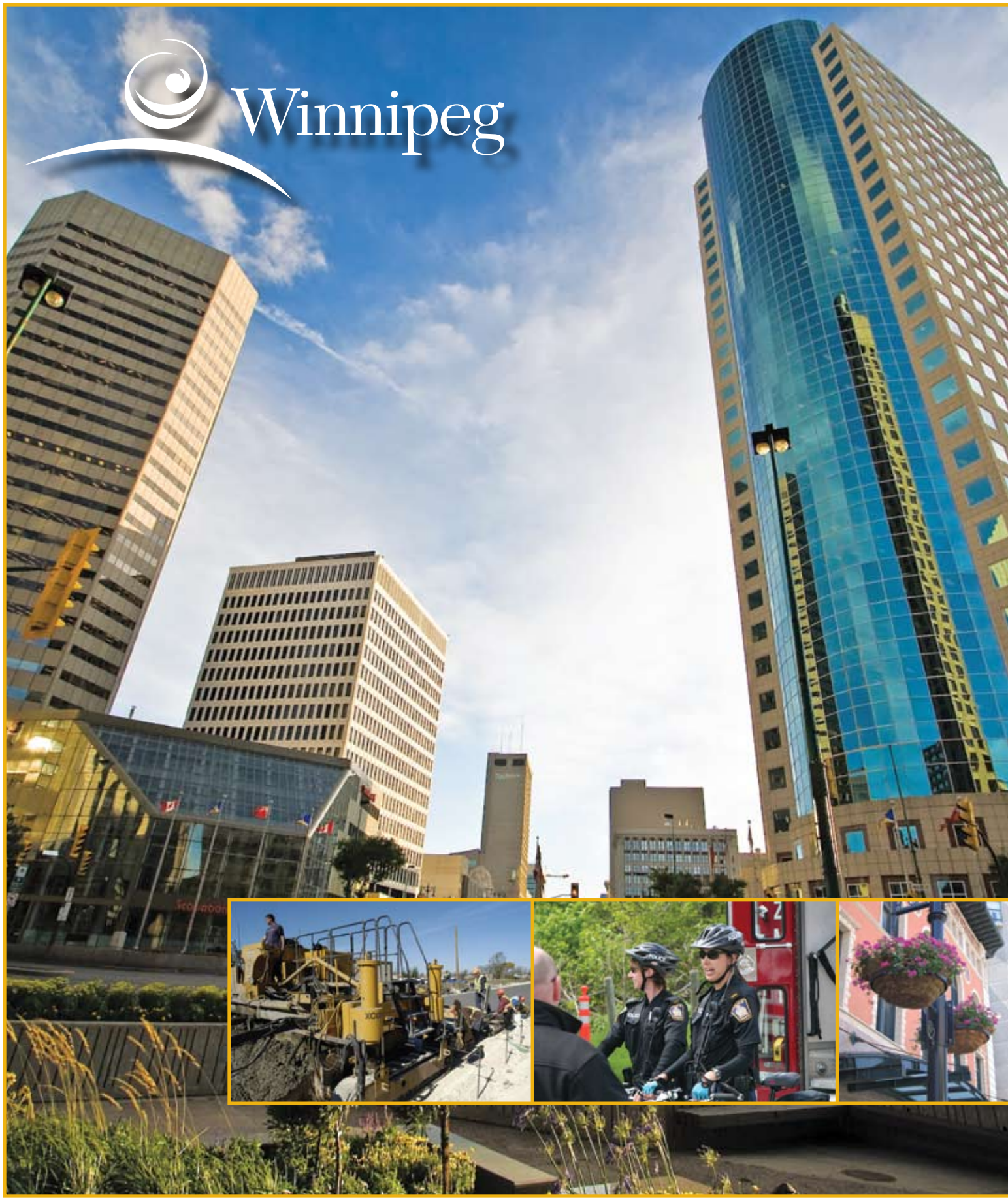
THE CITY OF WINNIPEG 2007 DETAILED FINANCIAL STATEMENTS

Companion to 2007 Annual Financial Report



Manitoba Cataloguing in Publication Data.
Winnipeg (MB). Corporate Finance Dept.
Annual Report.
Annual Report year ends December 31,
Continues: Winnipeg (MB). Finance Dept. Annual Report.
ISSN: 1201-8147 = Annual Report-City of Winnipeg.
1. Winnipeg (MB) - Appropriations and expenditures-Periodicals
2. Finance, Public - Manitoba-Winnipeg-Periodicals
HJ9014.M36W56 352.1710912743

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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)

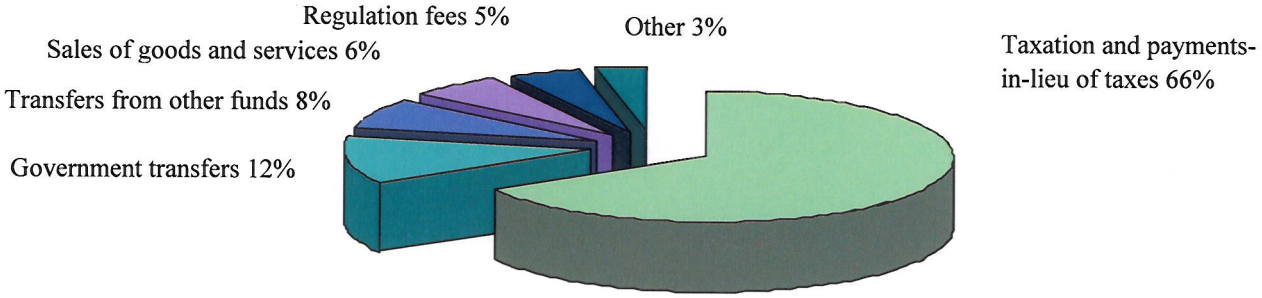
	2007	2006	Variance
Protection and community services	$ 336,743	$ 319,705	$ 17,038
Public works	249,323	224,390	24,933
Utility operations	242,797	231,306	11,491
Property and development	90,001	80,017	9,984
Finance and administration	56,262	59,677	(3,415)
General government	33,403	45,964	(12,561)
Civic 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)

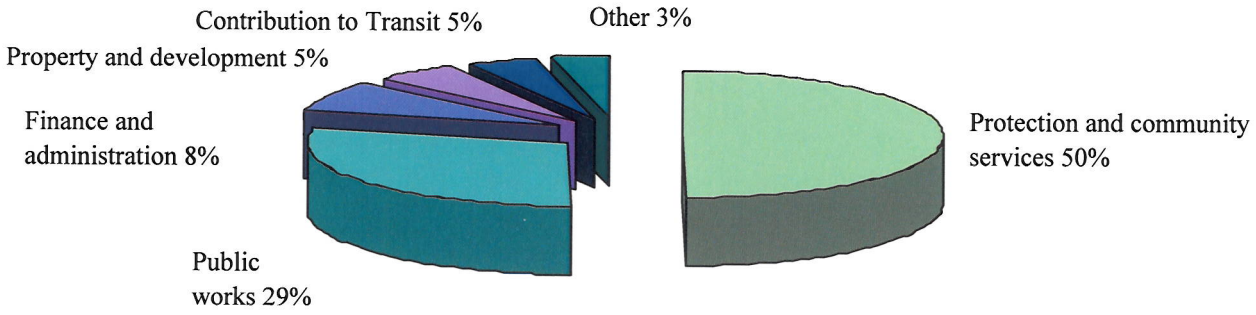
	2007	2006	Variance
Salaries and benefits	$ 539,405	$ 530,881	$ 8,524
Goods and services	291,032	271,530	19,502
Amortization	133,635	125,681	7,954
Interest	46,950	45,665	1,285
Other expenses	22,507	11,476	11,031
	$1,033,529	$ 985,233	$ 48,296

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

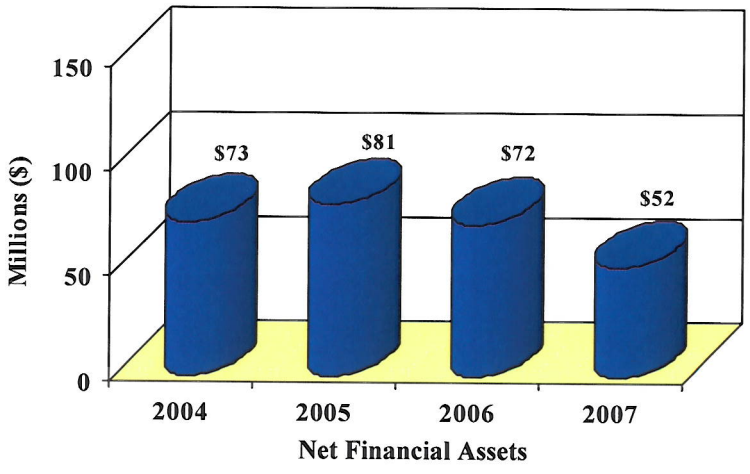
During 2007, the General Revenue Fund incurred revenues and expenses of $756.3 million (2006 - $724.6 million). Several unexpected events occurred that impacted the financial results of property tax-supported operations at the City, including increased snow clearing and fire paramedic service costs. 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.



General Revenue Fund 2007 Actual Expenses

Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2007, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities

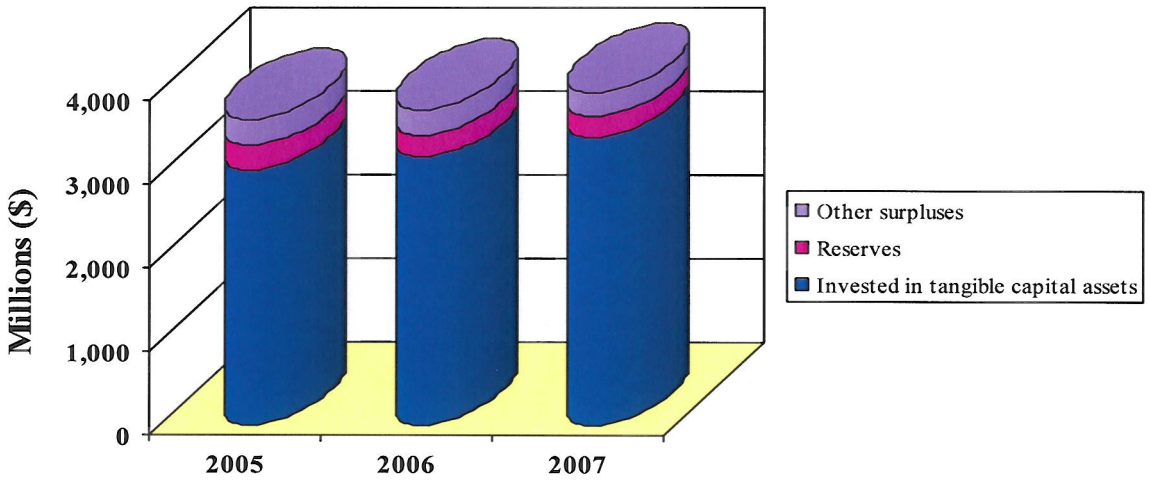


Net Financial Assets

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 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.



Accumulated Surplus

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.

Accounts Receivable
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

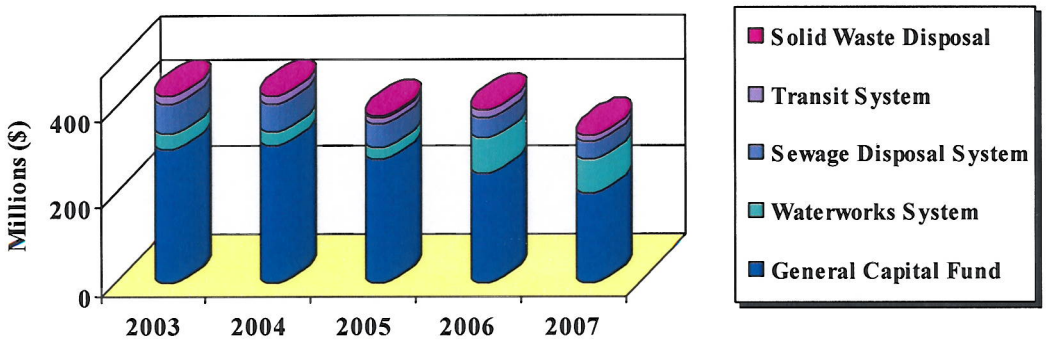
The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter the City is required to make annual payments towards the retirement of sinking fund debt. These annual payments are invested primarily in government 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 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.



Net Sinking Fund Debentures, Serial and Installment Debt

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.

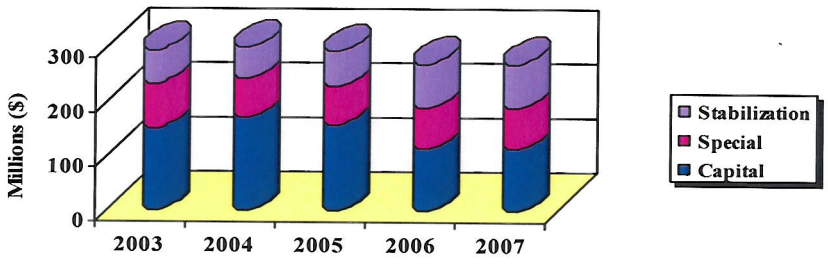
In 2006, the City early adopted PSAB section PS 3150 - Tangible Capital Assets. This was an important step in the City's plan to develop its systems of managing capital assets. The City will be improving this area in the future through enhanced reporting, including capturing information on asset condition. 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



Reserves

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.

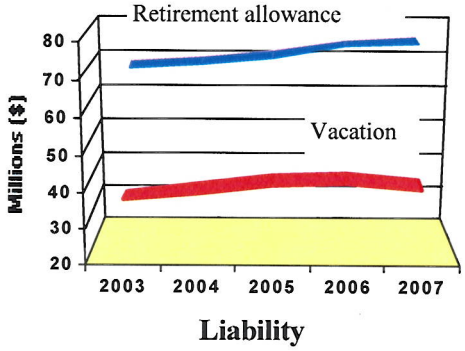
Accounting Policies

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.

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.



Liability

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 include 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

CONSOLIDATED FINANCIAL STATEMENTS



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 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.

Chartered Accountants

THE CITY OF WINNIPEG
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:

MAYOR

CHAIRPERSON
STANDING POLICY COMMITTEE
ON FINANCE

THE CITY OF WINNIPEG
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

THE CITY OF WINNIPEG
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

THE CITY OF WINNIPEG
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

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.

2. Significant Accounting Policies (continued)

b) Basis of accounting

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

c) School taxes

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

d) Cash equivalents

Cash equivalents consist of Government of Canada treasury bills 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.

2. Significant Accounting Policies (continued)

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.

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

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

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

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%.

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)

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.

6. Investment in Government Businesses (continued)

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

	2007	2006
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

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

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

9. Debt (continued)

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

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

9. Debt (continued)

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).

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.

10. Other Liabilities (continued)

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).

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

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.

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% (2006 - 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.

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.

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

14. Accumulated Surplus (continued)

Reserves	**2007**	2006
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

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.

15. Commitments and Contingencies (continued)

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.

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

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 neighourhoods and the downtown through city planning, community development, parks and riverbank planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes, building standards and by-law for the protection of occupants. It facilitates economic development by providing services for the approval of all land development plans, the application and enforcement of zoning by-laws, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery services to citizens.

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.

21. Segmented Information (continued)

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.

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land	**Buildings**	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	**$ 171,400**	**$ 431,603**	**$ 235,713**	**$ 97,515**	**$ 82,095**
Add:					
Additions during the year	**8,356**	**17,703**	**18,957**	**7,425**	**19,770**
Less:					
Disposals during the year	**1,776**	**682**	**4,047**	**261**	**4,367**
Other	**(4,950)**	**-**	**-**	**-**	**-**
Balance, end of year	**173,030**	**448,624**	**250,623**	**104,679**	**97,498**
Accumulated amortization					
Balance, beginning of year	**-**	**197,533**	**110,488**	**52,423**	**42,689**
Add:					
Amortization	**-**	**13,374**	**16,182**	**9,839**	**5,795**
Less:					
Accumulated amortization on disposals	**-**	**624**	**3,171**	**234**	**3,200**
Balance, end of year	**-**	**210,283**	**123,499**	**62,028**	**45,284**
Net Book Value of Tangible Capital Assets	**$ 173,030**	**$ 238,341**	**$ 127,124**	**$ 42,651**	**$ 52,214**

Schedule 1

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2007**	2006
$ 389,633	**$ 1,468,184**	**$ 2,385,828**	**$ 481,093**	**$ 153,460**	**$ 5,896,524**	$ 5,666,254
30,080	**82,797**	**57,724**	**1,957**	**107,380**	**352,149**	263,066
-	**17,724**	**8,408**	**-**	**-**	**37,265**	26,980
-	**-**	**-**	**-**	**-**	**(4,950)**	(5,816)
419,713	**1,533,257**	**2,435,144**	**483,050**	**260,840**	**6,206,458**	5,896,524
161,313	**744,546**	**751,870**	**165,917**	**-**	**2,226,779**	2,125,344
7,472	**38,868**	**32,183**	**9,922**	**-**	**133,635**	125,681
-	**17,665**	**6,252**	**-**	**-**	**31,146**	24,246
168,785	**765,749**	**777,801**	**175,839**	**-**	**2,329,268**	2,226,779
$ 250,928	**$ 767,508**	**$ 1,657,343**	**$ 307,211**	**$ 260,840**	**$ 3,877,190**	$ 3,669,745

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

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

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	**$ 180,690**	**$ 56,389**	**$ 14,427**	**$ 161,724**
Sales of services and regulatory fees	**36,513**	**15,782**	**14,767**	**3,713**
Government transfers (Note 18)	**42,423**	**10,676**	**3,101**	**18,545**
Transfer from other funds	**17,113**	**4,653**	**6,070**	**25,956**
Other	**8,758**	**2,697**	**1,304**	**6,004**
	285,497	**90,197**	**39,669**	**215,942**
EXPENSES				
Salaries and benefits	**235,286**	**42,806**	**19,144**	**56,314**
Goods and services	**34,611**	**12,714**	**3,105**	**89,170**
Interest	**1,609**	**1,343**	**2,416**	**41,545**
Transfer to other funds	**8,939**	**26,905**	**10,295**	**5,528**
Other	**5,052**	**6,429**	**4,709**	**23,385**
	285,497	**90,197**	**39,669**	**215,942**
NET SURPLUS	**$ -**	**$ -**	**$ -**	**$ -**

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

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

Schedule 2

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 88,038	**$ -**	**$ -**	**$ 30,120**	**$ (16,191)**	**$ 515,197**
10,169	**59,988**	**206,612**	**70,767**	**(37,038)**	**381,273**
13,404	**34,096**	**17,864**	**91,560**	**(43,106)**	**188,563**
6,312	**38,782**	**68,681**	**224,307**	**(391,874)**	**-**
7,064	**818**	**29,597**	**114,385**	**(34,846)**	**135,781**
124,987	**133,684**	**322,754**	**531,139**	**(523,055)**	**1,220,814**
32,118	**72,435**	**46,149**	**35,153**	**-**	**539,405**
12,815	**34,661**	**58,813**	**79,992**	**(34,849)**	**291,032**
3,781	**3,017**	**15,726**	**55,752**	**(78,239)**	**46,950**
43,562	**5,521**	**60,424**	**157,466**	**(318,640)**	**-**
32,711	**8,115**	**26,929**	**123,081**	**(74,269)**	**156,142**
124,987	**123,749**	**208,041**	**451,444**	**(505,997)**	**1,033,529**
$ -	**$ 9,935**	**$ 114,713**	**$ 79,695**	**$ (17,058)**	**$ 187,285**

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

THE CITY OF WINNIPEG
Schedule 3

SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET INFORMATION - GENERAL REVENUE FUND

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

	2007		2006
PROTECTION	**Budget**	**Actual**	Actual
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	**$ -**	**$ -**	$ -

THE CITY OF WINNIPEG
Schedule 3

SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET INFORMATION - GENERAL REVENUE FUND (continued)

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	**$ -**	**$ -**	$ -

THE CITY OF WINNIPEG
Schedule 3

SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET INFORMATION - GENERAL REVENUE FUND (continued)

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	**$ -**	**$ -**	$ -

THE CITY OF WINNIPEG
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.)

