses (continued)

Summary of results of operations

	2007	2006
North Portage Development Corporation (1/3 share)	$ (15)	$ (170)
Winnipeg Housing Rehabilitation Corporation	528	148
	$ 513	$ (22)

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue. These organizations report their activities based on a March 31 year-end.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Accrued liabilities	$ 97,357	$ 83,741
Trade accounts payable	75,335	61,754
Accrued interest payable	12,438	12,645
	$ 185,130	$ 158,140

8. DEFERRED REVENUE

	2007	2006
Federal public transit transfer	$ 35,766	$ 13,658
Federal gas tax transfer	1,141	4,649
Other	6,730	11,332
	$ 43,637	$ 29,639

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DEBT

Sinking fund debentures outstanding

TERM	MATURITY DATE	RATE OF INTEREST	SERIES	BY-LAW NO.	AMOUNT OF DEBT 2007	2006
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	60,000
					488,500	488,500
Equity in Sinking Fund					(248,686)	(222,723)
Net sinking fund debentures outstanding					239,814	265,777

Other debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.56% (2006 - 4.83%)	98,539	130,855
Bank loans incurred primarily by Fleet Management - Special Operating Agency and Winnipeg Enterprises Corporation with varying maturities up to 2019 and a weighted average interest rate of 5.17% (2006 - 5.33%)	38,113	28,497
Capital lease obligations (Note 9c)	20,996	22,478
	$ 397,462	$ 447,607

Debt segregated by fund/organization:

	2007	2006
General Capital Fund	$ 226,028	$ 272,656
Waterworks System	79,410	82,890
Sewage Disposal System	45,053	51,510
Solid Waste Disposal	788	976
Special operating agencies	32,402	20,785
Transit System	12,687	15,286
Other	1,094	3,504
	$ 397,462	$ 447,607

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. Debt (continued)

Debt to be retired over the next five years:

	2008	2009	2010	2011	2012	2013+
Sinking fund debentures	$ -	$ 135,500	$ -	$ -	$ -	$ 353,000
Other debt	21,040	19,956	20,938	21,293	23,624	50,797
	$ 21,040	$ 155,456	$ 20,938	$ 21,293	$ 23,624	$ 403,797

a) Sinking fund assets have a market value of $254.6 million (2006 - $234.3 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 $37.4 million (2006 - $27.8 million) and a market value of $38.3 million (2006 - $29.0 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 one 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.

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
2008	$ 3,321
2009	3,424
2010	3,424
2011	3,424
2012	2,324
Thereafter	24,598
Total future minimum lease payments	40,515
Amount representing interest at a weighted average rate of 9.49%	(19,519)
Capital lease liability	$ 20,996

d) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2007 is $46.9 million (2006 - $45.7 million).

e) Cash paid for interest during the year is $47.2 million (2006 - $44.5 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. OTHER LIABILITIES

	2007	2006
Other liabilities	$ 9,898	$ 15,789
Developer deposits	6,767	6,052
	16,665	21,841
Environmental liabilities	21,000	17,000
	$ 37,665	$ 38,841

In 2007, the City has accrued an overall liability for environmental matters in the amount of $21.0 million (2006 - $17.0 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 $16.3 million (2006 - $14.4 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% (2006 - 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, 2007, the reserve had a balance of $2.6 million (2006 - $2.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. RETIREMENT ALLOWANCE, VACATION, COMPENSATED ABSENCES AND OTHER

	2007	2006
Retirement allowance - accrued obligation	$ 82,299	$ 83,409
Unamortized net actuarial loss	(6,886)	(9,011)
Retirement allowance - accrued liability	75,413	74,398
Vacation	39,522	41,213
Compensated absences	7,502	7,359
Other	20,717	19,127
	$ 143,154	$ 142,097

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. An actuarial valuation report of the obligation was prepared effective December 31, 2005. The results of this valuation were extrapolated to December 31, 2007.

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

	2007	2006
Retirement allowance - accrued liability		
Balance, beginning of year	$ 74,398	$ 71,236
Current service cost	4,117	4,171
Interest cost	3,669	3,594
Amortization of net actuarial loss	1,035	975
Benefit payments	(7,806)	(5,578)
Balance, End Of Year	$ 75,413	$ 74,398

Retirement allowance expense consists of the following:

	2007	2006
Current service cost	$ 4,117	$ 4,171
Interest cost	3,669	3,594
Amortization of net actuarial loss	1,035	975
	$ 8,821	$ 8,740

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

	2007	2006
Discount rate on liability	4.70%	4.50%
General increases in pay	3.00%	3.00%

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

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, 2006, which indicated an excess of actuarial value of program assets over actuarial liabilities of $475.1 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, 2007 was $119.3 million (2006 - $129.6 million). Total contributions by the City to the program in 2007 were $13.0 million (2006 - $13.1 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. Pension Costs and Obligations (continued)

An actuarial valuation of the plan was prepared on December 31, 2006 and the results were extrapolated to December 31, 2007. The principal long-term assumptions on which the valuation was based were: discount rate of 6.00% 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:

	2007	2006
Pension fund assets, at actuarial value	$ 893,194	$ 844,838
Accrued pension obligations	$ 828,911	$ 762,922
Contribution stabilization reserve	52,442	61,225
	$ 881,353	$ 824,147

The market value of the pension fund assets as at December 31, 2007 was $916.1 million (2006 - $915.0 million).

Total contributions made by the City to the plan in 2007 were $7.6 million (2006 - $7.7 million). Total employee contributions to the plan in 2007 were $7.7 million (2006 - $7.7 million). Benefits paid from the plan in 2007 were $32.5 million (2006 - $30.3 million).

The expected rate of return on plan assets in 2007 was 6.00% (2007 - 6.25%). The actual rate of return, net of investment expenses, on plan assets in 2007 was 2.05% (2006 - 12.7%).

c) Councillors' Pension Plan

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

On November 2, 1992, the pension plan provided to members of City 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 2007, the City paid out $0.3 million (2006 - $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 City 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. TANGIBLE CAPITAL ASSETS

	NET BOOK VALUE	
	2007	2006
General		
Land	$ 173,030	$ 171,400
Buildings	238,341	234,070
Vehicles	127,124	125,225
Computer	42,651	45,092
Other	52,214	39,406
Infrastructure		
Plants and facilities	250,928	228,320
Roads	767,508	723,638
Underground and other networks	1,657,343	1,633,958
Bridges and other structures	307,211	315,176
	3,616,350	3,516,285
Assets under construction	260,840	153,460
	$ 3,877,190	$ 3,669,745

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

During the year there were no write-downs of assets (2006 - $nil). Interest capitalized during 2007 was $1.8 million (2006 - $1.8 million). In addition, roads and underground networks contributed to the City totalled $50.6 million in 2007 (2006 - $15.3 million) and were capitalized at their fair value at the time of receipt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. ACCUMULATED SURPLUS

Accumulated surplus consists of individual fund surplus (deficit) and reserves as follows:

	2007	2006
Surplus		
Invested in tangible capital assets	$ 3,434,876	$ 3,181,870
Unamortized gain on Winnipeg Hydro sale	238,376	243,751
Waterworks System	61,400	104,272
Sewage Disposal System	55,234	43,856
North Portage Development Corporation	19,727	19,742
Fleet Management - Special Operating Agency	14,884	20,390
Equipment and Material Services	11,119	1,001
CentreVenture Development Corporation	9,645	10,087
Solid Waste Disposal	7,865	7,342
Other	13,881	12,274
Winnipeg Parking Authority - Special Operating Agency	(6,212)	(3,581)
Unfunded		
Environmental liabilities	(20,280)	(16,280)
Retirement allowance, vacation, compensated absences and other	(137,444)	(135,779)
Total Surplus	3,703,071	3,488,945
Reserves		
Capital Reserves		
Environmental Projects Reserve	37,471	46,942
Sewer System Rehabilitation Reserve	28,711	25,619
Transit Bus Replacement Reserve	11,732	7,068
Water Treatment Reserve	-	25,217
Other	11,973	9,513
	89,887	114,359
Special Purpose Reserves		
General Purpose Reserve	11,367	13,122
Land Operating Reserve	11,059	9,038
Perpetual Maintenance Fund - Brookside Cemetery	10,418	10,485
Heritage Investment Reserve	8,408	9,259
Insurance Reserve (Note 20)	7,985	7,952
Workers Compensation Reserve	4,971	7,705
Other	20,712	17,118
	74,920	74,679
Stabilization Reserves		
Fiscal Stabilization Reserve	41,557	49,259
Mill Rate Stabilization Reserve	37,062	31,970
	78,619	81,229
Total Reserves	243,426	270,267
Accumulated Surplus	$ 3,946,497	$ 3,759,212

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. COMMITMENTS AND CONTINGENCIES

The significant commitments and contingencies that existed at December 31, 2007 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
2008	$ 4,174
2009	2,831
2010	2,367
2011	1,953
2012 and thereafter	4,078
	$ 15,403

b) The City is a defendant in two significant lawsuits as at December 31, 2007. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

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, 2007 is $5.6 million (2006 - $6.3 million).