THE CITY OF WINNIPEG
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



THE CITY OF WINNIPEG
GENERAL REVENUE FUND

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

For the year-ended December 31, 2007, the General Revenue Fund reported a net surplus of $1.6 million (2006 - $0.7 million), which was transferred to the Mill Rate Stabilization Reserve. Factors that contributed to the General Revenue Fund's position were as follows:

- Public Works department's expenses were $6.2 million over budget mainly due to increased snow clearing costs. This was partially offset by a reduction in Public Works departmental expenditures including salaries and benefits;
- The Province of Manitoba announced $1.6 million of additional funding through the provincial video lottery terminal/casino revenue sharing to enhance public safety and to fully fund 14 new police officers, including five in the City's stolen auto unit;
- Corporate expenses were $1.5 million over budget primarily due to higher than expected costs, net of $0.9 million in rebates;
- Fire Paramedic Service department's expenses exceeded budget by $8.6 million, offset by additional revenues of $7.2 million. The residual amount of $1.4 million represents additional costs primarily associated with overtime, sick leave severance and the allowance for doubtful accounts;
- Property Assessment department's expenses were $1.4 million under budget mainly as a result of salary and benefit savings arising from unfilled positions;
- Community Services department's expenses were under budget by $1.9 million, offset by program revenue that was $0.8 million under budget. The residual amount of $1.1 million represents salary and benefit savings arising from unfilled positions;
- Short-term interest revenue improved by $1.1 million due to the investment strategies that had produced higher than expected returns;
- Corporate Finance department's expenses were $1.1 million under budget mainly as a result of salary and benefit savings arising from unfilled positions; and
- Other departmental revenues and expenses provided $4.4 million to the bottom line.

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

FIVE-YEAR REVIEW

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

	2007	2006	2005	2004	2003
Planning, Property and Development					
Construction					
-Permits issued	**8,742**	8,987	8,931	8,977	8,344
-Value	**$ 843,591**	$ 849,758	$ 656,350	$ 674,619	$ 649,071
Housing starts	**3,067**	3,289	2,177	2,335	2,208
Community Services					
Libraries Provincial Grant	**$ 1,910**	$ 1,910	$ 1,910	$ 1,910	$ 1,963
Library circulation	**5,431,786**	5,532,720	5,228,670	5,518,469	5,730,808
Taxes Receivable					
Property, payments-in-lieu and business taxes	**$ 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
Tax Revenues					
Municipal realty taxes	**$ 389,913**	$ 374,268	$ 373,187	$ 365,486	$ 360,248
Payments-in-lieu of taxes	**$ 30,421**	$ 31,575	$ 32,040	$ 30,334	$ 29,918
Business and licenses-in-lieu of business taxes	**$ 56,057**	$ 61,029	$ 61,243	$ 60,891	$ 60,853
Statement of Operations					
Revenues	**$ 756,292**	$ 724,616	$ 711,529	$ 697,668	$ 681,512
Expenses	**754,710**	723,933	711,529	697,668	681,512
	1,582	683	-	-	-
Contribution to the Mill Rate Stabilization Reserve	**(1,582)**	(683)	-	-	-
Surplus	**$ -**	$ -	$ -	$ -	$ -
Debt and finance charges	**$ 98,712**	$ 103,850	$ 108,887	$ 112,265	$ 116,983
% of total expenses	**13.05%**	14.33%	15.30%	16.09%	17.17%

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Cash and short-term investments	**$ 599,417**	$ 547,563
Accounts receivable (Note 3)	**71,160**	73,894
Materials and supplies	**6,823**	6,418
Prepaid expenses	**948**	1,529
	678,348	629,404
Contributed surplus and other assets (Note 4)	**45,013**	45,521
	$ 723,361	$ 674,925
LIABILITIES		
Current		
Notes payable (Note 5)	**$ 210,148**	$ 140,730
Due to other funds (Note 6)	**341,056**	371,428
Accounts payable and accrued liabilities (Note 7)	**126,208**	119,934
Deferred revenue (Note 8)	**36,909**	37,069
Performance and other deposits	**9,040**	5,764
	$ 723,361	$ 674,925

Commitments and contingent liabilities (Note 9)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

STATEMENT OF OPERATIONS

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
REVENUES (Schedule 1)			
Taxation (Note 10)	**$ 469,507**	**$ 470,847**	$ 459,890
Government transfers	**81,173**	**88,149**	80,962
Contributions and transfers	**60,819**	**60,104**	45,864
Sale of goods and services (Note 11)	**43,296**	**45,260**	43,216
Regulation fees	**33,081**	**35,684**	34,061
Payments-in-lieu of taxes (Note 10)	**30,421**	**30,421**	31,575
Sale of Winnipeg Hydro and other	**21,035**	**22,390**	25,855
Interest	**1,910**	**3,437**	3,193
Total Revenues	**741,242**	**756,292**	724,616
EXPENSES (Schedules 2 and 3)			
Protection and community services	**368,355**	**376,458**	359,134
Public works	**211,399**	**215,942**	199,308
Finance and administration	**67,464**	**63,421**	65,655
Property and development	**37,239**	**39,669**	35,173
Contribution to Transit System	**33,743**	**33,743**	34,479
Employee benefits and payroll tax	**10,937**	**11,307**	12,829
Grants and payments to other authorities	**7,863**	**8,903**	8,874
Debt and finance charges	**7,465**	**6,708**	10,254
Other	**(3,223)**	**(1,441)**	(1,773)
Total Expenses	**741,242**	**754,710**	723,933
Surplus for the year before the contribution to the Mill Rate Stabilization Reserve	**-**	**1,582**	683
Contribution to the Mill Rate Stabilization Reserve	**-**	**(1,582)**	(683)
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

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

c) Short-term investments

Short-term investments consist of Government of Canada treasury bills 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. Short-term investments are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to February 2, 2009, and have an effective average interest rate of 4.4% (2006 - 4.3%).

d) Materials and supplies

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

e) 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.

1. Significant Accounting Policies (continued)

f) Deferred revenue

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

g) Corporate debt and finance charges

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

h) Local improvement taxes

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

i) Taxes collected for others

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

j) Administration and interest on capital work

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

k) Debenture discounts and issue expenses

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

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

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

1. Significant Accounting Policies (continued)

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.

2. Status of the General Revenue Fund

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

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

3. Accounts Receivable

	2007	2006
Property, payments-in-lieu and business taxes	**$ 38,038**	$ 41,350
Allowance for tax arrears	**(6,228)**	(6,326)
	31,810	35,024
Trade accounts and other receivables	**17,173**	20,549
Province of Manitoba	**14,285**	12,148
Government of Canada	**6,594**	5,657
Accrued interest receivable	**3,135**	2,724
The Sinking Fund Trustees of The City of Winnipeg	**903**	702
The Convention Centre Corporation	**169**	214
	42,259	41,994
Allowance for doubtful accounts	**(2,909)**	(3,124)
	39,350	38,870
	$ 71,160	$ 73,894

4. Contributed Surplus and Other Assets

	2007	2006
Contributed surpluses:		
Golf Services - Special Operating Agency	**$ 20,090**	$ 20,090
Land Operating Reserve	**8,425**	8,425
Winnipeg Parking Authority - Special Operating Agency	**172**	172
Loans receivable:		
Winnipeg Parking Authority - Special Operating Agency, start-up loan, interest at 6%, with no specific terms of repayment	**12,218**	12,218
Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of $264 thousand	**3,113**	3,133
Deferred election costs	**973**	1,460
Deferred charges, other	**22**	23
	$ 45,013	$ 45,521

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was $188 thousand (2006 - $188 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was $733 thousand (2006 - $733 thousand).

5. Notes Payable

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 4.30% (2006 - 4.0%). These notes are callable by the issuers.

	2007	2006
Winnipeg Civic Employees' Benefits Program (Pension Fund)	**$ 121,659**	$ 67,462
Winnipeg Police Pension Plan	**38,991**	21,782
The Sinking Fund Trustees of The City of Winnipeg	**31,552**	22,036
The Civic Employees' Group Life Insurance Plan	**11,331**	1,927
Insurance Reserve	**3,364**	1,404
Workers Compensation Reserve	**2,966**	4,935
Perpetual Maintenance Reserve Funds:		
- Brookside Cemetery	**158**	2,381
- St. Vital Cemetery	**41**	(12)
- Transcona Cemetery	**31**	197
Brady Landfill Site Rehabilitation Reserve	**29**	92
Sinking Fund	**26**	-
Water Treatment Reserve	**-**	18,526
	$ 210,148	$ 140,730

6. Due to Other Funds

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

6. Due to Other Funds (continued)

	2007	2006
Capital Reserves	**$ 123,570**	$ 109,004
Stabilization Reserves	**78,619**	81,229
Waterworks System	**64,938**	98,910
Special Purpose Reserves	**52,335**	46,233
Sewage Disposal System	**34,322**	29,442
Equity in Capital Assets	**23,190**	12,532
Equipment and Material Services	**9,971**	77
Solid Waste Disposal	**7,646**	6,408
General Revenue Enterprises	**5,243**	6,119
Building Services	**639**	341
Fleet Management - Special Operating Agency	**289**	2,392
Trusts	**252**	223
Civic Accommodations	**63**	83
Sinking Fund	**4**	-
Glacial Sand and Gravel - Special Operating Agency	**-**	(1,412)
Animal Services - Special Operating Agency	**(361)**	(275)
Winnipeg Enterprises Corporation	**(1,335)**	73
Golf Services - Special Operating Agency	**(2,008)**	(1,436)
Transit System	**(8,441)**	(995)
` Winnipeg Parking Authority - Special Operating Agency	**(8,829)**	(7,757)
General Capital	**(39,051)**	(9,763)
	$ 341,056	$ 371,428

7. Accounts Payable and Accrued Liabilities

	2007	2006
Trade accounts payable	**$ 48,140**	$ 45,995
Provincial education support and school division special levies payable	**27,956**	25,341
Wages and employee benefits payable	**21,780**	22,751
Provision for assessment appeals	**12,171**	11,724
Other accrued liabilities	**10,277**	8,061
Accrued interest on long-term debt	**5,884**	6,062
	$ 126,208	$ 119,934

8. Deferred Revenue

	2007	2006
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	**$ 22,528**	$ 22,692
Winnipeg Parking Authority - Special Operating Agency	**11,052**	11,323
Province of Manitoba, Federal Government and other	**2,350**	2,006
Registration fees	**909**	963
Rentals	**70**	85
	$ 36,909	$ 37,069

9. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2007:

a) Lease commitments

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

2008	$ 174
2009	146
2010	87
2011	45
	$ 452

b) Loan guarantees

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

	2007	2006
Dakota Community Centre Inc.	**$ 2,267**	$ 2,376
Winnipeg Enterprises Corporation	**2,084**	4,866
Gateway Recreation Centre Inc.	**1,596**	1,812
Garden City Community Centre Inc.	**588**	651
St. Norbert Community Centre	**349**	396
Maples Recreation Association Inc.	**276**	305
Glenwood Community Centre Inc.	**218**	248
Granite Curling Club	**76**	81
Springer's Gymnastics Club Inc.	**71**	88
St. Norbert Children's Centre Inc.	**59**	77
Charleswood Broncos Football Club	**46**	-
Richmond Kings Community Centre Inc.	**46**	49
East Side Eagles Football Club	**5**	11
Winnipeg Housing Rehabilitation Corporation	**-**	719
Kirkfield-Westwood Community Centre Inc.	**-**	96
Manitoba Opera Association Inc.	**-**	90
	$ 7,681	$ 11,865

When an organization has failed to meet debt covenants on existing debt obligations and factors known at the time of reporting are likely to affect the ability of the borrower to repay the loan in the future, then a provision for losses on loan guarantees will be accrued in the financial statements. As at December 31, 2007, an accrual has not been made to the financial statements.

c) Lawsuits

The City is defendant in two significant lawsuits as at December 31, 2007. The expense is recorded when settlement occurs.

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

10. Taxation

The property tax roll recorded in the General Revenue Fund for the year totalled $820.1 million (2006 - $789.6 million). This included school taxes of $430.1 million (2006 - $415.4 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $53.2 million (2006 - $53.5 million). Included were payments-in-lieu of school taxes assessed in 2007 of $22.8 million (2006 - $21.9 million). School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province of Manitoba and are not reflected as revenues or expenses in these financial statements. When an assessment is reduced the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes with applicable interest.

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

	2007	2006
Sewage Disposal System	**$ 9,185**	$ 9,716
Waterworks System	**3,056**	3,009
Winnipeg Parking Authority - Special Operating Agency	**750**	758
Transit System	**541**	537
Golf Services - Special Operating Agency	**247**	240
Solid Waste Disposal	**39**	32
	$ 13,818	$ 14,292

11. General Government Charges from Related Parties

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

	2007	2006
Transit System	**$ 777**	$ 777
Waterworks System	**612**	612
Sewage Disposal System	**467**	467
Fleet Management - Special Operating Agency	**421**	421
Civic Accommodations	**306**	306
Building Services	**252**	252
Solid Waste Disposal	**79**	79
Animal Services - Special Operating Agency	**70**	70
Golf Services - Special Operating Agency	**61**	62
Winnipeg Parking Authority - Special Operating Agency	**36**	28
	$ 3,081	$ 3,074

12. Contributions and Appropriations from Related Parties

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

Included in Community Services department's expenses are transfers to various funds as follows: Library Reserve $279 thousand (2006 - $281 thousand); Animal Services - Special Operating Agency net transfer $938 thousand (2006 - $940 thousand); Concession Equipment Reserve $19 thousand (2006 - $13 thousand); Insect Control Urgent Expenditures Reserve $1.2 million (2006 - $600 thousand); and Recreation Programming Reserve $159 thousand (2006 - $490 thousand).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserve Funds in the amount of $397 thousand (2006 - $236 thousand), a transfer to the Permit Reserve of $2.4 million (2006 - $nil) and the Housing Rehabilitation Investment Reserve of $1.0 million (2006 - $nil).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $247 thousand (2006 - $130 thousand) from the Stabilization Reserves, $225 thousand (2006 - $104 thousand) from the Special Purpose Reserves, $345 thousand (2006 - $277 thousand) from the Capital Reserves, $39 thousand (2006 - $31 thousand) from the Equity in Capital Assets Fund and $1 thousand (2006 - $nil) from the Sinking Fund.

Included in various department expense categories are a transfer to the Civic Accommodations Fund of $29.2 million (2006 - $28.3 million) for facilities costs, a transfer to the Computer Replacement Reserve of $585 thousand (2006 - $566 thousand), and a transfer to the Building Services Fund of $18.2 million (2006 - $16.7 million).

Included in various expense categories in 2007 are a contribution to the Commitment Reserve of $2.7 million (2006 - $2.6 million), a transfer to the Insurance Reserve of $978 thousand (from 2006 - $107 thousand), and a transfer to the General Capital Fund of $2.0 million (2006 - $3.5 million).

13. Pension Costs and Obligations

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

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The City of Winnipeg allocates its benefit costs to various departments. During the year $23.1 million (2006 - $22.3 million) of benefit costs were allocated to the Fund.

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

On November 2, 1992, the pension plan provided to members of Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2007 has been estimated to be $4.5 million (2006 - $4.5 million). In 2007, the City paid out $0.3 million (2006 - $0.3 million).

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

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

In 2007, the City paid out $0.2 million (2006 - $0.1 million).

14. Other Employee Benefits

a) 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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at $63.9 million (2006 - $64.5 million).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at $5.5 million (2006 - $5.4 million).

c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is estimated at $30.2 million (2006 - $31.4 million).

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at $5.7 million (2006 - $5.6 million).

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

15. Related Party Transactions

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

16. Budget

The budget has been adjusted for Corporate and Fire Paramedic Service department's expenses to reflect the negotiated settlement of the collective agreement.

17. Comparative Figures

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

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
Taxation			
Municipal realty taxes	**$ 389,913**	**$ 389,913**	$ 374,268
Business and licenses-in-lieu of business taxes	**56,284**	**56,057**	61,029
Electricity and natural gas sales taxes	**16,679**	**17,125**	16,941
Entertainment taxes	**4,925**	**5,624**	5,638
Local improvement taxes	**1,265**	**1,506**	1,524
Licenses-in-lieu of realty taxes	**367**	**354**	352
Local improvement taxes commuted	**29**	**222**	94
Billboard taxes	**45**	**46**	44
	469,507	**470,847**	459,890
Government transfers			
Provincial			
Building Manitoba Fund	**49,368**	**53,204**	49,368
Unconditional	**19,888**	**19,888**	19,887
Video lottery terminal	**8,820**	**8,820**	8,820
Ambulance	**6,260**	**7,545**	6,081
Support	**7,094**	**7,298**	6,945
Other transfers	**6,110**	**6,118**	6,216
Casino	**4,458**	**6,087**	4,458
Libraries	**1,910**	**1,910**	1,910
Dutch elm disease control	**900**	**900**	900
Services transferred to the Province	**(23,650)**	**(23,650)**	(23,650)
	81,158	**88,120**	80,935
Federal government grants	**15**	**29**	27
	81,173	**88,149**	80,962

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
Contributions and transfers			
Sewage Disposal System	**18,689**	**18,422**	14,970
Waterworks System	**12,580**	**12,580**	12,123
Fiscal Stabilization Reserve	**9,000**	**9,000**	-
Fleet Management - Special Operating Agency	**5,574**	**5,594**	6,965
Winnipeg Parking Authority - Special Operating Agency	**5,300**	**5,300**	6,070
Civic Accommodations	**3,558**	**3,880**	2,884
Workers Compensation Reserve	**-**	**2,936**	-
The Sinking Fund Trustees of the City of Winnipeg	**900**	**900**	700
Solid Waste Disposal	**1,636**	**407**	876
Idea Bank Reserve	**58**	**358**	-
Golf Services - Special Operating Agency	**305**	**305**	312
Assiniboine Park Enterprises Reserve	**-**	**177**	-
General Capital	**-**	**113**	-
Building Services	**66**	**70**	54
General Revenue Enterprises	**40**	**62**	79
Other	**3,113**	**-**	-
Glacial Sand and Gravel - Special Operating Agency	**-**	**-**	519
Commitment Reserve	**-**	**-**	300
Transit System	**-**	**-**	12
	60,819	**60,104**	45,864
Sale of goods and services	**43,296**	**45,260**	43,216
Regulation fees			
Fines	**14,344**	**15,245**	15,496
Permits and fees	**9,132**	**10,978**	9,991
Tax penalties	**6,500**	**6,348**	5,467
Licenses	**3,105**	**3,113**	3,107
	33,081	**35,684**	34,061
Payments-in-lieu of taxes	**30,421**	**30,421**	31,575
Sale of Winnipeg Hydro and other			
Manitoba Hydro	**20,000**	**20,000**	25,000
Accounts payable write-offs, commissions, etc.	**1,035**	**2,390**	855
	21,035	**22,390**	25,855

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 1

REVENUES

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
Interest			
Interest earned	**590**	**1,831**	1,654
Interest capitalized	**820**	**1,106**	1,039
Debt charges recovered	**500**	**500**	500
	1,910	**3,437**	3,193
Total Revenues	**$ 741,242**	**$ 756,292**	$ 724,616

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
Protection and community services			
Police services	**$ 159,468**	**$ 160,756**	$ 158,157
Fire paramedic service	**116,094**	**124,741**	112,155
Community services	**92,052**	**90,197**	88,081
Museums	**741**	**764**	741
	368,355	**376,458**	359,134
Public works			
Public works	**169,703**	**175,879**	157,546
Water and waste	**31,204**	**29,754**	31,672
Street lighting	**10,492**	**10,309**	10,090
	211,399	**215,942**	199,308
Finance and administration			
Corporate information technology	**15,609**	**15,307**	16,832
City clerks	**11,809**	**11,209**	11,137
Property assessment	**11,428**	**10,011**	10,369
Corporate services	**10,067**	**9,753**	9,442
Corporate finance	**9,736**	**8,678**	9,603
Council	**2,657**	**2,609**	2,597
CAO secretariat	**2,891**	**2,458**	2,799
Audit	**1,099**	**1,510**	960
EPC secretariat	**1,648**	**1,372**	1,436
Mayor's office	**520**	**514**	480
	67,464	**63,421**	65,655
Property and development			
Planning, property and development	**37,239**	**39,669**	35,173
Contribution to Transit System	**33,743**	**33,743**	34,479
Employee benefits and payroll tax			
Provincial payroll tax	**7,358**	**7,614**	7,277
Employee benefits	**3,579**	**3,693**	5,552
	10,937	**11,307**	12,829

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 2

EXPENSES

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
Grants and payments to other authorities			
Grants	**4,265**	**5,305**	5,333
The Convention Centre Corporation	**2,075**	**2,075**	2,075
Destination Winnipeg	**1,313**	**1,313**	1,288
Children's Museum and other payments	**135**	**135**	140
Winnipeg Enterprises Corporation	**75**	**75**	38
	7,863	**8,903**	8,874
Debt and finance charges			
Transfer to General Capital	**97,044**	**94,985**	97,494
Transfer to Equity in Capital Assets	**-**	**2,059**	4,627
Other interest and finance charges	**2,419**	**1,668**	1,729
Transfer to departments	**(91,998)**	**(92,004)**	(93,596)
	7,465	**6,708**	10,254
Other			
Insurance and damage claims	**3,600**	**3,600**	3,568
Government affairs, pension contribution and other	**(6,823)**	**(5,041)**	(5,341)
	(3,223)	**(1,441)**	(1,773)
Contribution to the Mill Rate Stabilization Reserve	**-**	**1,582**	683
Total Expenses	**$ 741,242**	**$ 756,292**	$ 724,616

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 3

EXPENSES BY OBJECT

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
Salaries and employee benefits	**$ 377,517**	**$ 385,668**	$ 375,154
Services	**115,074**	**118,587**	105,399
Debt and finance charges - departmental and corporate	**99,607**	**98,921**	104,047
Transfers	**85,573**	**95,229**	89,434
Materials, parts and supplies	**29,090**	**26,885**	26,100
Grants and payments to other authorities - departmental and corporate	**20,239**	**22,295**	20,634
Municipal tax, amortization, and other expenses	**12,631**	**10,644**	7,269
Provincial payroll tax	**7,357**	**7,613**	7,277
Assets - purchases and renovations	**8,716**	**6,943**	7,641
Assessment appeals	**3,100**	**3,100**	1,992
Recoveries	**(17,662)**	**(19,593)**	(20,331)
	$ 741,242	**$ 756,292**	$ 724,616

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 4

SCHOOL TAXES LEVIED

For the years ended December 31
(unaudited)

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

The amounts that were required to be raised in 2007 included the City's share of the Province's Education Support Program and the requirements of the school divisions (located wholly or in part within the City) representing the portion of their costs that were determined to be the entire responsibility of the City. Levies for 2007 with 2006 comparative figures are as follows:

	2007	2006
Provincial education support program levy		
Other property	**$ 74,723,333**	$ 74,484,507
Special levies (by school division)		
Winnipeg No. 1	**129,033,323**	125,562,776
Pembina Trails No. 7	**65,579,031**	62,929,729
Louis Riel No. 51	**63,809,189**	60,343,702
River East - Transcona No. 72	**51,002,935**	48,691,998
St. James - Assiniboia No. 2	**38,178,365**	36,042,769
Seven Oaks No. 10	**27,647,102**	26,459,801
Seine River No. 14	**2,946,396**	2,789,550
Interlake No. 21	**17,600**	11,797
	378,213,941	362,832,122
	$ 452,937,274	$ 437,316,629
Allocated as follows:		
Realty taxes	**$ 430,146,018**	$ 415,362,512
Payments-in-lieu of taxes	**22,791,256**	21,954,117
	$ 452,937,274	$ 437,316,629

THE CITY OF WINNIPEG
GENERAL REVENUE FUND

Schedule 5

PROJECTED 2007 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 20, 2007
(unaudited)

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	$ 8,862,058,799	$ 30,813,667	$ 19,160,792	$ 8,912,033,258
Residential 2	45.0%	869,274,180	104,937,269	1,683,490	975,894,939
Residential 3	45.0%	583,645,100	-	81,541	583,726,641
Farm	26.0%	15,365,855	1,242,020	8,161,811	24,769,686
Institutional	65.0%	350,502,284	66,450,345	1,158,772,286	1,575,724,915
Pipelines	50.0%	8,385,300	-	-	8,385,300
Railways	25.0%	22,681,614	-	-	22,681,614
Designated recreational facilities	10.0%	9,116,665	131,400	1,053,410	10,301,475
Other	65.0%	4,156,862,266	388,488,695	729,700,799	5,275,051,760
Legislative buildings	65.0%	-	5,195,405	-	5,195,405
		$ 14,877,892,063	$ 597,258,801	$ 1,918,614,129	$ 17,393,764,993



THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

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

FIVE-YEAR REVIEW

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

	2007	2006	2005	2004	2003
Internal service operations and other programs:					
Revenues	**$ 3,649**	$ 3,282	$ 4,228	$ 5,649	$ 3,081
Expenditures	**4,058**	3,322	4,645	4,651	2,881
(Deficit)/Surplus	**$ (409)**	$ (40)	$ (417)	$ 998	$ 200

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 5,243**	$ 6,119
Inventories	**14**	13
Accounts receivable	**3**	-
	$ 5,260	$ 6,132
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 18**	$ -
Interest payable - Idea Bank Reserve	**3**	5
Current portion of loan payable (Note 4)	**45**	45
Deferred revenue	**575**	1,014
	641	1,064
Loan payable (Note 4)	**40**	80
	681	1,144
RETAINED EQUITY	**4,579**	4,988
	$ 5,260	$ 6,132

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

STATEMENT OF OPERATIONS AND RETAINED EQUITY

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

	2007	2006
REVENUES		
Permits and fees	**$ 2,667**	$ 2,172
Transfer from Land Operating Reserve	**571**	668
Sales of goods and services	**409**	439
Other revenue	**2**	3
Total Revenues	**3,649**	3,282
EXPENDITURES		
Street cuts operations (Note 5)	**3,542**	2,695
Printing and duplicating operations (Note 5)	**271**	316
Riverbank management operations	**137**	37
Libraries programs	**71**	240
Real estate enterprises	**20**	34
Transfer to General Capital Fund	**17**	-
Total Expenditures (Note 5)	**4,058**	3,322
DEFICIT FROM OPERATIONS	**(409)**	(40)
RETAINED EQUITY, BEGINNING OF YEAR	**4,988**	5,028
RETAINED EQUITY, END OF YEAR	**$ 4,579**	$ 4,988

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(in thousands of dollars)
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

c) Inventories

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

d) Deferred revenue

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

2. Status of the General Revenue Enterprises Fund

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

3. Due from General Revenue Fund

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

4. Loan Payable

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

5. Expenditures by Object

	2007	2006
Goods and services	**$ 3,845**	$ 3,169
Grants	**88**	30
Transfer to General Revenue Fund	**62**	79
Transfer to Idea Bank Reserve	**46**	44
Transfer to General Capital Fund	**17**	-
	$ 4,058	$ 3,322

Included in street cuts operations expenditures is a transfer to the General Revenue Fund of $22 thousand (2006 - $22 thousand).

Included in printing and duplicating operations expenditures is a transfer to the General Revenue Fund of $40 thousand (2006 - $57 thousand) and a transfer to the Idea Bank Reserve of $46 thousand (2006 - $44 thousand) representing interest and principal payments on the loan.

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

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

By December 31 of each year, Council is required under The City of Winnipeg Charter to approve a budget for the General Capital Fund. The 2007 budget for the General Capital Fund of $245.7 million was a 81.60% increase from the 2006 budget of $135.3 million. Capital expenditures in 2007 relating to 2007 and previous years capital budgets, increased from $135.9 million in 2006 to $149.5 million in 2007.

Of the $149.5 million of total capital expenditures, $84.8 million was for Roads and Bridges, $29.1 million was for Water and Waste infrastructure, $15.5 million related to Buildings and $5.1 million related to Information Technology.

Included in the additions to major Roads and Bridges projects during the year were the following:

- Developer contributions-in-kind	$	29.1	million
- Regional Streets Renewal program	$	24.9	million
- Local Streets Renewal program	$	19.8	million

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

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

	2007	2006	2005	* 2004	* 2003
Tangible Capital Assets	**$ 2,261,115**	$ 2,200,807	$ 2,153,671	$ 662,784	$ 690,503
% change in tangible capital assets	**2.74%**	2.19%	224.94%	-4.01%	0.49%
Debt					
Internal financing	**$ 387,388**	$ 366,792	$ 338,188	$ 298,481	$ 278,546
External financing (net of Sinking Fund)	**205,032**	250,178	281,968	315,523	306,991
Other long-term debt	**29,996**	36,428	43,420	45,302	48,719
Total long-term debt	**$ 622,416**	$ 653,398	$ 663,576	$ 659,306	$ 634,256
% change in total debt	**-4.74%**	-1.53%	0.65%	3.95%	9.29%
Internal Debt as a % of Total Debt	**62.24%**	56.14%	50.96%	45.27%	43.92%
External Debt as a % of Total Debt	**37.76%**	43.86%	49.04%	54.73%	56.08%
Interest Expense					
Internal	**$ 26,514**	$ 24,499	$ 21,843	$ 20,527	$ 20,228
External	**27,203**	28,714	32,684	36,789	38,017
Interest Expense	**$ 53,717**	$ 53,213	$ 54,527	$ 57,316	$ 58,245
% change in external interest expense	**-5.26%**	-12.15%	-11.16%	-3.23%	N/A
Summary of Cash Flows					
Operating activities	**$ 146,098**	$ 137,402	$ 113,783	$ 49,230	$ 44,482
Long-term debt (retired) issued, net	**$ (9,129)**	$ 11,502	$ (16,715)	$ 17,969	$ (40,308)
Payments to The Sinking Fund Trustees, net	**$ (8,272)**	$ (8,274)	$ 29,948	$ 18,369	$ 103,290
Due to General Revenue Fund	**$ 29,288**	$ 513	$ (2,103)	$ (43,080)	$ (35,930)
Capital acquisitions	**$ (149,471)**	$ (135,902)	$ (117,083)	$ (91,433)	$ (110,075)
Other	**$ (8,514)**	$ (5,241)	$ (7,830)	$ 48,945	$ 38,541

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

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
FINANCIAL ASSETS		
Accounts receivable (Note 3)	**$ 17,122**	$ 16,471
LIABILITIES		
Due to General Revenue Fund (Note 4)	**39,051**	9,763
Accounts payable and accrued liabilities (Note 5)	**1,439**	1,992
Deferred revenue	**1,000**	3,856
Debt (Note 6)	**622,416**	653,398
Deferred liabilities	**898**	1,168
Developer deposits	**6,767**	6,052
	671,571	676,229
NET FINANCIAL LIABILITIES	**(654,449)**	(659,758)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	**2,261,115**	2,200,807
ACCUMULATED SURPLUS (Note 8)	**$ 1,606,666**	$ 1,541,049

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF OPERATIONS

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

	2007	2006
REVENUES		
Transfer from General Revenue Fund		
Debt and finance	**$ 94,985**	$ 97,494
Other	**1,999**	3,520
Developer contributions-in-kind	**37,771**	14,315
Province of Manitoba capital transfer	**21,394**	12,724
Transfer from Federal Gas Tax Revenue Reserve	**16,865**	16,776
Transfer from Sewer System Rehabilitation Reserve	**12,547**	240
Transfer from Sewage Disposal System	**9,378**	958
Transfer from Civic Accommodations Fund	**7,330**	7,491
Interest income	**7,149**	6,414
Other	**6,063**	2,877
Transfer from General Purpose Reserve	**2,319**	629
Government of Canada capital transfer	**1,354**	7,297
Frontage levies	**1,091**	19,580
Developer deposit	**504**	466
Transfer from Commitment Reserve	**347**	464
Transfer from Waterworks System	**19**	105
Transfer from General Revenue Enterprises Fund	**17**	-
Gain on sale of assets	**-**	1,919
	221,132	193,269
EXPENSES		
Amortization	**88,926**	82,520
Interest - External debt	**27,203**	28,714
Interest - Equity in Capital Assets Fund	**26,514**	24,499
Infrastructure maintenance	**7,068**	4,399
Loss on disposal of assets	**2,833**	-
Grants	**1,859**	2,087
Other	**539**	2,453
Transfer to Housing Rehabilitation Investment Reserve	**430**	550
Transfer to General Revenue Fund	**113**	-
Transfer to General Purpose Reserve	**30**	-
Transfer to Winnipeg Enterprises Corporation	**-**	2,134
Transfer to Land Operating Reserve	**-**	180
Transfer to Combined Sewer Renewal Reserve	**-**	60
	155,515	147,596
NET SURPLUS FOR THE YEAR	**65,617**	45,673
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**1,541,049**	1,495,376
ACCUMULATED SURPLUS, END OF YEAR	**$ 1,606,666**	$ 1,541,049

See accompanying notes and schedule to the consolidated financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

STATEMENT OF CASH FLOWS

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

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 65,617**	$ 45,673
Non-cash charges to operations		
Amortization	**88,926**	82,520
Net assets transferred from Sewage Disposal System (Schedule 1)	**(7,663)**	-
Loss (Gain) on disposal of assets	**2,833**	(1,919)
Working capital from operations	**149,713**	126,274
Net change in working capital	**(1,204)**	6,772
Net change in deferred liabilities, deferred revenue and deposits	**(2,411)**	4,356
	146,098	137,402
FINANCING		
Debenture debt retired	**(29,725)**	(17,102)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(7,149)**	(6,414)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(8,272)**	(8,274)
Net increase in Equity in Capital Assets Fund debt	**20,596**	28,604
Due to General Revenue Fund	**29,288**	513
Other	**(6,432)**	(6,992)
	(1,694)	(9,665)
INVESTING		
Net purchase of capital assets (Schedule 1)	**(149,471)**	(135,902)
Net capital asset settlements and other (Schedule 1)	**4,950**	5,850
Net proceeds on disposal of tangible capital assets	**117**	2,315
	(144,404)	(127,737)
Cash, end of year	**$ -**	$ -

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

c) Tangible capital assets

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

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

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

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

1. Significant Accounting Policies (continued)

d) Contributions of tangible capital assets

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

e) Deferred revenue

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

f) Debenture discount and issue expense

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

g) Deferred liabilities

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

h) Revenue recognition

Government 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.

2. Status of the General Capital Fund

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

3. Accounts Receivable

	2007	2006
Province of Manitoba	**$ 12,982**	$ 11,150
Local improvements - Fairfield Park	**2,377**	893
Government of Canada	**1,301**	3,850
Other	**462**	578
	$ 17,122	$ 16,471

4. Due to General Revenue Fund

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

5. Accounts Payable and Accrued Liabilities

	2007	2006
Contractors' holdbacks	**$ 1,275**	$ 1,969
Trade accounts payable	**164**	23
	$ 1,439	$ 1,992

6. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2007**	Amount of Debt 2006
1999-2009	Feb. 2	5.350	VV	7368/99	**$ 50,000**	$ 50,000
1989-2009	Dec. 14	10.000	VH	5286/89	**68,065**	68,065
1993-2013	Feb. 11	9.375	VN	6090/93	**40,000**	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**30,500**	30,500
1995-2015	May 12	9.125	VR	6620/95	**55,000**	55,000
1997-2017	Nov. 17	6.250	VU	7000/97	**30,000**	30,000
					273,565	273,565
Equity in Sinking Fund (Note 6c)					**(153,808)**	(138,387)
Net sinking fund debentures outstanding					**119,757**	135,178

Other long-term debt outstanding

Serial and instalment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.43% (2006 - 4.75%)	**85,275**	115,000
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2024 and a weighted average interest rate of 5.93% (2006 - 5.91%)	**387,388**	366,792
Capital lease obligations with varying maturities up to 2028 and a weighted average interest rate of 9.49% (2006 - 9.40%) (Note 6d)	**20,996**	22,478
Other long-term debt	**9,000**	13,950
	$ 622,416	$ 653,398

6. Debt (continued)

Debt to be retired over the next five years:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures	$ -	$ 118,065	$ -	$ -	$ -	$ 155,500
Serial, other and instalment debt	11,854	12,434	13,044	13,684	14,354	28,905
Equity in Capital Assets Fund	26,503	25,472	22,913	22,568	22,988	266,944
Capital lease obligations	1,379	1,604	1,743	1,896	962	13,412
	$ 39,736	$ 157,575	$ 37,700	$ 38,148	$ 38,304	$ 464,761

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

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

During the year a serial debenture matured with a maturity shortfall of $16.8 million. City Council subsequently authorized refinancing of this debenture pursuant to By-law 7054/97. As at December 31, 2007, the debenture is being temporarily financed through the due to the General Revenue Fund.