16. TAXATION

	2007	2006
Municipal and school property taxes	$ 820,635	$ 804,232
Payments-in-lieu of property (municipal and school) and business taxes	39,376	39,209
	860,011	843,441
Payments to Province and school divisions	(452,937)	(437,317)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	407,074	406,124
Business tax and license-in-lieu of business taxes	56,057	61,029
Local improvement and frontage levies	28,695	28,439
Electricity and natural gas sales taxes	17,125	16,941
Amusement tax and mobile home license	6,246	6,128
	$ 515,197	$ 518,661

The property tax roll includes school taxes of $430.1 million (2006 - $415.4 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2007 totalled $22.8 million (2006 - $21.9 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. SALES OF SERVICES AND REGULATORY FEES

	2007	2006
Water sales and sewage services	$ 186,559	$ 169,265
Other sales of goods and services	90,828	88,472
Transit fares	58,132	57,319
Regulatory fees	45,754	41,705
	$ 381,273	$ 356,761

18. GOVERNMENT TRANSFERS

	2007	2006
Operating		
Province of Manitoba		
Building Manitoba Fund	$ 53,204	$ 49,368
Ambulance, libraries and other	34,034	31,136
Transit	23,795	22,895
Unconditional	19,888	19,887
Support	9,895	9,483
Support for Provincial programs	(23,650)	(23,650)
	117,166	109,119
Government of Canada		
Dutch elm disease program and other	29	117
Total Operating	117,195	109,236
Capital		
Province of Manitoba	40,052	14,581
Government of Canada		
Federal gas tax revenue	19,935	18,659
Other capital funding	8,699	9,154
Public transit	2,682	670
	31,316	28,483
Total Capital	71,368	43,064
	$ 188,563	$ 152,300

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. EXPENSES BY OBJECT

	2007	2006
Salaries and benefits	$ 539,405	$ 530,881
Goods and services	291,032	271,530
Amortization	133,635	125,681
Interest	46,950	45,665
Other expenses	22,507	11,476
	$ 1,033,529	$ 985,233

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 (Note 14) 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, 2007 is $8.0 million (2006 - $8.0 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

Protection is comprised of the Police Services and Fire Paramedic Service departments. 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

The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. Segmented Information (continued)

zoning by-laws, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery services to citizens.

Public Works and Water
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.

Transit System Fund
The Transit department is responsible for providing local public transportation service.

The Water and Waste Funds
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.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, 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 transfers, 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) and Schedule of Segment Disclosure with Budget Information (Schedule 3).

22. FUNDS HELD IN TRUST

Trust funds administered by the City for the benefit of external parties of $0.3 million (2006 - $0.2 million) are not included in the consolidated financial statements.

23. 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, with transfer of ownership occurring February 5, 2007.

24. COMPARATIVE FIGURES

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

CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS - SCHEDULE 1

As at December 31 (in thousands of dollars)

	General					Infrastructure					Totals	
	Land	Buildings	Vehicles	Computer	Other	Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	2007	2006
Cost												
Balance, beginning of year	$ 171,400	$ 431,603	$ 235,713	$ 97,515	$ 82,095	$ 389,633	$ 1,468,184	$ 2,385,828	$ 481,093	$ 153,460	$ 5,896,524	$ 5,666,254
Add: Additions during the year	8,356	17,703	18,957	7,425	19,770	30,080	82,797	57,724	1,957	107,380	352,149	263,066
Less: Disposals during the year	1,776	682	4,047	261	4,367	-	17,724	8,408	-	-	37,265	26,980
Other	(4,950)	-	-	-	-	-	-	-	-	-	(4,950)	(5,816)
Balance, end of year	173,030	448,624	250,623	104,679	97,498	419,713	1,533,257	2,435,144	483,050	260,840	6,206,458	5,896,524
Accumulated amortization												
Balance, beginning of year	-	197,533	110,488	52,423	42,689	161,313	744,546	751,870	165,917	-	2,226,779	2,125,344
Add: Amortization	-	13,374	16,182	9,839	5,795	7,472	38,868	32,183	9,922	-	133,635	125,681
Less: Accumulated amortization on disposals	-	624	3,171	234	3,200	-	17,665	6,252	-	-	31,146	24,246
Balance, end of year	-	210,283	123,499	62,028	45,284	168,785	765,749	777,801	175,839	-	2,329,268	2,226,779
Net Book Value of Tangible Capital Assets	$ 173,030	$ 238,341	$ 127,124	$ 42,651	$ 52,214	$ 250,928	$ 767,508	$ 1,657,343	$ 307,211	$ 260,840	$ 3,877,190	$ 3,669,745