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

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

6. Debt (continued)

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

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 interest rate of 9.49%	(19,519)
Balance of the capital lease obligations	$ 20,996

7. Tangible Capital Assets

	2007	2006
Land	**$ 163,188**	$ 161,649
Buildings	**211,565**	207,484
Vehicles	**6,483**	9,206
Computer	**36,469**	39,855
Other	**26,689**	22,359
Plants and facilities	**12,771**	11,713
Roads	**767,508**	723,638
Underground and other networks	**721,368**	700,320
Bridges and other structures	**307,211**	315,176
Assets under construction	**7,863**	9,407
	$ 2,261,115	$ 2,200,807

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

During the year, there were no write-downs of tangible capital assets (2006 - $nil). Administration fees and interim financing charges capitalized during 2007 were $1.4 million (2006 - $1.5 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled $37.8 million in 2007 (2006 - $14.3 million) and were capitalized at their fair value at the time of receipt.

8. Accumulated Surplus

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

9. Accounting Presentation

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

THE CITY OF WINNIPEG
GENERAL CAPITAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	Land	Buildings	Vehicles	Computer	Other
Cost					
Balance, beginning of year	$ 161,649	$ 371,035	$ 34,499	$ 75,368	$ 41,962
Add: Additions during the year	8,137	15,543	461	5,056	7,972
Add: Transferred from Sewage Disposal System	-	-	-	-	-
Less: Disposals during the year	1,648	611	1,995	173	2,661
Settlements and other	(4,950)	-	-	-	-
Balance, end of year	163,188	385,967	32,965	80,251	47,273
Accumulated amortization					
Balance, beginning of year	-	163,551	25,293	35,513	19,603
Add: Amortization	-	11,462	2,768	8,442	3,642
Add: Transferred from Sewage Disposal System	-	-	-	-	-
Less: Accumulated amortization on disposals	-	611	1,579	173	2,661
Balance, end of year	-	174,402	26,482	43,782	20,584
Net Book Value of Tangible Capital Assets	$ 163,188	$ 211,565	$ 6,483	$ 36,469	$ 26,689

Schedule 1

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	**2007**	2006
$ 16,548	$ 1,468,184	$ 988,215	$ 481,093	$ 9,407	**$ 3,647,960**	$ 3,540,101
1,317	82,797	27,775	1,957	(1,544)	**149,471**	135,902
-	-	13,849	-	-	**13,849**	-
-	17,724	2,174	-	-	**26,986**	22,193
-	-	-	-	-	**(4,950)**	(5,850)
17,865	1,533,257	1,027,665	483,050	7,863	**3,779,344**	3,647,960
4,835	744,546	287,895	165,917	-	**1,447,153**	1,386,430
259	38,868	13,563	9,922	-	**88,926**	82,520
-	-	6,186	-	-	**6,186**	-
-	17,665	1,347	-	-	**24,036**	21,797
5,094	765,749	306,297	175,839	-	**1,518,229**	1,447,153
$ 12,771	$ 767,508	$ 721,368	$ 307,211	$ 7,863	**$ 2,261,115**	$ 2,200,807



THE CITY OF WINNIPEG
STABILIZATION RESERVES

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

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

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

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

Fiscal Stabilization Reserve Fund

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

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

The City Treasurer is the Fund Manager.

Mill Rate Stabilization Reserve Fund

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

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

The City Treasurer is the Fund Manager.

Stabilization Reserves Fund - Combined Regulations

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

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

THE CITY OF WINNIPEG
STABILIZATION RESERVES

FIVE-YEAR REVIEW

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

	2007	2006	2005	2004	2003
Fiscal Stabilization Reserve Fund					
Net realty taxes added to the assessment roll	**$ 946**	$ 13,981	$ 167	$ 511	$ 604
Interest earned net of investment management fee	**$ 1,989**	$ 1,352	$ 843	$ 694	$ 970
Transfer to General Revenue Fund	**$ 9,000**	$ -	$ -	$ -	$ -
Transfer to Mill Rate Stabilization Reserve	**$ 1,637**	$ 1,424	$ 372	$ 739	$ 456
Mill Rate Stabilization Reserve Fund					
Transfer from Fiscal Stabilization Reserve	**$ 1,637**	$ 1,424	$ 372	$ 739	$ 456
Transfer from General Revenue Fund	**$ 1,582**	$ 683	$ -	$ -	$ -
Transfer from Commitment Reserve	**$ 572**	$ 113	$ -	$ -	$ -
Interest earned net of investment management fee	**$ 1,301**	$ 1,096	$ 669	$ 532	$ 735

THE CITY OF WINNIPEG
STABILIZATION RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Fiscal Stabilization Reserve	Mill Rate Stabilization Reserve	Totals 2007	Totals 2006
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 41,557**	**$ 37,062**	**$ 78,619**	$ 81,229
EQUITY				
Unallocated	**$ 41,557**	**$ 37,062**	**$ 78,619**	$ 81,229

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
STABILIZATION RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Fiscal Stabilization Reserve	**Mill Rate Stabilization Reserve**	**Totals 2007**	Totals 2006
Balance, beginning of year	**$ 49,259**	**$ 31,970**	**$ 81,229**	$ 64,004
Add:				
Interest earned	**2,138**	**1,399**	**3,537**	2,578
Transfer from Fiscal Stabilization Reserve	**-**	**1,637**	**1,637**	1,424
Transfer from General Revenue	**-**	**1,582**	**1,582**	683
Net realty taxes added to the assessment roll	**946**	**-**	**946**	13,981
Transfer from Commitment Reserve	**-**	**572**	**572**	113
	3,084	**5,190**	**8,274**	18,779
Deduct:				
Transfer to General Revenue Fund	**9,000**	**-**	**9,000**	-
Transfer to Mill Rate Stabilization Reserve	**1,637**	**-**	**1,637**	1,424
Transfer to General Revenue Fund - investment management fee	**149**	**98**	**247**	130
	10,786	**98**	**10,884**	1,554
Balance, end of year	**$ 41,557**	**$ 37,062**	**$ 78,619**	$ 81,229

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
STABILIZATION RESERVES

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

Fiscal Stabilization Reserve Fund

Mill Rate Stabilization Reserve Fund

b) Basis of accounting

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

2. Status of the Stabilization Reserves Fund

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

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

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

2. Status of the Stabilization Reserves Fund (continued)

Fiscal Stabilization Reserve Fund

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

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

The City Treasurer is the Fund Manager.

Mill Rate Stabilization Reserve Fund

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

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

The City Treasurer is the Fund Manager.

Stabilization Reserves Fund - Combined Regulations

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

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).



THE CITY OF WINNIPEG
CAPITAL RESERVES

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

Water Main Renewal Reserve Fund

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

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

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

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

The Director of Water and Waste is the Fund Manager.

Sewer System Rehabilitation Reserve

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

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

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

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

The Director of Water and Waste is the Fund Manager.

Water Treatment Reserve Fund

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

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

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

The construction of the ultraviolet disinfection facility at the Deacon Booster Pumping Station started in 2004 and became operational in 2007. The water treatment plant capital cost estimate is currently $300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is early 2009.

Contributions to the reserve ended in December 2007 and as at December 31, 2007, the reserve fund has been depleted.

The Director of Water and Waste is the Fund Manager.

Environmental Projects Reserve Fund

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

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

Environmental Projects Reserve Fund (continued)

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

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

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

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

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

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

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

Library Reserve Fund

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

Transit Bus Replacement Reserve Fund

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

THE CITY OF WINNIPEG
CAPITAL RESERVES (continued)

Concession Equipment Replacement Reserve Fund

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

Computer Replacement Reserve Fund

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

Aqueduct Rehabilitation Reserve Fund

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003. The Aqueduct project will end in early 2008.

The Director of Water and Waste is the Fund Manager.

Federal Gas Tax Revenue Reserve Fund

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

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

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

The agreement stipulates the future payments to The City of Winnipeg as follows:

2007/08	$ 16.0 million
2008/09	$ 21.0 million
2009/10	$ 41.0 million

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Water and Waste is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES (continued)

Public Transit Reserve Fund

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

Subsequent to this, the Province and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010. The Province has committed to extend the existing agreement to provide additional funding. This is pursuant to the Government of Canada also providing additional funding to the Province through the Public Transit Capital Trust.

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

The Director of Transit is the Fund Manager.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW

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

	2007		2006	2005	2004	2003
Water Main Renewal Reserve Fund						
Frontage levy revenue	**$ 7,002**		$ 6,912	$ 6,871	$ 6,805	$ 6,753
Water main renewals funded	**$ 6,470**		$ 7,836	$ 7,299	$ 6,281	$ 6,541
Kilometres of water mains	**2,464**		2,447	2,436	2,427	2,420
Water main repairs	**691**		727	484	511	1,009
Sewer System Rehabilitation Reserve Fund						
Frontage levy revenue	**$ 19,096**	*	$ 423	$ 19,805	$ 19,249	$ 19,999
Sewer renewals funded	**$ 17,376**	*	$ 568	$ 21,986	$ 16,582	$ 15,945
Kilometres of sewers	**2,473**		2,463	2,513	2,505	2,490
Kilometres of sewers renewed	**15.59**		5.90	5.61	6.78	6.05
Water Treatment Reserve Fund						
Transfer from Waterworks System	**$ 10,515**		$ 10,089	$ 10,098	$ 11,174	$ 10,114
Transfer to Waterworks System - capital projects	**$ 36,301**		$ 61,457	$ 23,846	$ 8,385	$ -
Environmental Projects Reserve Fund						
Transfer from Sewage Disposal System	**$ 8,006**		$ 8,501	$ 13,533	$ 12,109	$ 7,047
Transfer to Sewage Disposal System - capital projects	**$ 19,294**		$ 15,839	$ 13,755	$ 950	$ 1,187
Brady Landfill Site Rehabilitation Reserve Fund						
Transfer from Solid Waste Disposal	**$ 174**		$ 175	$ 192	$ 196	$ 168
Golf Course Reserve Fund						
Equity	**$ 1,951**		$ 1,860	$ 1,773	$ 1,714	$ 1,683
Library Reserve Fund						
Transfer from General Revenue	**$ 279**		$ 281	$ 230	$ 44	$ 392
Transit Bus Replacement Reserve Fund						
Transfer from/(to) Transit System, net	**$ 4,197**		$ 6,530	$ 217	$ (1,123)	$ (3,708)
Number of buses financed	**12**		-	40	40	50
Concession Equipment Replacement Reserve Fund						
Transfer from General Revenue	**$ 19**		$ 13	$ 12	$ 11	$ 13
Purchase of equipment	**$ 11**		$ 8	$ 20	$ 2	$ 13

* In 2007, the Sewer System Rehabilitation Reserve Fund frontage levy revenue was reinstated. In 2006, capital projects in the Sewer System Rehabilitation Reserve Fund were funded by the Federal Gas Tax Revenue Reserve Fund.

THE CITY OF WINNIPEG
CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

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

	2007	2006	2005	2004	2003
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Finance	**$ 971**	$ 878	$ 776	$ 724	$ 617
Community Services	**336**	365	271	190	413
Public Works	**327**	264	249	156	84
Planning, Property and Development	**181**	140	101	-	-
Corporate Information Technology	**178**	57	-	-	-
Corporate Services	**48**	22	-	-	-
EPC Secretariat	**10**	10	7	7	9
Audit	**9**	8	-	-	-
Mayor's Office	**4**	3	6	-	-
CAO Secretariat	**3**	9	3	15	20
	$ 2,067	$ 1,756	$ 1,413	$ 1,092	$ 1,143
Aqueduct Rehabilitation Reserve Fund					
Transfer from Waterworks System	**$ -**	$ -	$ -	$ -	$ 2,639
Transfer to Waterworks System - capital projects	**$ 38**	$ 68	$ 416	$ 1,120	$ 3,458
Federal Gas Tax Revenue Reserve Fund					
Government of Canada funding	**$ 16,427**	$ 23,308	$ -	$ -	$ -
Transfer to General Capital Fund	**$ 16,865**	$ 16,776	$ -	$ -	$ -
Transfer to Sewage Disposal System - capital projects	**$ 1,726**	$ 1,883	$ -	$ -	$ -
Transfer to Transit System - capital projects	**$ 1,344**	$ -	$ -	$ -	$ -
Public Transit Reserve Fund					
Government of Canada funding	**$ 24,790**	$ 14,328	$ -	$ -	$ -
Transfer to Transit System - capital projects	**$ 2,682**	$ 670	$ -	$ -	$ -

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Water Treatment Reserve	Environmental Projects Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 1,672**	**$ 28,711**	**$ -**	**$ 37,471**
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	1,672	**28,711**	**-**	**37,471**
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
	$ 1,672	**$ 28,711**	**$ -**	**$ 37,471**
LIABILITIES				
Deferred revenue	**$ -**	**$ -**	**$ -**	**$ -**
EQUITY				
Allocated	**1,340**	**23,686**	**-**	**37,471**
Unallocated	**332**	**5,025**	**-**	**-**
	1,672	**28,711**	**-**	**37,471**
	$ 1,672	**$ 28,711**	**$ -**	**$ 37,471**

See accompanying notes to the financial statements

Brady Landfill Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Concession Equipment Reserve	Computer Replacement Reserve	Sub-total
$ 382	$ 1,203	$ 1,234	$ 11,732	$ 126	$ 2,067	$ 84,598
29	-	-	-	-	-	29
4	-	211	-	-	-	215
415	1,203	1,445	11,732	126	2,067	84,842
2,232	-	-	-	-	-	2,232
-	748	-	-	-	-	748
$ 2,647	$ 1,951	$ 1,445	$ 11,732	$ 126	$ 2,067	$ 87,822
$ -	$ -	$ -	$ -	$ -	$ -	$ -
2,647	-	-	11,732	-	2,067	78,943
-	1,951	1,445	-	126	-	8,879
2,647	1,951	1,445	11,732	126	2,067	87,822
$ 2,647	$ 1,951	$ 1,445	$ 11,732	$ 126	$ 2,067	$ 87,822

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-total Brought Forward	Aqueduct Rehabilitation Reserve	Federal Gas Tax Reserve	Public Transit Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 84,598**	**$ 384**	**$ 1,703**	**$ 36,885**
Call loans - General Revenue Fund	**29**	**-**	**-**	**-**
Accounts receivable	**215**	**-**	**-**	**-**
	84,842	**384**	**1,703**	**36,885**
Investments (Note 4)	**2,232**	**-**	**-**	**-**
Due from Golf Services - Special Operating Agency (Note 5)	**748**	**-**	**-**	**-**
	$ 87,822	**$ 384**	**$ 1,703**	**$ 36,885**
LIABILITIES				
Deferred revenue	**$ -**	**$ -**	**$ 1,141**	**$ 35,766**
EQUITY				
Allocated	**78,943**	**384**	**562**	**-**
Unallocated	**8,879**	**-**	**-**	**1,119**
	87,822	**384**	**562**	**1,119**
	$ 87,822	**$ 384**	**$ 1,703**	**$ 36,885**

See accompanying notes to the financial statements

Totals 2007	Totals 2006
$ 123,570	$ 109,004
29	18,618
215	432
123,814	128,054
2,232	3,836
748	776
$ 126,794	$ 132,666
$ 36,907	$ 18,307
79,889	104,318
9,998	10,041
89,887	114,359
$ 126,794	$ 132,666

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Water Treatment Reserve	Environmental Projects Reserve
Balance, beginning of year	**$ 970**	**$ 25,619**	**$ 25,217**	**$ 46,942**
Add:				
Frontage levies	**7,002**	**19,096**	**-**	**-**
Government of Canada transfers	**-**	**-**	**-**	**-**
Transfer from Waterworks System	**-**	**-**	**10,515**	**-**
Transfer from Sewage Disposal System	**-**	**-**	**-**	**8,006**
Interest earned	**183**	**1,475**	**606**	**1,953**
Transfer from Transit System	**-**	**-**	**-**	**-**
Transfer from General Revenue Fund	**-**	**-**	**-**	**-**
Transfer from Solid Waste Disposal	**-**	**-**	**-**	**-**
Transfer from Building Services Fund	**-**	**-**	**-**	**-**
Transfer from Combined Sewer Renewal Reserve	**-**	**-**	**-**	**-**
Transfer from Wastewater Sewer Renewal Reserve	**-**	**-**	**-**	**-**
Transfer from General Capital Fund	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
	8,155	**46,190**	**36,338**	**56,901**
Deduct:				
Transfer to Waterworks System	**6,470**	**-**	**36,301**	**-**
Transfer to General Capital Fund	**-**	**12,547**	**-**	**-**
Transfer to Sewage Disposal System	**-**	**4,829**	**-**	**19,294**
Transfer to Transit System	**-**	**-**	**-**	**-**
Purchase of equipment	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**13**	**103**	**37**	**136**
Other	**-**	**-**	**-**	**-**
Transfer to Sewer System Rehabilitation Reserve	**-**	**-**	**-**	**-**
	6,483	**17,479**	**36,338**	**19,430**
Balance, end of year	**$ 1,672**	**$ 28,711**	**$ -**	**$ 37,471**

See accompanying notes to the financial statements

Brady Landfill Reserve	Golf Course Reserve	Library Reserve	Transit Bus Replacement Reserve	Concession Equipment Reserve	Computer Replacement Reserve	Sub-total
$ 2,376	$ 1,860	$ 1,520	$ 7,068	$ 113	$ 1,756	$ 113,441
-	-	-	-	-	-	26,098
-	-	-	-	-	-	-
-	-	-	-	-	-	10,515
-	-	-	-	-	-	8,006
104	94	52	502	5	74	5,048
-	-	-	5,161	-	-	5,161
-	-	279	-	19	585	883
174	-	-	-	-	-	174
-	-	-	-	-	11	11
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,654	1,954	1,851	12,731	137	2,426	169,337
-	-	-	-	-	-	42,771
-	-	-	-	-	-	12,547
-	-	-	-	-	-	24,123
-	-	-	964	-	-	964
-	-	402	-	11	345	758
7	3	4	35	-	6	344
-	-	-	-	-	8	8
-	-	-	-	-	-	-
7	3	406	999	11	359	81,515
$ 2,647	$ 1,951	$ 1,445	$ 11,732	$ 126	$ 2,067	$ 87,822

THE CITY OF WINNIPEG
CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Sub-total Brought Forward	Aqueduct Rehabilitation Reserve	Federal Gas Tax Reserve	Public Transit Reserve
Balance, beginning of year	**$ 113,441**	**$ 407**	**$ 246**	**$ 265**
Add:				
Frontage levies	**26,098**	**-**	**-**	**-**
Government of Canada transfers	**-**	**-**	**19,935**	**2,682**
Transfer from Waterworks System	**10,515**	**-**	**-**	**-**
Transfer from Sewage Disposal System	**8,006**	**-**	**-**	**-**
Interest earned	**5,048**	**16**	**328**	**854**
Transfer from Transit System	**5,161**	**-**	**-**	**-**
Transfer from General Revenue Fund	**883**	**-**	**-**	**-**
Transfer from Solid Waste Disposal	**174**	**-**	**-**	**-**
Transfer from Building Services Fund	**11**	**-**	**-**	**-**
Transfer from Combined Sewer Renewal Reserve	**-**	**-**	**-**	**-**
Transfer from Wastewater Sewer Renewal Reserve	**-**	**-**	**-**	**-**
Transfer from General Capital Fund	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
	169,337	**423**	**20,509**	**3,801**
Deduct:				
Transfer to Waterworks System	**42,771**	**38**	**-**	**-**
Transfer to General Capital Fund	**12,547**	**-**	**16,865**	**-**
Transfer to Sewage Disposal System	**24,123**	**-**	**1,726**	**-**
Transfer to Transit System	**964**	**-**	**1,344**	**2,682**
Purchase of equipment	**758**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**344**	**1**	**-**	**-**
Other	**8**	**-**	**12**	**-**
Transfer to Sewer System Rehabilitation Reserve	**-**	**-**	**-**	**-**
	81,515	**39**	**19,947**	**2,682**
Balance, end of year	**$ 87,822**	**$ 384**	**$ 562**	**$ 1,119**

See accompanying notes to the financial statements

Totals 2007	Totals 2006
$ 114,359	$ 159,772
26,098	7,335
22,617	19,419
10,515	10,089
8,006	8,501
6,246	7,610
5,161	6,530
883	860
174	175
11	11
-	24,769
-	812
-	60
-	3
194,070	245,946
42,809	69,361
29,412	17,016
25,849	18,110
4,990	670
758	571
345	277
20	1
-	25,581
104,183	131,587
$ 89,887	$ 114,359

THE CITY OF WINNIPEG
CAPITAL RESERVES

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

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

b) Basis of accounting

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

c) Investment in bonds and debentures

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

d) Bond coupons

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

e) Deferred revenue

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

1. Significant Accounting Policies (continued)

f) 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.

2. Status of the Capital Reserves

Water Main Renewal Reserve Fund

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

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

The Director of Water and Waste is the Fund Manager.

Sewer System Rehabilitation Reserve Fund

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

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

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

The Director of Water and Waste is the Fund Manager.

Water Treatment Reserve Fund

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

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2007 water rates include a provision of 40.63 cents (2006 - 40.63 cents) per 100 cubic feet of billed water consumption to fund this transfer.

Contributions to the Reserve ended in December 2007 and as at December 31, 2007, the Reserve has been depleted.

The Director of Water and Waste is the Fund Manager.

2. Status of the Capital Reserves (continued)

Environmental Projects Reserve Fund

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

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

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2007 sewer rate includes a provision of 31.3 cents (2006 - 31.3 cents) per 100 cubic feet of billed water consumption to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

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

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents (2006 - 50 cents) per tonne for each tonne disposed at Brady Road Landfill to fund this transfer.

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

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

Library Reserve Fund

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

Transit Bus Replacement Reserve Fund

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

2. Status of the Capital Reserves (continued)

Concession Equipment Replacement Reserve Fund

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

Computer Replacement Reserve Fund

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

Aqueduct Rehabilitation Reserve Fund

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

The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in early 2008.

The Director of Water and Waste is the Fund Manager.

Federal Gas Tax Revenue Reserve Fund

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

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

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

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Water and Waste is the Fund Manager.

2. Status of the Capital Reserves (continued)

Public Transit Reserve Fund

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

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

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

Subsequent to this, the Province of Manitoba and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010.

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

The Director of Transit is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Investments

	2007	2006
Marketable securities		
Provincial bonds and bond coupons	**$ 1,242**	$ 2,933
Government of Canada bonds and bond coupons	**990**	903
	$ 2,232	$ 3,836

The aggregate market value of marketable securities at December 31, 2007 was $2,602 thousand (2006 - $4,258 thousand).

5. Due from Golf Services - Special Operating Agency

	2007	2006
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 50**	$ 57
- 2005	**57**	63
- 2006	**97**	106
- 2007	**226**	245
- 2008	**305**	305
- 2009	**13**	-
	$ 748	$ 776

Included in interest earned is $47 thousand (2006 - $39 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.



THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

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

Workers Compensation Reserve Fund

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

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

The Corporate Controller is the Fund Manager.

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

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

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

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

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

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

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

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

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

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

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

Land Operating Reserve Fund

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

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

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

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

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

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

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Recreation Programming Reserve Fund

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

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

Snow Clearing Reserve Fund

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

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

The Director of Public Works is the Fund Manager.

Idea Bank Reserve Fund

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

The Corporate Controller is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Commitment Reserve Fund

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

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

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

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

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

Housing Rehabilitation Investment Reserve Fund

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

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

Economic Development Investment Reserve Fund

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

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

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Assiniboine Park Enterprise Reserve Fund

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

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

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

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

The Director of Community Services is the Fund Manager.

General Purpose Reserve Fund

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

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

On May 23, 2001, City Council approved the amalgamation of the Pension Stabilization Reserve and Pension Surplus Reserve Funds and be renamed the General Purpose Reserve Fund.

The City Treasurer is the Fund Manager.

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES (continued)

Multiple-Family Dwelling Tax Investment Reserve Fund

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

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

Insect Control Urgent Expenditures Reserve Fund

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

The Director of Community Services is the Fund Manager.

Permit Reserve Fund

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the Reserve is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The Reserve is funded by the excess of permit revenue in the General Revenue Fund compared to budget in any given year. The balance in the Reserve is capped at $3.0 million and any surplus funds over and above the cap are to be transferred to the General Revenue Fund.

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

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW

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

	2007	2006	2005	2004	2003
Workers Compensation Reserve Fund					
Call loans - General Revenue Fund	**$ 2,966**	$ 4,935	$ 2,072	$ 3,765	$ 2,712
Investments	**$ 1,999**	$ 2,750	$ 4,733	$ 2,360	$ 2,866
Interest earned	**$ 341**	$ 291	$ 229	$ 236	$ 251
Brookside Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 158**	$ 2,381	$ 89	$ 119	$ 236
Investments	**$ 10,178**	$ 8,044	$ 9,787	$ 9,389	$ 9,032
Interest earned	**$ 327**	$ 827	$ 584	$ 540	$ 707
St. Vital Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 41**	$ (12)	$ -	$ 15	$ 26
Investments	**$ 635**	$ 649	$ 588	$ 532	$ 481
Interest earned	**$ 65**	$ 61	$ 56	$ 52	$ 47
Transcona Cemetery Reserve Fund					
Call loans - General Revenue Fund	**$ 31**	$ 197	$ 46	$ 49	$ 53
Investments	**$ 432**	$ 249	$ 365	$ 332	$ 302
Interest earned	**$ 32**	$ 37	$ 35	$ 30	$ 30
Insurance Reserve Fund					
Call loans - General Revenue Fund	**$ 3,364**	$ 1,404	$ 811	$ 1,252	$ 697
Investments	**$ 4,574**	$ 6,495	$ 6,476	$ 5,445	$ 6,416
Interest earned	**$ 394**	$ 383	$ 378	$ 415	$ 460
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	**$ 596**	$ 783	$ 1,784	$ 953	$ 628
Interest earned	**$ 172**	$ 173	$ 94	$ 60	$ 74
Park improvement expenses	**$ 712**	$ 1,317	$ 955	$ 499	$ 906
Land Operating Reserve Fund					
Number of properties sold	**143**	156	174	89	88
Number acquired - tax sale	**19**	23	32	82	78
Number exchanged	**2**	1	1	1	2

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2007	2006	2005	2004	2003
Recreation Programming Reserve Fund					
Transfer from					
General Revenue Fund	**$ 159**	$ 490	$ -	$ -	$ -
Total approved					
projects/programs	**$ 329**	$ 504	$ 28	$ 22	$ 75
Number approved	**9**	4	7	6	18
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	**$ -**	$ -	$ (3,351)	$ (6,075)	$ 58
Idea Bank Reserve Fund					
Approved loans	**$ -**	$ -	$ 500	$ 200	$ 108
Loan repayments	**$ 45**	$ 64	$ 44	$ 15	$ 18
Commitment Reserve Fund					
Allocation of equity:					
Fire Paramedic Services	**$ 1,817**	$ 764	$ 536	$ 353	$ 394
Planning, Property and					
Development	**1,670**	866	601	520	880
Corporate and other	**697**	660	1,387	1,044	737
Corporate Services	**164**	358	504	586	698
Property Assessment	**109**	95	-	330	-
Community Services	**28**	423	100	343	413
Police Service	**-**	723	-	-	960
Public Works	**-**	572	1,182	998	933
Corporate Finance	**-**	-	-	-	232
	$ 4,485	$ 4,461	$ 4,310	$ 4,174	$ 5,247
Heritage Investment Reserve Fund					
Municipal realty					
tax revenue	**$ 971**	$ 1,438	$ 1,270	$ 756	$ 850
Housing Rehabilitation Investment Reserve Fund					
Grant expense	**$ 785**	$ 1,330	$ 746	$ 683	$ 1,105
Economic Development Investment Reserve Fund					
Municipal realty					
tax revenue	**$ 391**	$ 161	$ 165	$ 160	$ 177

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

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

	2007	2006	2005	2004	2003
Assiniboine Park Enterprise Reserve Fund					
Animals sold	**59**	68	77	55	58
Animals purchased	**72**	284	68	56	43
Exhibits	**144**	144	106	106	106
Zoo attendance (persons)	**350,848**	351,920	415,533	381,699	321,385
General Purpose Reserve Fund					
Transfer to (from) General Revenue Fund	**$ -**	$ -	$ -	$ 2,000	$ 2,158
Net transfer General Capital Fund	**$ 2,289**	$ 629	$ -	$ 1,192	$ 2,470
Transfer to Transit System Fund	**$ -**	$ -	$ -	$ -	$ 1,700
Transfer to Housing Rehabilitation Investment Reserve	**$ -**	$ -	$ 940	$ -	$ -
Grants	**$ -**	$ -	$ 200	$ -	$ 3,500
Interest earned	**$ 574**	$ 534	$ 351	$ 362	$ 669
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax revenue	**$ 178**	$ 337	$ 274	$ 247	$ -
Interest earned	**$ 29**	$ 18	$ 7	$ 3	$ -
Insect Control Urgent Expenditures Reserve Fund					
Transfer from General Revenue Fund	**$ 1,202**	$ 600	$ -	$ -	$ -
Permit Reserve Fund					
Transfer from General Revenue Fund	**$ 2,358**	$ -	$ -	$ -	$ -

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	$ -	$ -	$ -	$ -
Call loans - General Revenue Fund	**2,966**	**158**	**41**	**31**
Accounts receivable	**6**	**82**	**-**	**2**
Loan receivable (Note 4)	**-**	**-**	**-**	**-**
Prepaid expenses	**-**	**-**	**-**	**-**
Land held for resale	**-**	**-**	**-**	**-**
	2,972	**240**	**41**	**33**
Investments (Note 5)	**1,999**	**10,178**	**635**	**432**
Deferred charges	**-**	**-**	**-**	**-**
Inventory	**-**	**-**	**-**	**-**
	$ 4,971	**$ 10,418**	**$ 676**	**$ 465**
LIABILITIES				
Current				
Accounts payable	**$ -**	**$ -**	**$ -**	**$ -**
EQUITY				
Contributed surplus (Note 6)	**-**	**-**	**-**	**-**
Allocated	**-**	**-**	**-**	**-**
Unallocated	**4,971**	**10,418**	**676**	**465**
	4,971	**10,418**	**676**	**465**
	$ 4,971	**$ 10,418**	**$ 676**	**$ 465**

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Sub-Total
$ -	$ 3,796	$ 13,122	$ 73	$ -	$ 16,991
3,364	-	-	-	-	6,560
47	-	3,916	-	-	4,053
-	-	-	-	-	-
-	-	-	-	-	-
-	-	8,477	-	-	8,477
3,411	3,796	25,515	73	-	36,081
4,574	-	2,288	-	-	20,106
-	-	16	-	-	16
-	-	-	62	-	62
$ 7,985	$ 3,796	$ 27,819	$ 135	$ -	$ 56,265
$ -	$ 6	$ 8,335	$ -	$ -	$ 8,341
-	-	8,425	-	-	8,425
-	-	543	135	-	678
7,985	3,790	10,516	-	-	38,821
7,985	3,790	11,059	135	-	39,499
$ 7,985	$ 3,796	$ 27,819	$ 135	$ -	$ 56,265

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Idea Bank Reserve	Commitment Reserve	Heritage Investment Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 16,991**	**$ 612**	**$ 4,516**	**$ 8,408**
Call loans - General Revenue Fund	**6,560**	**-**	**-**	**-**
Accounts receivable	**4,053**	**3**	**-**	**-**
Loan receivable (Note 4)	**-**	**85**	**-**	**-**
Prepaid expenses	**-**	**-**	**-**	**-**
Land held for resale	**8,477**	**-**	**-**	**-**
	36,081	**700**	**4,516**	**8,408**
Investments (Note 5)	**20,106**	**-**	**-**	**-**
Deferred charges	**16**	**-**	**-**	**-**
Inventory	**62**	**-**	**-**	**-**
	$ 56,265	**$ 700**	**$ 4,516**	**$ 8,408**
LIABILITIES				
Current				
Accounts payable	**$ 8,341**	**$ -**	**$ 31**	**$ -**
EQUITY				
Contributed surplus (Note 6)	**8,425**	**-**	**-**	**-**
Allocated	**678**	**-**	**-**	**-**
Unallocated	**38,821**	**700**	**4,485**	**8,408**
	39,499	**700**	**4,485**	**8,408**
	$ 56,265	**$ 700**	**$ 4,516**	**$ 8,408**

See accompanying notes to the financial statements

Housing Rehabilitation Reserve	Economic Development Reserve	Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Sub-Total
$ 1,167	$ 3,620	$ 621	$ 11,367	$ 813	$ 1,862	$ 49,977
-	-	-	-	-	-	6,560
5	-	-	-	-	-	4,061
-	-	-	-	-	-	85
5	-	-	-	-	-	5
-	-	-	-	-	-	8,477
1,177	3,620	621	11,367	813	1,862	69,165
-	-	-	-	-	-	20,106
-	-	-	-	-	-	16
-	-	10	-	-	-	72
$ 1,177	$ 3,620	$ 631	$ 11,367	$ 813	$ 1,862	$ 89,359
$ -	$ -	$ -	$ -	$ -	$ -	$ 8,372
-	-	-	-	-	-	8,425
-	-	-	-	-	-	678
1,177	3,620	631	11,367	813	1,862	71,884
1,177	3,620	631	11,367	813	1,862	72,562
$ 1,177	$ 3,620	$ 631	$ 11,367	$ 813	$ 1,862	$ 89,359

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Permit Reserve	Totals 2007	Totals 2006
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	**$ 49,977**	**$ 2,358**	**$ 52,335**	$ 46,233
Call loans - General Revenue Fund	**6,560**	**-**	**6,560**	8,905
Accounts receivable	**4,061**	**-**	**4,061**	2,615
Loan receivable (Note 4)	**85**	**-**	**85**	125
Prepaid expenses	**5**	**-**	**5**	2
Land held for resale	**8,477**	**-**	**8,477**	11,579
	69,165	**2,358**	**71,523**	69,459
Investments (Note 5)	**20,106**	**-**	**20,106**	19,101
Deferred charges	**16**	**-**	**16**	18
Inventory	**72**	**-**	**72**	322
	$ 89,359	**$ 2,358**	**$ 91,717**	$ 88,900
LIABILITIES				
Current				
Accounts payable	**$ 8,372**	**$ -**	**$ 8,372**	$ 5,796
EQUITY				
Contributed surplus (Note 6)	**8,425**	**-**	**8,425**	8,425
Allocated	**678**	**-**	**678**	913
Unallocated	**71,884**	**2,358**	**74,242**	73,766
	72,562	**2,358**	**74,920**	74,679
	$ 89,359	**$ 2,358**	**$ 91,717**	$ 88,900

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Sub-Total
Balance, beginning of year	**$ 7,705**	**$ 10,485**	**$ 637**	**$ 18,827**
Add:				
Land sales	**-**	**-**	**-**	**-**
Transfer from General Revenue Fund	**-**	**47**	**7**	**54**
Interest earned	**341**	**327**	**65**	**733**
Transfer from Civic Accommodations Fund	**-**	**-**	**-**	**-**
Municipal realty tax	**-**	**-**	**-**	**-**
Transfer from General Capital Fund	**-**	**-**	**-**	**-**
Cash payments-in-lieu of land dedication	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
Transfer from Transit System Fund	**-**	**-**	**-**	**-**
Transfer from Winnipeg Parking Authority - SOA	**-**	**-**	**-**	**-**
Transfer from General Revenue Enterprises Fund	**-**	**-**	**-**	**-**
Transfer from Solid Waste Disposal Fund	**-**	**-**	**-**	**-**
Transfer from Waterworks System Fund	**-**	**-**	**-**	**-**
Transfer from Land Operating Reserve	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal Fund	**-**	**-**	**-**	**-**
	341	**374**	**72**	**787**
Deduct:				
Other	**115**	**-**	**-**	**115**
Cost of sales	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund	**2,936**	**409**	**31**	**3,376**
Grants	**-**	**-**	**-**	**-**
Transfer to General Capital Fund	**-**	**-**	**-**	**-**
Transfer to Sewage Disposal Fund	**-**	**-**	**-**	**-**
Transfer to Building Services Fund	**-**	**-**	**-**	**-**
Park land and improvements	**-**	**-**	**-**	**-**
Transfer to Mill Rate Stabilization Reserve	**-**	**-**	**-**	**-**
Transfer to General Revenue Enterprises Fund	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**24**	**32**	**2**	**58**
Transfer to Waterworks System Fund	**-**	**-**	**-**	**-**
Transfer to Fleet Management - SOA	**-**	**-**	**-**	**-**
Transfer to Winnipeg Parking - SOA	**-**	**-**	**-**	**-**
Transfer to Golf Services - SOA	**-**	**-**	**-**	**-**
Transfer to Animal Services - SOA	**-**	**-**	**-**	**-**
Transfer to Land Dedication Reserve	**-**	**-**	**-**	**-**
Transfer to Glacial - SOA	**-**	**-**	**-**	**-**
	3,075	**441**	**33**	**3,549**
Balance, end of year	**$ 4,971**	**$ 10,418**	**$ 676**	**$ 16,065**