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE - SCHEDULE 2

For the year ended December 31, 2007 (in thousands of dollars)

	General Revenue Fund									
	Protection	Community Services	Planning	Public Works and Water	Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
Revenues										
Taxation	$ 180,690	$ 56,389	$ 14,427	$ 161,724	$ 88,038	$ -	$ -	$ 30,120	$ (16,191)	$ 515,197
Sales of services and regulatory fees	36,513	15,782	14,767	3,713	10,169	59,988	206,612	70,767	(37,038)	381,273
Government transfers (Note 18)	42,423	10,676	3,101	18,545	13,404	34,096	17,864	91,560	(43,106)	188,563
Transfer from other funds	17,113	4,653	6,070	25,956	6,312	38,782	68,681	224,307	(391,874)	-
Other	8,758	2,697	1,304	6,004	7,064	818	29,597	114,385	(34,846)	135,781
	285,497	90,197	39,669	215,942	124,987	133,684	322,754	531,139	(523,055)	1,220,814
Expenses										
Salaries and benefits	235,286	42,806	19,144	56,314	32,118	72,435	46,149	35,153	-	539,405
Goods and services	34,611	12,714	3,105	89,170	12,815	34,661	58,813	79,992	(34,849)	291,032
Interest	1,609	1,343	2,416	41,545	3,781	3,017	15,726	55,752	(78,239)	46,950
Transfer to other funds	8,939	26,905	10,295	5,528	43,562	5,521	60,424	157,466	(318,640)	-
Other	5,052	6,429	4,709	23,385	32,711	8,115	26,929	123,081	(74,269)	156,142
	285,497	90,197	39,669	215,942	124,987	123,749	208,041	451,444	(505,997)	1,033,529
Net surplus	$ -	$ -	$ -	$ -	$ -	$ 9,935	$ 114,713	$ 79,695	$ (17,058)	$ 187,285

CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE - SCHEDULE 2

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

	General Revenue Fund									
	Protection	Community Services	Planning	Public Works and Water	Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
Revenues										
Taxation	$ 179,782	$ 55,820	$ 11,696	$ 148,039	$ 96,128	$ -	$ -	$ 42,832	$ (15,636)	$ 518,661
Sales of services and regulatory fees	35,770	15,377	13,110	3,491	9,529	59,355	186,997	67,022	(33,890)	356,761
Government transfers (Note 18)	32,642	11,291	3,246	19,023	14,760	24,292	4,573	85,547	(43,074)	152,300
Transfer from other funds	12,767	2,404	5,637	21,606	3,450	35,197	87,738	214,080	(382,879)	-
Other	9,351	3,189	1,484	7,149	7,875	507	13,500	74,968	(40,212)	77,811
	270,312	88,081	35,173	199,308	131,742	119,351	292,808	484,449	(515,691)	1,105,533
Expenses										
Salaries and benefits	221,526	42,773	18,947	53,893	38,015	70,947	43,493	34,181	7,106	530,881
Goods and services	32,547	11,709	3,841	77,731	13,312	34,326	58,185	72,443	(32,564)	271,530
Interest	1,782	1,269	2,035	40,904	6,039	2,755	14,214	57,527	(80,860)	45,665
Transfer to other funds	8,627	25,309	6,396	5,599	43,503	7,081	49,964	159,822	(306,301)	-
Other	5,830	7,021	3,954	21,181	30,873	8,551	20,594	108,862	(69,709)	137,157
	270,312	88,081	35,173	199,308	131,742	123,660	186,450	432,835	(482,328)	985,233
Net surplus (deficit)	$ -	$ -	$ -	$ -	$ -	$ (4,309)	$ 106,358	$ 51,614	$ (33,363)	$ 120,300

SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET INFORMATION - SCHEDULE 3

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

	2007 Budget	2007 Actual	2006 Actual
PROTECTION			
Revenues			
Taxation	$ 181,226	$ 180,690	$ 179,782
Sales of services and regulatory fees	34,294	36,513	35,770
Government transfers	35,590	42,423	32,642
Transfer from other funds	17,014	17,113	12,767
Other	7,438	8,758	9,351
	275,562	285,497	270,312
Expenses			
Salaries and benefits	228,053	235,286	221,526
Goods and services	35,279	34,611	32,547
Interest	1,613	1,609	1,782
Transfer to other funds	6,733	8,939	8,627
Other	3,884	5,052	5,830
	275,562	285,497	270,312
Net surplus	$ -	$ -	$ -
COMMUNITY SERVICES			
Revenues			
Taxation	$ 57,752	$ 56,389	$ 55,820
Sales of services and regulatory fees	16,411	15,782	15,377
Government transfers	10,650	10,676	11,291
Transfer from other funds	4,632	4,653	2,404
Other	2,607	2,697	3,189
	92,052	90,197	88,081
Expenses			
Salaries and benefits	43,631	42,806	42,773
Goods and services	13,004	12,714	11,709
Interest	1,343	1,343	1,269
Transfer to other funds	26,709	26,905	25,309
Other	7,365	6,429	7,021
	92,052	90,197	88,081
Net surplus	$ -	$ -	$ -

SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET INFORMATION - SCHEDULE 3

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

	2007		2006
PLANNING	Budget	Actual	Actual
Revenues			
Taxation	$ 15,040	$ 14,427	$ 11,696
Sales of services and regulatory fees	12,077	14,767	13,110
Government transfers	3,091	3,101	3,246
Transfer from other funds	5,808	6,070	5,637
Other	1,223	1,304	1,484
	37,239	39,669	35,173
Expenses			
Salaries and benefits	19,939	19,144	18,947
Goods and services	3,465	3,105	3,841
Interest	2,416	2,416	2,035
Transfer to other funds	8,260	10,295	6,396
Other	3,159	4,709	3,954
	37,239	39,669	35,173
Net surplus	$ -	$ -	$ -
PUBLIC WORKS AND WATER			
Revenues			
Taxation	$ 155,658	$ 161,724	$ 148,039
Sales of services and regulatory fees	3,583	3,713	3,491
Government transfers	18,471	18,545	19,023
Transfer from other funds	27,383	25,956	21,606
Other	6,304	6,004	7,149
	211,399	215,942	199,308
Expenses			
Salaries and benefits	54,908	56,314	53,893
Goods and services	87,337	89,170	77,731
Interest	41,545	41,545	40,904
Transfer to other funds	4,748	5,528	5,599
Other	22,861	23,385	21,181
	211,399	215,942	199,308
Net surplus	$ -	$ -	$ -

SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET INFORMATION - SCHEDULE 3

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

FINANCE AND ADMINISTRATION	2007 Budget	2007 Actual	2006 Actual
Revenues			
Taxation	$ 90,252	$ 88,038	$ 96,128
Sales of services and regulatory fees	10,012	10,169	9,529
Government transfers	13,371	13,404	14,760
Transfer from other funds	5,982	6,312	3,450
Other	5,373	7,064	7,875
	124,990	124,987	131,742
Expenses			
Salaries and benefits	30,986	32,118	38,015
Goods and services	13,795	12,815	13,312
Interest	5,434	3,781	6,039
Transfer to other funds	39,123	43,562	43,503
Other	35,652	32,711	30,873
	124,990	124,987	131,742
Net surplus	$ -	$ -	$ -