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Sub-Total Brought Forward	Transcona Cemetery Reserve	Insurance Reserve	Land Dedication Reserve
Balance, beginning of year	**$ 18,827**	**$ 446**	**$ 7,952**	**$ 3,830**
Add:				
Land sales	**-**	**-**	**-**	**-**
Transfer from General Revenue Fund	**54**	**7**	**978**	**-**
Interest earned	**733**	**32**	**394**	**172**
Transfer from Civic Accommodations Fund	**-**	**-**	**-**	**-**
Municipal realty tax	**-**	**-**	**-**	**-**
Transfer from General Capital Fund	**-**	**-**	**-**	**-**
Cash payments-in-lieu of land dedication	**-**	**-**	**-**	**596**
Other	**-**	**-**	**1**	**-**
Transfer from Transit System Fund	**-**	**-**	**129**	**-**
Transfer from Winnipeg Parking Authority - SOA	**-**	**-**	**-**	**-**
Transfer from General Revenue Enterprises Fund	**-**	**-**	**-**	**-**
Transfer from Solid Waste Disposal Fund	**-**	**-**	**19**	**-**
Transfer from Waterworks System Fund	**-**	**-**	**-**	**-**
Transfer from Land Operating Reserve	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal Fund	**-**	**-**	**-**	**-**
	787	**39**	**1,521**	**768**
Deduct:				
Other	**115**	**-**	**-**	**-**
Cost of sales	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund	**3,376**	**18**	**-**	**-**
Grants	**-**	**-**	**-**	**84**
Transfer to General Capital Fund	**-**	**-**	**-**	**-**
Transfer to Sewage Disposal Fund	**-**	**-**	**1,028**	**-**
Transfer to Building Services Fund	**-**	**-**	**261**	**-**
Park land and improvements	**-**	**-**	**-**	**712**
Transfer to Mill Rate Stabilization Reserve	**-**	**-**	**-**	**-**
Transfer to General Revenue Enterprises Fund	**-**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**58**	**2**	**24**	**12**
Transfer to Waterworks System Fund	**-**	**-**	**124**	**-**
Transfer to Fleet Management - SOA	**-**	**-**	**44**	**-**
Transfer to Winnipeg Parking - SOA	**-**	**-**	**3**	**-**
Transfer to Golf Services - SOA	**-**	**-**	**3**	**-**
Transfer to Animal Services - SOA	**-**	**-**	**1**	**-**
Transfer to Land Dedication Reserve	**-**	**-**	**-**	**-**
Transfer to Glacial - SOA	**-**	**-**	**-**	**-**
	3,549	**20**	**1,488**	**808**
Balance, end of year	**$ 16,065**	**$ 465**	**$ 7,985**	**$ 3,790**

See accompanying notes to the financial statements

Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Idea Bank Reserve	Commitment Reserve	Sub-Total
$ 9,038	$ 370	$ -	$ 981	$ 4,461	$ 45,905
10,945	-	-	-	-	10,945
-	159	-	-	2,689	3,887
500	16	-	33	-	1,880
-	-	-	-	1,561	1,561
-	-	-	-	-	-
580	-	-	-	-	580
-	-	-	-	-	596
19	-	-	-	-	20
-	-	-	-	-	129
48	-	-	-	-	48
-	-	-	46	-	46
-	-	-	-	-	19
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,092	175	-	79	4,250	19,711
2,161	227	-	-	2,962	5,465
6,352	-	-	-	-	6,352
-	-	-	358	-	3,752
948	-	-	-	11	1,043
-	-	-	-	347	347
-	-	-	-	-	1,028
-	182	-	-	334	777
-	-	-	-	-	712
-	-	-	-	572	572
571	-	-	-	-	571
39	1	-	2	-	138
-	-	-	-	-	124
-	-	-	-	-	44
-	-	-	-	-	3
-	-	-	-	-	3
-	-	-	-	-	1
-	-	-	-	-	-
-	-	-	-	-	-
10,071	410	-	360	4,226	20,932
$ 11,059	$ 135	$ -	$ 700	$ 4,485	$ 44,684

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Sub-Total Brought Forward	Heritage Investment Reserve	Housing Rehabilitation Reserve	Economic Development Reserve
Balance, beginning of year	**$ 45,905**	**$ 9,259**	**$ 533**	**$ 3,467**
Add:				
Land sales	**10,945**	**-**	**-**	**-**
Transfer from General Revenue Fund	**3,887**	**-**	**1,000**	**-**
Interest earned	**1,880**	**367**	**47**	**151**
Transfer from Civic Accommodations Fund	**1,561**	**-**	**-**	**-**
Municipal realty tax	**-**	**971**	**-**	**391**
Transfer from General Capital Fund	**580**	**-**	**430**	**-**
Cash payments-in-lieu of land dedication	**596**	**-**	**-**	**-**
Other	**20**	**-**	**-**	**-**
Transfer from Transit System Fund	**129**	**-**	**-**	**-**
Transfer from Winnipeg Parking Authority - SOA	**48**	**-**	**-**	**-**
Transfer from General Revenue Enterprises Fund	**46**	**-**	**-**	**-**
Transfer from Solid Waste Disposal Fund	**19**	**-**	**-**	**-**
Transfer from Waterworks System Fund	**-**	**-**	**-**	**-**
Transfer from Land Operating Reserve	**-**	**-**	**-**	**-**
Transfer from Sewage Disposal Fund	**-**	**-**	**-**	**-**
	19,711	**1,338**	**1,477**	**542**
Deduct:				
Other	**5,465**	**1,523**	**45**	**340**
Cost of sales	**6,352**	**-**	**-**	**-**
Transfer to General Revenue Fund	**3,752**	**-**	**-**	**-**
Grants	**1,043**	**640**	**785**	**38**
Transfer to General Capital Fund	**347**	**-**	**-**	**-**
Transfer to Sewage Disposal Fund	**1,028**	**-**	**-**	**-**
Transfer to Building Services Fund	**777**	**-**	**-**	**-**
Park land and improvements	**712**	**-**	**-**	**-**
Transfer to Mill Rate Stabilization Reserve	**572**	**-**	**-**	**-**
Transfer to General Revenue Enterprises Fund	**571**	**-**	**-**	**-**
Transfer to General Revenue Fund - investment management fee	**138**	**26**	**3**	**11**
Transfer to Waterworks System Fund	**124**	**-**	**-**	**-**
Transfer to Fleet Management - SOA	**44**	**-**	**-**	**-**
Transfer to Winnipeg Parking - SOA	**3**	**-**	**-**	**-**
Transfer to Golf Services - SOA	**3**	**-**	**-**	**-**
Transfer to Animal Services - SOA	**1**	**-**	**-**	**-**
Transfer to Land Dedication Reserve	**-**	**-**	**-**	**-**
Transfer to Glacial - SOA	**-**	**-**	**-**	**-**
	20,932	**2,189**	**833**	**389**
Balance, end of year	**$ 44,684**	**$ 8,408**	**$ 1,177**	**$ 3,620**

See accompanying notes to the financial statements

Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Permit Reserve	Totals 2007	Totals 2006
$ 1,004	**$ 13,122**	**$ 774**	**$ 615**	**$ -**	**$ 74,679**	$ 69,025
-	**-**	**-**	**-**	**-**	**10,945**	6,302
-	**-**	**-**	**1,202**	**2,358**	**8,447**	3,778
32	**574**	**29**	**48**	**-**	**3,128**	3,183
-	**-**	**-**	**-**	**-**	**1,561**	666
-	**-**	**178**	**-**	**-**	**1,540**	1,936
-	**30**	**-**	**-**	**-**	**1,040**	730
-	**-**	**-**	**-**	**-**	**596**	783
189	**-**	**-**	**-**	**-**	**209**	834
-	**-**	**-**	**-**	**-**	**129**	321
-	**-**	**-**	**-**	**-**	**48**	20
-	**-**	**-**	**-**	**-**	**46**	44
-	**-**	**-**	**-**	**-**	**19**	20
-	**-**	**-**	**-**	**-**	**-**	205
-	**-**	**-**	**-**	**-**	**-**	158
-	**-**	**-**	**-**	**-**	**-**	21
221	**604**	**207**	**1,250**	**2,358**	**27,708**	19,001
-	**-**	**-**	**-**	**-**	**7,373**	3,972
415	**-**	**-**	**-**	**-**	**6,767**	2,738
177	**-**	**-**	**-**	**-**	**3,929**	739
-	**-**	**166**	**-**	**-**	**2,672**	2,045
-	**2,319**	**-**	**-**	**-**	**2,666**	1,093
-	**-**	**-**	**-**	**-**	**1,028**	**-**
-	**-**	**-**	**-**	**-**	**777**	185
-	**-**	**-**	**-**	**-**	**712**	1,317
-	**-**	**-**	**-**	**-**	**572**	113
-	**-**	**-**	**-**	**-**	**571**	668
2	**40**	**2**	**3**	**-**	**225**	104
-	**-**	**-**	**-**	**-**	**124**	**-**
-	**-**	**-**	**-**	**-**	**44**	195
-	**-**	**-**	**-**	**-**	**3**	6
-	**-**	**-**	**-**	**-**	**3**	5
-	**-**	**-**	**-**	**-**	**1**	1
-	**-**	**-**	**-**	**-**	**-**	158
-	**-**	**-**	**-**	**-**	**-**	8
594	**2,359**	**168**	**3**	**-**	**27,467**	13,347
$ 631	**$ 11,367**	**$ 813**	**$ 1,862**	**$ 2,358**	**$ 74,920**	$ 74,679

THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

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

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

b) Basis of accounting

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

c) Land held for resale

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

d) Investment in bonds

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

e) Bond residues and coupons

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

1. Significant Accounting Policies (continued)

f) Inventory

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

2. Status of the Special Purpose Reserves

Workers Compensation Reserve Fund

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

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

The Corporate Controller is the Fund Manager.

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

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

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

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

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

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

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

2. Status of the Special Purpose Reserves (continued)

Insurance Reserve Fund

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

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

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

Land Operating Reserve Fund

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

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

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

Recreation Programming Reserve Fund

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

The Director of Community Services is the Fund Manager.

2. Status of the Special Purpose Reserves (continued)

Snow Clearing Reserve Fund

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

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

The Director of Public Works is the Fund Manager.

Idea Bank Reserve Fund

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

The Corporate Controller is the Fund Manager.

Commitment Reserve Fund

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

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

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

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

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

2. Status of the Special Purpose Reserves (continued)

Housing Rehabilitation Investment Reserve Fund

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

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

Economic Development Investment Reserve Fund

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

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

Assiniboine Park Enterprise Reserve Fund

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

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

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

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

The Director of Community Services is the Fund Manager.

2. Status of the Special Purpose Reserves (continued)

General Purpose Reserve Fund

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

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

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

The City Treasurer is the Fund Manager.

Multiple-Family Dwelling Tax Investment Reserve Fund

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

Insect Control Urgent Expenditures Reserve Fund

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

The Director of Community Services is the Fund Manager.

Permit Reserve Fund

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the fund is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The source of funds for the Reserve are the excess of permit revenue in the General Revenue Fund compared to budget in any given year. That balance in the Reserve is capped at $3.0 million and any surplus funds over and above the cap are to be transferred to the General Revenue Fund.

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Loan Receivable

	2007	2006
General Revenue Enterprises Fund		
Interest at 4.5%, payments of $45 thousand annually, due March 2009	**$ 85**	$ 125

Included in the Idea Bank Reserve's account receivable is $3 thousand (2006 - $5 thousand) for interest receivable from the General Revenue Enterprises Fund.

5. Investments

	2007	2006
Marketable securities		
Government of Canada bonds, bond residues, coupons and treasury bills	**$ 9,893**	$ 11,197
Provincial bonds and bond coupons	**6,075**	5,533
Municipal bonds	**1,850**	1,457
	17,818	18,187
Transcona Joint Venture	**2,288**	914
	$ 20,106	$ 19,101

Transcona Joint Venture:
The Transcona Joint Venture ("Joint Venture") was formed on January 25, 2005, between The City of Winnipeg and Genstar Development Partnership to develop and sell certain land owned by participants in the community of Transcona. Each participant has a 50% interest in the Joint Venture. The City's proportionate interest in the financial accounts of the Joint Venture as at December 31, 2007 was as follows:

	2007	2006
Assets	**$ 3,567**	$ 1,236
Liabilities	**1,279**	322
Revenues	**3,091**	1,715
Expenses	**2,217**	1,099
Cash flow provided by (used in):		
Operating activities	**(1,842)**	292
Investing activities	**-**	-
Financing activities	**500**	300

The aggregate market value of marketable securities at December 31, 2007 was $18,943 thousand (2006 - $19,500 thousand).

6. Contributed Surplus

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

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

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

Interest earnings on capital financing have contributed to the growth of the Fund to $426.0 million as at December 31, 2007 (2006 - $395.8 million).

The Fund has been used since it was created for the financing of capital construction, primarily by the General Capital Fund, but also by other reserves and utilities. This source of financing allows greater flexibility than is available through debenture debt financing. In 2007, $45.9 million (2006 - $57.9 million) of new capital works were financed through the Fund at terms ranging from five to twenty years.

FIVE-YEAR REVIEW

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

	2007	2006	2005	2004	2003
Total Assets	**$ 426,000**	$ 395,763	$ 365,166	$ 335,267	$ 305,951
Capital Construction Financed	**$ 45,864**	$ 57,914	$ 69,822	$ 45,248	$ 69,862
Interest Earned	**$ 30,276**	$ 30,628	$ 29,962	$ 29,359	$ 31,634
Principal Retirals	**$ 26,102**	$ 24,764	$ 23,563	$ 25,791	$ 25,078

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 23,190**	$ 12,532
Current portion of long-term investments (Note 4)	**27,584**	26,228
	50,774	38,760
Long-term investments (Note 4)	**375,226**	357,003
	$ 426,000	$ 395,763
EQUITY		
Allocated	**$ 399,506**	$ 379,744
Unallocated	**26,494**	16,019
	$ 426,000	$ 395,763

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

STATEMENT OF CHANGES IN EQUITY

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

	2007	2006
Balance, beginning of year	**$ 395,763**	$ 365,166
Add:		
Interest		
General Capital Fund	**26,514**	24,499
General Revenue Fund - allocation of debt charges	**2,059**	4,627
Transit System	**869**	591
General Revenue Fund (Note 3)	**552**	613
Civic Accommodations Fund	**221**	233
Other	**55**	55
Sewage Disposal System	**5**	6
Waterworks System	**1**	3
Solid Waste Disposal	**-**	1
	30,276	30,628
Deduct:		
Transfer to General Revenue Fund - investment management fee	**39**	31
Balance, end of year	**$ 426,000**	$ 395,763

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

c) Long-term investments

Long-term investments are valued at cost.

2. Status of the Equity in Capital Assets Fund

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Long-term Investments

At varying maturities up to the year 2027 and with a weighted average interest rate for the year 2007 of 7.13% (2006 - 7.22%) due from the following:

	2007	2006
General Capital	**$ 387,388**	$ 366,792
Transit System	**12,040**	12,862
Civic Accommodations Fund	**3,304**	3,487
Sewage Disposal System	**71**	77
Waterworks System	**7**	13
	402,810	383,231
Current portion of long-term investments:		
General Capital	**(26,503)**	(25,211)
Transit System	**(872)**	(822)
Civic Accommodations Fund	**(196)**	(183)
Waterworks System	**(7)**	(6)
Sewage Disposal System	**(6)**	(6)
	(27,584)	(26,228)
	$ 375,226	$ 357,003


THE ROYAL TRUST COMPANY

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2007 Totals	2006 Totals
ASSETS						
Current						
Due from General Revenue Fund (Note 3)	**$ 103,054**	**$ 105,879**	**$ 39,495**	**$ 4,188**	**$ 252,616**	$ 222,836
EQUITY						
Unallocated	**$ 103,054**	**$ 105,879**	**$ 39,495**	**$ 4,188**	**$ 252,616**	$ 222,836

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

STATEMENT OF CHANGES IN TRUST ACCOUNTS

For the years ended December 31
(unaudited)

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2007 Totals	2006 Totals
Opening balance	**$ 38,204**	**$ 142,781**	**$ 37,838**	**$ 4,013**	**$ 222,836**	$ 256,192
Add:						
Contributions	**140,192**	**30,970**	**-**	**-**	**171,162**	136,648
Interest earned	**3,344**	**5,350**	**1,657**	**175**	**10,526**	10,058
	143,536	**36,320**	**1,657**	**175**	**181,688**	146,706
Deduct:						
Disbursements	**78,686**	**73,222**	**-**	**-**	**151,908**	180,062
Closing balance	**$ 103,054**	**$ 105,879**	**$ 39,495**	**$ 4,188**	**$ 252,616**	$ 222,836

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(unaudited)

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

2. Status of The City of Winnipeg Trust Funds

St. Boniface Museum Board Trust

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

Library Trust

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

Portage and Main Concourse Trust

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

Winnipeg Evergreen Committee Trust

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Due from General Revenue Fund (Note 2)	**$ 9,971**	$ 77
Loans receivable (Note 3)	**1,148**	4,948
	$ 11,119	$ 5,025
LIABILITIES		
Deferred gain	**$ -**	$ 3,353
Provision for land rehabilitation	**-**	671
	-	4,024
RETAINED EARNINGS	**11,119**	1,001
	$ 11,119	$ 5,025

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF INCOME AND RETAINED EARNINGS

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

	2007	2006
REVENUES		
Gain on sale of assets	**$ -**	$ 177
EXPENSES		
Other	**-**	82
Net income before extraordinary event	**-**	95
Extraordinary event - net income arising from the sale of Glacial Sand and Gravel - Special Operating Agency Pine Ridge gravel pit operations (Note 4)	**184**	-
Net income for the year	**184**	95
RETAINED EARNINGS, BEGINNING OF YEAR	**1,001**	906
Transfer from Glacial Sand and Gravel - Special Operating Agency	**9,934**	-
RETAINED EARNINGS, END OF YEAR	**$ 11,119**	$ 1,001

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of accounting

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

2. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the due from account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

3. Loans Receivable

	2007	2006
Glacial Sand and Gravel - Special Operating Agency		
Cancellation of the gravel pit loan	**$ -**	$ 3,800
Fleet Management - Special Operating Agency		
Net operating assets loan, non-interest bearing, no repayment schedule	**1,148**	1,148
	1,148	4,948
Current portion	**(1,148)**	(4,948)
	$ -	$ -

The gravel pit loan was cancelled in 2007 with the sale of the Pine Ridge Pit and related assets.

4. Sale of Glacial Sand and Gravel - Special Operating Agency Gravel Pit Operations

The sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge property, facilities, equipment and reserve assets in 2007, had an impact on the net income for the year of Equipment and Material Services Fund as follows:

Cancellation of gravel pit loan	**$**	**(3,800)**
Remaining deferred gain of Pine Ridge Gravel Pit		**3,353**
Reverse the provision for land rehabilitation		**631**
Net income arising from the sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge gravel pit operations	**$**	**184**

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

The year 2007 was the eleventh year of operation under the accounting structure of the Civic Accommodations Fund, formerly Civic Buildings. The following narrative provides the background into the creation of this fund.

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

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

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

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

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

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

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

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

On June 20, 2007, City Council approved an amendment to the City Organization By-law No. 7100/97, such that the facilities maintenance and security function be moved from the Public Works Department to the Planning, Property and Development Department effective September 17, 2007.

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

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	2007	2006	2005	2004	2003
Number of facilities	**132**	135	138	139	138
Total area square footage	**2,455,140**	2,491,466	2,441,923	2,443,334	2,463,860

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 63**	$ 83
Accounts receivable	**113**	74
Prepaid expenses	**493**	510
	669	667
Tangible capital assets (Note 4)	**3,304**	3,487
	$ 3,973	$ 4,154
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	**$ 669**	$ 667
Current portion of long-term debt (Note 6)	**196**	183
	865	850
Long-term debt (Note 6)	**3,108**	3,304
	$ 3,973	$ 4,154

Commitments (Note 7)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

STATEMENT OF OPERATIONS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 9b)	**$ 32,695**	**$ 32,448**	$ 31,052
Other rental	**262**	**437**	478
Investment and other	**20**	**107**	108
Total Revenues	**32,977**	**32,992**	31,638
EXPENSES			
Civic accommodations	**10,721**	**11,102**	10,949
Transfer to Building Services Fund	**10,120**	**10,680**	10,314
Transfer to General Capital Fund	**8,489**	**7,330**	7,491
Transfer to General Revenue Fund	**3,647**	**3,880**	2,884
Total Expenses (Note 10)	**32,977**	**32,992**	31,638
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

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

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

c) Tangible capital assets

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

2. Status of the Civic Accommodations Fund

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

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Tangible Capital Assets

	2007	2006
Cost	**$ 4,864**	$ 4,864
Accumulated amortization	**(1,560)**	(1,377)
	$ 3,304	$ 3,487

5. Accounts Payable and Accrued Liabilities

	2007	2006
Accrued interest on long-term debt	**$ 595**	$ 605
Accounts payable and accrued liabilities	**59**	49
Holdbacks and other payables	**15**	13
	$ 669	$ 667

6. Long-Term Debt

	2007	2006
Debt issued by the Equity in Capital Assets Fund which matures in the year 2019 with an interest rate of 6.50% (2006 - 6.50%)	**$ 3,304**	$ 3,487
Current portion of long-term debt	**(196)**	(183)
	$ 3,108	$ 3,304

7. Commitments

Lease commitments

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

2008	$ 2,804
2009	1,594
2010	1,379
2011	1,210
2012	1,239
Subsequent	2,358
	$ 10,584

8. Employee Benefits

a) 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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at $372 thousand (2006 - $348 thousand).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at $25 thousand (2006 - $24 thousand).

c) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is estimated at $242 thousand (2006 - $290 thousand).

d) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at $nil (2006 - $nil).

e) Civic Accommodations employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $110 thousand (2006 - $112 thousand) of pension costs were allocated to Civic Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has disclosed an actuarial surplus.

9. Contributions and Appropriations from Related Parties

a) Included in Civic Accommodations Fund expenses are:
- Rental payments in the amount of $2 thousand (2006 - $4 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
- General government charges in the amount of $306 thousand (2006 - $306 thousand) to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to civic accommodations; and
- Interest payments of $221 thousand (2006 - $233 thousand) to the Equity in Capital Assets Fund on the purchase of the Mandarin Building.

b) The following funds were charged for facility costs:

	2007	2006
General Revenue Fund	**$ 29,238**	$ 28,256
Waterworks System	**932**	815
Sewage Disposal System	**932**	795
Building Services Fund	**317**	320
Transit System	**212**	202
Fleet Management - Special Operating Agency	**179**	131
Civic Accommodations Fund	**172**	167
Animal Services - Special Operating Agency	**169**	170
Solid Waste Disposal Fund	**167**	66
Winnipeg Parking Authority - Special Operating Agency	**113**	113
Golf Services - Special Operating Agency	**17**	17
	$ 32,448	$ 31,052

9. Contributions and Appropriations from Related Parties (continued)

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

10. Expenses by Object

	2007 Budget	**2007 Actual**	2006 Actual
Transfer to Building Services Fund	**$ 10,120**	**$ 10,680**	$ 10,314
Materials and supplies	**8,584**	**7,715**	8,234
Transfer to General Capital Fund	**8,489**	**7,330**	7,491
Transfer to General Revenue Fund	**3,647**	**3,880**	2,884
Salaries and employee benefits	**1,996**	**1,886**	1,892
Transfer to Commitment Reserve	**-**	**1,561**	666
Civic Accommodations Fund - rental costs	**172**	**172**	167
Recoveries	**(31)**	**(232)**	(10)
	$ 32,977	**$ 32,992**	$ 31,638

11. Related Party Transactions

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

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

Prior to 1997, activities relating to the Building Services Division of the former Civic Buildings Department and the former Parks and Recreation Department were recorded in the General Revenue Fund. In 1997, these activities were reported in the Civic Accommodation Fund and in 1998 they were reported in the Building Services Fund. The Building Services Fund is self-funded and reports on facility development, operation, maintenance, preservation and security services for over 599 owned and leased buildings with an area of approximately 5.4 million square feet, as well as other structures and fixtures.

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

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

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	**$ 639**	$ 341
Accounts receivable	**56**	95
Prepaid expenses	**6**	11
	$ 701	$ 447
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	**$ 535**	$ 400
Deferred revenue	**166**	47
	$ 701	$ 447

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

STATEMENT OF OPERATIONS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 6b)	**$ 28,346**	**$ 29,425**	$ 27,192
Investment and other	**314**	**283**	290
Total Revenues	**28,660**	**29,708**	27,482
EXPENSES (Note 7)			
Building services	**28,660**	**29,708**	27,482
Surplus for the year	**$ -**	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
BUILDING SERVICES FUND

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of presentation

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

b) Basis of accounting

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

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

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

c) Deferred revenue

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

2. Status of the Building Services Fund

On June 20, 2007, City Council approved an amendment to the City Organization By-law No. 7100/97 such that the facilities maintenance and security function be moved from the Public Works Department to the Planning, Property and Development Department effective September 17, 2007.

The Building Services Division of the Planning, Property and Development Department is responsible for providing asset management and facility maintenance services for civic purposes.

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Accounts Payable and Accrued Liabilities

	2007	2006
Wages and employee benefits	**$ 449**	$ 348
Performance deposits	**86**	52
	$ 535	$ 400

5. Employee Benefits

a) Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

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

c) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

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

e) Building Services' employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $718 thousand (2006 - $709 thousand) of pension costs were allocated to Building Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has disclosed an actuarial surplus.

6. Contributions and Appropriations from Related Parties

a) Included in Building Services Fund's expenses are:
- Rental payments in the amount of $718 thousand (2006 - $573 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
- General government charges transferred to the General Revenue Fund in the amount of $252 thousand (2006 - $252 thousand), which represents the estimated share of The City of Winnipeg's general expenses applicable to Building Services;
- Rental payments in the amount of $317 thousand (2006 - $320 thousand) which represent facility costs paid to the Civic Accommodations Fund for space occupied by Building Services staff;
- Transfer from the Insurance Reserve of $261 thousand (2006 - $9 thousand);
- Transfer to the Computer Replacement Reserve of $11 thousand (2006 - $11 thousand); and
- Transfer to the General Revenue Fund of $70 thousand (2006 - $54 thousand).

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

	2007	2006
General Revenue Fund	**$ 18,224**	$ 16,699
Civic Accommodations Fund	**10,680**	10,314
Commitment Reserve	**334**	-
Recreation Programming Reserve	**182**	176
Fleet Management - Special Operating Agency	**5**	3
	$ 29,425	$ 27,192

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

7. Expenses by Object

	2007 Budget	**2007 Actual**	2006 Actual
Services, materials and supplies	**$ 16,260**	**$ 18,163**	$ 16,763
Salaries and employee benefits	**13,368**	**13,278**	12,874
Other grants and transfers	**735**	**651**	629
Recoveries	**(1,703)**	**(2,384)**	(2,784)
	$ 28,660	**$ 29,708**	$ 27,482

8. Related Party Transactions

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


MTS Centre

THE CITY OF WINNIPEG
TRANSIT SYSTEM

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

Passenger revenue increased by over $0.8 million from 2006, a 1.4% increase. Revenue passengers for 2007 numbered over 41.2 million, a 2.5% increase from 2006. This is the fifth consecutive annual increase and is the highest ridership since 1994. It reflects the positive influences of growing university enrolment, a healthy local economy and transit improvements implemented over the past few years.

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

The Province of Manitoba increased its operating funding of the public transit system. Through the Province's Building Manitoba Fund, an operating transfer of $23.8 million was provided to Winnipeg's transit system. This is $0.9 million more than the previous year. Due to the timing of bus deliveries the Province of Manitoba's capital grant commitment was $9.0 million, increasing by $8.9 million from the previous year.

The Government of Canada contributed $24.8 million to the City of Winnipeg during 2007 through the Public Transit Reserve Fund. For purposes of funding capital investments, $2.7 million was transferred from the Public Transit Reserve to the Transit System. However, with this and an anticipated extension of this agreement, there will be a significant investment in the City's transit system at levels not seen before.

With increasing revenue elsewhere, the appropriation from the General Revenue Fund decreased by $0.7 million from the previous year, resulting in a net increase in revenues of $1.1 million. On the other hand, operating expenses increased by over $1.7 million over the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages and an increase in diesel fuel costs.

Handi-transit demand declined slightly. The amount of service offered decreased by 0.7% over 2006, with costs less than the previous year by $0.5 million.

THE CITY OF WINNIPEG
TRANSIT SYSTEM (continued)

Several achievements were realized during the year, including:

- Winnipeg Transit celebrated its' 125th anniversary, having commenced operations as the Winnipeg Street Railway Company on October 21, 1882.

- During the 2007 Capital Budget process, The City of Winnipeg made the decision to change all future bus purchases to include air conditioning. The first order of air conditioned buses is expected to arrive in the summer of 2008.

- Completion of the first phase of the bus stop upgrade program including the installation of 104 new transit shelters (37 of which are heated), new signage and information kiosks, new benches, and sidewalk improvements.

- Began implementation, which neared completion in 2007, of phase one of the On-Street Transit Priority Program. The Program includes upgrades on Pembina Highway, St. Mary's Road, and St. Anne's Road. Improvements include signal timing improvements, road geometry improvements, transit queue jumps, transit signal priority lights, and transit-only lanes.

THE CITY OF WINNIPEG
TRANSIT SYSTEM

FIVE-YEAR REVIEW

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

	2007	2006	2005 (restated)	2004	2003
Financial Position					
Current assets	**$ 11,882**	$ 5,690	$ 6,017	$ 9,373	$ 8,602
Tangible capital assets	**$ 97,920**	$ 90,559	$ 97,526	$ 33,993	$ 24,974
Total assets	**$ 109,802**	$ 96,249	$ 103,543	$ 43,366	$ 33,576
Current liabilities	**$ 14,064**	$ 6,949	$ 11,473	$ 18,452	$ 14,037
Long-term debt	**$ 21,830**	$ 25,327	$ 23,788	$ 19,291	$ 19,539
Operations					
Passenger revenue	**$ 58,132**	$ 57,319	$ 55,358	$ 52,529	$ 49,491
- in relation to total revenue	**48.59%**	48.34%	48.40%	48.94%	48.07%
Appropriation from General Revenue Fund	**$ 33,743**	$ 34,479	$ 35,217	$ 32,854	$ 31,882
- in relation to total revenue	**28.20%**	29.08%	30.79%	30.61%	30.97%
Provincial operating transfers	**$ 23,795**	$ 22,895	$ 19,355	$ 16,854	$ 17,459
Operations expenses	**$ 51,681**	$ 50,206	$ 48,425	$ 45,045	$ 42,769
Plant and equipment expenses	**$ 34,793**	$ 34,106	$ 33,770	$ 29,806	$ 28,004
Total expenses	**$ 110,315**	$ 108,573	$ 106,730	$ 102,845	$ 97,419
Cash Flows					
Operating activities	**$ 11,446**	$ 5,571	$ 13,708	$ 6,363	$ 4,313
Long-term debt issued, net	**$ (2,171)**	$ 3,890	$ (858)	$ 1,333	$ (3,873)
Payments to The Sinking Fund Trustees, net	**$ (650)**	$ (650)	$ (970)	$ (970)	$ (1,316)
Capital expenses	**$ (15,560)**	$ (1,267)	$ (12,833)	$ (17,050)	$ (20,952)
Financial Statistics and Selected Ratios					
Regular cash fare, end of year	**$ 2.00**	$ 2.00	$ 1.85	$ 1.80	$ 1.75
Handi-transit -					
Annual ridership (in thousands)	**586.7**	590.9	572.8	545.6	513.4
Total cost per passenger	**$ 14.56**	$ 15.33	$ 14.80	$ 14.96	$ 15.09
Revenue to cost ratio	**12%**	12%	12%	11%	11%
Regular transit -					
Annual ridership (in millions)	**41.2**	40.2	40.0	38.6	37.8
Bus hours operated (in thousands)	**1,375**	1,369	1,365	1,360	1,335
Direct operating cost per passenger	**$ 2.40**	$ 2.40	$ 2.37	$ 2.30	$ 2.23
Direct operating cost per vehicle hour	**$ 71.86**	$ 70.63	$ 69.34	$ 65.42	$ 63.24
Revenue to cost ratio	**59%**	60%	60%	60%	62%
Municipal operating cost per capita	**$ 46.69**	$ 47.48	$ 45.90	$ 43.48	$ 41.67

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Cash	**$ 291**	$ 313
Accounts receivable (Note 3)	**7,522**	1,771
Inventory (Note 4)	**4,058**	3,595
Prepaid expenses	**11**	11
	11,882	5,690
Tangible capital assets (Note 5)	**97,920**	90,559
	$ 109,802	$ 96,249
LIABILITIES		
Current		
Due to General Revenue Fund (Note 6)	**$ 8,441**	$ 995
Accounts payable and accrued liabilities	**2,726**	3,133
Current portion of long-term debt (Note 7)	**2,897**	2,821
	14,064	6,949
Long-term debt (Note 7)	**21,830**	25,327
	35,894	32,276
ACCUMULATED SURPLUS		
Retained earnings	**715**	1,562
Invested in tangible capital assets	**73,193**	62,411
	73,908	63,973
	$ 109,802	$ 96,249

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES			
System generated (Note 8)	**$ 59,154**	**$ 60,130**	$ 59,388
Appropriation from General Revenue Fund	**33,743**	**33,743**	34,479
Provincial Government transfers (Note 9)	**26,100**	**25,106**	24,192
Interest and other	**700**	**657**	518
Total revenues from operations	**119,697**	**119,636**	118,577
EXPENSES			
Operations (Note 10)	**49,803**	**51,681**	50,206
Plant and equipment (Note 11)	**35,891**	**34,793**	34,106
Handi-transit	**9,437**	**8,215**	8,728
Other departmental (Note 12)	**8,645**	**8,049**	7,849
Finance and administration	**2,916**	**2,671**	2,746
Marketing and customer services	**2,232**	**2,030**	2,025
Information systems	**1,429**	**1,390**	1,305
Planning and schedules	**1,117**	**991**	1,095
Human resources	**524**	**495**	513
Total expenses from operations (Note 13)	**111,994**	**110,315**	108,573
Surplus for the year from operations	**7,703**	**9,321**	10,004
Net surplus (deficit) from capital (Note 14)	**(7,703)**	**614**	(14,313)
NET SURPLUS (DEFICIT) FOR THE YEAR	**-**	**9,935**	(4,309)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	**-**	**63,973**	68,282
ACCUMULATED SURPLUS, END OF YEAR	**$ -**	**$ 73,908**	$ 63,973

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

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

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus (deficit) for the year	**$ 9,935**	$ (4,309)
Non-cash items related to operations		
Amortization	**8,157**	8,220
(Gain) Loss on disposal of tangible capital assets	**(25)**	14
Working capital from operations	**18,067**	3,925
Net change in other working capital	**(6,621)**	1,646
	11,446	5,571
FINANCING		
Non-cash items related to financing		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(600)**	(540)
Long-term debt issued	**-**	4,900
Payments on other long-term debt	**(2,171)**	(1,010)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(650)**	(650)
Due to General Revenue Fund	**7,446**	(6,849)
	4,025	(4,149)
INVESTING		
Acquisition and construction of tangible capital assets	**(15,560)**	(1,267)
Proceeds on disposal of tangible capital assets	**67**	-
	(15,493)	(1,267)
(Decrease) Increase in cash	**(22)**	155
Cash, beginning of year	**313**	158
Cash, end of year	**$ 291**	$ 313

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
TRANSIT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

Basis of accounting

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

Vacation credits, compensated absences, retirement allowance, workers compensation claims, and insurance claims which are accounted for on a cash basis.

a) Inventory

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

b) Tangible capital assets

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

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

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

c) 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.