CONSOLIDATED FINANCIAL STATEMENTS - FIVE-YEAR REVIEW

As at December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)		2007	2006	2005	2004	2003
1. Population (as restated per Statistics Canada)		653,400	649,300	647,400	646,700	642,700
Unemployment rate (per Statistics Canada)						
Winnipeg		4.7%	4.6%	4.8%	5.5%	5.2%
National average		6.0%	6.3%	6.8%	7.2%	7.6%
2. Average total employees		8,566	8,836	8,749	8,788	8,385
3. Number of taxable properties		209,127	206,658	206,170	205,366	204,494
Payments-in-lieu of taxes						
Number of properties		945	922	874	853	940
4. Assessment (see notes)						
Residential	$	23,223,839	22,800,354	18,460,471	18,277,925	18,069,819
Commercial and industrial		8,095,206	7,959,866	7,209,121	7,132,230	7,099,635
Farm and golf		156,357	162,390	102,742	101,769	104,099
	$	31,475,402	30,922,610	25,772,334	25,511,924	25,273,553
Assessment per capita (in dollars)	$	48,172	47,625	39,809	39,449	39,324
Commercial and industrial as a percentage of assessment		25.72%	25.74%	27.97%	27.96%	28.09%
5. Tax arrears	$	38,038	41,350	37,698	40,436	42,761
6. Tax arrears - per capita (in dollars)	$	58.22	63.68	58.23	62.53	66.53
7. Municipal mill rate		25.448	25.448	29.686	29.686	29.686
Percentage change adjusted for portioning and reassessment		0.00%	0.00%	0.00%	0.00%	0.00%
8. Winnipeg consumer price index (per Statistics Canada) (annual average)						
2002 base year 100		110.8	108.5	106.5	103.7	101.8
Percentage increase		2.1%	1.9%	2.7%	1.9%	1.8%
9. Consolidated revenues (see notes)						
Taxation	$	515,197	518,661	503,594	491,698	489,996
User charges		381,273	356,761	339,539	328,206	318,605
Government transfers		188,563	152,300	120,725	94,100	97,082
Interest and other revenue		135,781	77,811	75,266	54,879	55,746
	$	1,220,814	1,105,533	1,039,124	968,883	961,429
10. Consolidated expenses by function (see notes)						
Municipal operations	$	765,732	729,753	712,630	681,533	662,902
Public utilities		242,797	231,306	225,133	217,171	218,246
Civic corporations		25,000	24,174	25,636	31,214	29,855
	$	1,033,529	985,233	963,399	929,918	911,003
11. Growth in accumulated surplus (see notes)	$	187,285	120,300	75,725	38,965	50,426

(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 2003, the revenues, expenses, accumulated surplus, and net financial assets (liabilities) figures have not been restated for compensated absences.)

(Note: For 2003 - 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 transfers related to tangible capital assets acquisitions, and to record the City's investment in government businesses.)

CONSOLIDATED FINANCIAL STATEMENTS - FIVE-YEAR REVIEW (continued)

As at December 31 ("$" amounts in thousands of dollars, except as noted) (Unaudited)		2007	2006	2005	2004	2003
12. Consolidated expenses by object (see notes)						
Salaries and benefits	$	539,405	530,881	510,928	496,048	465,442
Goods and services		291,032	271,530	270,707	285,594	290,573
Amortization		133,635	125,681	122,718	-	-
Interest		46,950	45,665	50,283	-	-
Other expenses		22,507	11,476	8,763	19,234	21,451
Debt interest and repayment		-	-	-	129,042	133,537
	$	1,033,529	985,233	963,399	929,918	911,003
13. Payments to school authorities	$	452,937	437,317	435,205	439,062	425,053
14. Debt						
Tax-supported	$	379,836	411,043	429,287	486,790	489,974
Transit		25,464	26,813	27,520	35,092	33,606
City-owned utilities		206,261	207,581	151,700	175,050	177,429
Other		34,587	24,893	5,160	5,743	6,293
Total gross debt		646,148	670,330	613,667	702,675	707,302
Less: Sinking Funds		248,686	222,723	198,965	239,831	245,709
Total net long-term debt	$	397,462	447,607	414,702	462,844	461,593
Percentage of total assessment		1.26%	1.45%	1.61%	1.81%	1.83%
15. Acquisition of tangible capital assets						
Acquisitions (see notes)	$	352,149	263,066	199,313	143,286	164,384
16. Net financial assets (liabilities) (see notes)	$	52,440	71,767	81,020	72,620	(46,874)
17. Accumulated surplus (see notes)						
Surpluses						
Invested in tangible capital assets	$	3,434,876	3,181,870	3,038,586	335,267	305,951
Unamortized gain on Winnipeg Hydro sale		238,376	243,751	253,539	262,772	271,483
Other surpluses		187,543	215,383	192,331	145,050	137,575
Unfunded liabilities		(157,724)	(152,059)	(138,345)	(129,490)	(118,725)
		3,703,071	3,488,945	3,346,111	613,599	596,284
Reserves						
Capital		89,887	114,359	159,772	179,679	152,804
Stabilization		78,619	81,229	64,004	62,325	60,588
Special Purpose		74,920	74,679	69,025	72,224	82,364
Other		-	-	-	2,240	2,145
		243,426	270,267	292,801	316,468	297,901
	$	3,946,497	3,759,212	3,638,912	930,067	894,185
18. Area in square kilometers at the end of the year		476	476	476	476	476
19. Construction						
Permits issued		8,742	8,987	8,931	8,977	8,344
Value	$	843,591	849,758	656,350	674,619	649,071

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