1. *Significant Accounting Policies (continued)*

d) Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of tangible capital assets, allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

2. *Status of the Transit System*

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

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

3. *Accounts Receivable*

	2007	2006
Province of Manitoba	**$ 6,156**	$ 123
Advertising rights, charter and other	**1,366**	1,648
	$ 7,522	$ 1,771

4. *Inventory*

	2007	2006
Stores	**$ 3,898**	$ 3,438
Tickets, passes and other	**160**	157
	$ 4,058	$ 3,595

5. *Tangible Capital Assets*

	Net Book Value	
	2007	2006
Buses	**$ 77,391**	$ 80,384
Buildings	**2,953**	2,971
Land improvements	**3,158**	1,594
Land	**1,260**	1,144
Other equipment	**1,114**	1,097
Work in progress	**12,044**	3,369
	$ 97,920	$ 90,559

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

During the year, there were no write-downs of assets (2006 - $nil).

6. Due to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank, and the amounts reported as cash represent bank deposits not yet charged to this account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2007**	Amount of Debt 2006
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 3,000**	$ 3,000
1993-2013	Feb. 11	9.375	VN	6090/93	**5,000**	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**6,500**	6,500
1995-2015	May 12	9.125	VR	6620/95	**7,000**	7,000
					21,500	21,500
Funds on deposit with The Sinking Fund Trustees (Note 7b)					**(12,777)**	(11,527)
Net sinking fund debentures outstanding					**8,723**	9,973

Other long-term debt outstanding

Serial debentures issued by the City with varying maturities up to 2013 and a weighted average interest rate of 4.66% (2006 - 4.83%)	**3,964**	5,313
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2025 and a weighted average interest rate of 6.67% (2006 - 6.77%)	**12,040**	12,862
	24,727	28,148
Current portion of long-term debt	**(2,897)**	(2,821)
	$ 21,830	$ 25,327

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

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures	$ -	$ 3,000	$ -	$ -	$ -	$ 18,500
Serial debentures	550	577	605	634	665	933
Equity in Capital Assets Fund debt	872	926	983	1,044	708	7,507
	$ 1,422	$ 4,503	$ 1,588	$ 1,678	$ 1,373	$ 26,940

7. Long-term Debt (continued)

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

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

c) Included in interest and finance charges expense is $869 thousand (2006 - $591 thousand) paid to the Equity in Capital Assets Fund.

d) Cash paid for interest during the year was $3,017 thousand (2006 - $2,796 thousand).

8. System Generated

	2007 Budget	**2007 Actual**	2006 Actual
Passenger	**$ 56,862**	**$ 58,132**	$ 57,319
Advertising rights	**1,163**	**1,058**	1,224
Charter and other	**1,129**	**940**	845
	$ 59,154	**$ 60,130**	$ 59,388

9. Provincial Government Transfers

The Provincial Government provided transfers of $23.8 million (2006 - $22.9 million) towards the operation of the Transit System, $1.3 million (2006 - $1.3 million) as a Local Government Support Transfer and $9.0 million (2006 - $0.1 million) as a Capital Transfer.

10. Operations

	2007 Budget	**2007 Actual**	2006 Actual
Bus operators	**$ 45,841**	**$ 47,575**	$ 46,285
Inspectors	**1,948**	**1,866**	1,989
Operations administration	**1,297**	**1,379**	1,269
Instruction	**717**	**861**	663
	$ 49,803	**$ 51,681**	$ 50,206

11. Plant and Equipment

	2007 Budget	**2007 Actual**	2006 Actual
Vehicle maintenance and overhaul	**$ 15,298**	**$ 14,506**	$ 14,348
Bus servicing	**14,243**	**14,103**	13,529
Building services	**2,917**	**2,899**	2,982
Maintenance administration	**2,620**	**2,473**	2,418
Loop and bus stop	**813**	**812**	829
	$ 35,891	**$ 34,793**	$ 34,106

12. Other Departmental

	2007 Budget	2007 Actual	2006 Actual
Interest and finance charges	**$ 3,058**	**$ 3,018**	$ 2,756
Taxes	**1,883**	**1,883**	1,846
Insurance and claims	**1,539**	**1,362**	1,430
General government charges and other	**1,122**	**1,104**	1,133
Employee benefits	**1,043**	**682**	684
	$ 8,645	**$ 8,049**	$ 7,849

a) Employee benefits

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is estimated at $4.5 million (2006 - $4.7 million).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at $7.9 million (2006 - $8.1 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at $1.4 million (2006 - $1.4 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be $743 thousand (2006 - $698 thousand).

Transit System's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $3.9 million (2006 - $3.9 million) of pension costs were allocated to the department. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is $0.8 million (2006 - $0.8 million) in general government charges to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.

c) Civic accommodation charges

Included in expenses is $212 thousand (2006 - $202 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

d) Property and business taxes

Realty and business taxes represent full taxes paid to The City of Winnipeg. Taxes are assessed on property as if it were privately owned. During 2007, realty and business taxes paid to the General Revenue Fund was $0.5 million (2006 - $0.5 million).

12. Other Departmental (continued)

e) Insurance

Included in expenses is $129 thousand (2006 - $321 thousand) that has been charged by the Insurance Reserve.

13. Expenses by Object

	2007 Budget	2007 Actual	2006 Actual
Salaries and wages	**$ 60,782**	**$ 61,371**	$ 60,060
Materials and supplies	**19,856**	**19,265**	18,474
Services	**13,972**	**12,460**	13,156
Employee benefits	**10,161**	**10,696**	10,524
Interest on long-term debt	**3,045**	**3,017**	2,755
Taxes - municipal and payroll	**1,883**	**1,883**	1,846
Insurance and transfer to Insurance Reserve Fund	**1,534**	**1,558**	1,435
Other	**1,244**	**814**	954
Recoveries	**(483)**	**(749)**	(631)
	$ 111,994	**$ 110,315**	$ 108,573

14. Net Surplus (Deficit) from Capital

	2007 Budget	2007 Actual	2006 Actual
Revenues			
Province of Manitoba capital transfers (Note 9)	**$ -**	**$ 8,958**	$ 100
Transfer from Public Transit Reserve	**-**	**2,682**	670
Transfer from Federal Gas Tax Reserve	**-**	**1,344**	-
Transfer from Transit Bus Replacement Reserve	**-**	**964**	-
Government of Canada capital transfers	**-**	**32**	-
Gain on disposal of tangible capital assets	**-**	**25**	-
	-	**14,005**	770
Expenses			
Amortization	**2,623**	**8,157**	8,220
Transfer to Transit Bus Replacement Reserve	**5,080**	**5,161**	6,530
Other	**-**	**73**	319
Loss on disposal of tangible capital assets	**-**	**-**	14
	7,703	**13,391**	15,083
	$ (7,703)	**$ 614**	$ (14,313)

15. Related Party Transactions

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

THE CITY OF WINNIPEG
TRANSIT SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	Buses	Buildings	Land Improvements
Cost			
Balance, beginning of year	$ 148,137	$ 10,575	$ 4,345
Add: Additions during the year	4,459	-	-
Less: Disposals during the year	(552)	-	-
Costs transferred from work-in progress	-	223	1,778
Balance, end of year	152,044	10,798	6,123
Accumulated amortization			
Balance, beginning of year	(67,753)	(7,604)	(2,751)
Add: Amortization	(7,410)	(241)	(214)
Less: Accumulated amortization on disposal	510	-	-
Balance, end of year	(74,653)	(7,845)	(2,965)
Net Book Value of Tangible Capital Assets	$ 77,391	$ 2,953	$ 3,158

Schedule 1

Land	Other Equipment	Work-in Progress	2007	2006
$ 1,144	$ 5,025	$ 3,369	**$ 172,595**	$ 171,501
-	133	10,968	**15,560**	1,267
-	-	-	**(552)**	(173)
116	176	(2,293)	**-**	-
1,260	5,334	12,044	**187,603**	172,595
-	(3,928)	-	**(82,036)**	(73,975)
-	(292)	-	**(8,157)**	(8,220)
-	-	-	**510**	159
-	(4,220)	-	**(89,683)**	(82,036)
$ 1,260	$ 1,114	$ 12,044	**$ 97,920**	$ 90,559



THE CITY OF WINNIPEG
WATERWORKS SYSTEM

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

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

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

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

On June 25, 2003, City Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility.

On March 23, 2005, City Council approved additional funds of $13.3 million for on-site generation of sodium hypochlorite and standby power generation and on November 23, 2005, City Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of $2.8 million.

The construction of the ultraviolet light disinfection facility at the Deacon Booster Pumping Station started in 2004 and it became operational in 2007. The water treatment plant capital cost estimate is currently $300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is early 2009.

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	2007	2006	2005	2004	2003
Block 1 rate in dollars (per 100 cu. ft.)	**$ 3.15**	$ 2.75	$ 2.75	$ 2.75	$ 2.75
Annual water pumped (million litres)	**79,624**	82,831	80,713	81,045	84,577
Water pumped in litres per capita per day	**334**	347	339	343	366
Average daily water pumped (million litres per day)	**218**	227	221	222	232
Maximum day water pumping rates (million litres per day)	**295**	340	267	285	336
Maximum hour water pumping rates (million litres per day)	**447**	549	391	411	517
Kilometres of aqueduct	**174.5**	174.5	174.5	174.5	174.5
Kilometres of feeder mains	**155.9**	151.5	150.3	156.8	156.8
Kilometres of water mains	**2,464.0**	2,447.0	2,435.5	2,427.0	2,420.6
Number of hydrants	**20,265**	20,085	19,930	20,661	20,348
Number of billed services	**190,318**	188,328	187,619	186,160	184,854

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Cash	**$ 298**	$ 75
Accounts receivable (Note 3)	**16,121**	13,947
Due from General Revenue Fund (Note 4)	**64,938**	98,910
Inventories	**904**	957
	82,261	113,889
Tangible capital assets (Note 5)	**715,307**	622,044
	$ 797,568	$ 735,933
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 20,756**	$ 11,715
Current portion of long-term debt (Note 7)	**2,337**	2,336
	23,093	14,051
Long-term debt (Note 7)	**77,080**	80,567
	100,173	94,618
ACCUMULATED SURPLUS (Note 8)	**697,395**	641,315
	$ 797,568	$ 735,933

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF OPERATIONS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 9)	**$ 82,820**	**$ 83,351**	$ 74,964
Interest	**1,980**	**5,456**	3,391
Government transfers, permits and other	**1,177**	**2,097**	1,178
Total revenues	**85,977**	**90,904**	79,533
EXPENSES (Schedules 2 and 3)			
Water distribution	**29,387**	**24,175**	23,487
Debt and finance	**12,787**	**7,084**	6,001
Taxes, employee benefits and other (Note 10)	**6,273**	**6,681**	6,466
Finance and administration	**3,459**	**3,153**	2,492
Engineering services	**2,822**	**2,595**	2,661
Information systems and technology	**1,106**	**947**	901
Human resources	**700**	**668**	493
Customer services	**526**	**569**	582
Environmental standards	**622**	**523**	518
Total expenses from operations	**57,682**	**46,395**	43,601
Surplus for the year from operations	**28,295**	**44,509**	35,932
Transfers to other funds (Note 11)	**22,707**	**23,114**	22,317
Net surplus from operations after transfers to other funds	**5,588**	**21,395**	13,615
Net surplus from capital (Schedule 4)	**-**	**34,685**	58,255
NET SURPLUS FOR THE YEAR	**$ 5,588**	**56,080**	71,870
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**641,315**	569,445
ACCUMULATED SURPLUS, END OF YEAR		**$ 697,395**	$ 641,315

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

STATEMENT OF CASH FLOWS

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

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 56,080**	$ 71,870
Non-cash items related to operations		
Amortization	**12,187**	11,845
Loss on disposal of tangible capital assets	**795**	86
Working capital from operations	**69,062**	83,801
Change in net working capital other than cash	**6,920**	7,484
	75,982	91,285
FINANCING		
Debt retired	**(6)**	(2,427)
Debt issued	**-**	60,000
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(1,150)**	(1,012)
Due from General Revenue Fund	**33,972**	(73,964)
Payments to The Sinking Fund Trustees for outstanding debt	**(2,330)**	(1,346)
	30,486	(18,749)
INVESTING		
Purchase of tangible capital assets	**(106,245)**	(72,720)
Increase (Decrease) in cash	**223**	(184)
Cash, beginning of year	**75**	259
Cash, end of year	**$ 298**	$ 75

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

Basis of accounting

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

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

a) Tangible capital assets

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

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

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

b) Contributions of tangible capital assets

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

1. Significant Accounting Policies (continued)

c) 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.

d) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid $3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

e) Water Main Renewal Reserve

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund the repair and replacement of streets and sidewalks in residential areas.

f) Aqueduct Rehabilitation Reserve

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project will end in 2008.

g) Water Treatment Reserve

On December 17, 1993, City Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2007 water rates include a provision of 40.63 cents (2006 - 40.63 cents) per 100 cubic feet of water consumption billed for water treatment. In 2007, $10.5 million (2006 - $10.1 million) was transferred to the Water Treatment Reserve.

2. Status of the Waterworks System

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

3. Accounts Receivable

	2007	2006
Water billings and other	**$ 16,412**	$ 14,181
Allowance for doubtful accounts	**(291)**	(234)
	$ 16,121	$ 13,947

4. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. Tangible Capital Assets

	Net Book Value	
	2007	2006
Land	**$ 1,824**	$ 1,821
Buildings	**3,938**	4,041
Machinery and equipment	**1,156**	979
Computer	**5,833**	4,998
Underground networks	**453,700**	449,640
Water pumping stations and reservoirs	**66,623**	59,907
Assets under construction	**182,233**	100,658
	$ 715,307	$ 622,044

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were $26 thousand (2006 - $35 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled $5.3 million in 2007 (2006 - $0.6 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	2007	2006
Trade accounts payable	**$ 16,932**	$ 8,182
Accrued debenture interest	**2,391**	2,391
Other accrued liabilities	**1,170**	893
Deferred revenue and other	**263**	249
	$ 20,756	$ 11,715

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2007**	Amount of Debt 2006
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 1,500**	$ 1,500
1993-2013	Feb. 11	9.375	VN	6090/93	**5,000**	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**13,000**	13,000
1995-2015	May 12	9.125	VR	6620/95	**25,000**	25,000
1996-2036	July 17	5.200	VZ	183/2004 and 72/2006	**60,000**	60,000
					104,500	104,500
Equity in Sinking Funds (Note 7b)					**(25,090)**	(21,610)
Net sinking fund debentures outstanding					**79,410**	82,890

Other long-term debt outstanding

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2006 - 5.75%)	**7**	13
	79,417	82,903
Current portion of long-term debt	**(2,330)**	(2,330)
Current portion of Equity in Capital Assets Fund debt	**(7)**	(6)
Current portion of long-term debt	**(2,337)**	(2,336)
	$ 77,080	$ 80,567

Principal retirement on long-term debt over the next five years is as follows:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures	$ -	$ 1,500	$ -	$ -	$ -	$ 103,000
Equity in Capital Assets Fund	7	-	-	-	-	-
	$ 7	$ 1,500	$ -	$ -	**$** -	$ 103,000

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

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying 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.

7. Long-Term Debt (continued)

c) Cash paid for interest during the year was $7.1 million (2006 - $4.1 million).

d) Interest paid to the Equity in Capital Assets Fund during 2007 was $1 thousand (2006 - $3 thousand).

8. Accumulated Surplus

	2007	2006
Invested in tangible capital assets	**$ 635,995**	$ 537,043
Retained earnings	**61,400**	104,272
	$ 697,395	$ 641,315

9. Revenue

The 2007 Water Treatment Reserve contribution was 40.63 cents per hundred cubic feet (2006 - 40.63 cents).

10. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City. During 2007, realty and business taxes paid to the General Revenue Fund was $3.1 million (2006 - $3.0 million).

Included in expenses is $0.7 million (2006 - $0.7 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is $0.9 million (2006 - $0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is a recovery of $124 thousand (charge 2006 - $205 thousand) by the Insurance Reserve.

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is $2.4 million (2006 - $2.5 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at $308 thousand (2006 - $338 thousand).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at $3.6 million (2006 - $3.6 million).

10. Taxes, Employee Benefits and Other (continued)

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at $0.4 million (2006 - $0.4 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $1.6 million (2006 - $1.5 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has disclosed an actuarial surplus.

11. Transfers to Other Funds

Beginning in 1988, City Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. In addition, the Utility transferred $6.1 million in 2007 (2006 - $5.7 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	2007	2006
Transfer to General Revenue Fund	**$ 12,580**	$ 12,123
Transfer to Water Treatment Reserve	**10,515**	10,089
Transfer to General Capital Fund	**19**	105
	$ 23,114	$ 22,317

12. Related Party Transactions

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

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 1

REVENUES

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

	2007 Budget	2007 Actual	2006 Actual
Sale of goods and services			
Water sales	**$ 79,066**	**$ 79,514**	$ 71,470
Fire hydrant and other rentals	**3,724**	**3,803**	3,350
Sale of scrap material	**30**	**34**	144
	82,820	**83,351**	74,964
Interest			
Interest	**800**	**4,280**	2,344
Sinking Fund earnings	**1,130**	**1,150**	1,012
Interest capitalized	**50**	**26**	35
	1,980	**5,456**	3,391
Government transfers, permits and other			
Other	**141**	**883**	85
Permits and fees	**476**	**625**	537
Provincial support transfer	**560**	**589**	556
	1,177	**2,097**	1,178
Total Revenues	**$ 85,977**	**$ 90,904**	$ 79,533

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Water distribution			
Water main maintenance	**$ 6,208**	**$ 7,193**	$ 6,209
Pumping stations	**3,352**	**3,302**	3,551
Service pipe maintenance	**3,248**	**2,780**	2,515
Mechanical/civil/electrical maintenance allocation	**2,297**	**2,179**	2,501
General administration	**2,124**	**1,689**	2,381
Hydrant maintenance	**2,060**	**1,508**	1,222
Emergency services	**1,783**	**1,494**	1,589
Railway maintenance and operations	**1,570**	**1,418**	1,084
Water meter maintenance	**1,239**	**653**	677
Intake operation	**402**	**469**	318
Water supply administration	**869**	**449**	340
Valve maintenance	**880**	**442**	483
Stores - 552 Plinguet	**283**	**363**	389
Backflow prevention	**215**	**139**	140
Meter shop	**84**	**56**	64
Staff house	**113**	**41**	24
Water treatment plant	**2,660**	**-**	-
	29,387	**24,175**	23,487
Debt and finance			
Long-term debt			
Interest	**8,501**	**7,061**	5,504
Amortization	**3,486**	**-**	-
Finance charges	**800**	**23**	497
	12,787	**7,084**	6,001
Taxes, employee benefits and other			
Property taxes	**3,436**	**3,379**	3,319
Employee benefits	**839**	**1,016**	919
Rent	**793**	**932**	795
General government charges	**612**	**612**	612
Provincial payroll tax	**560**	**562**	588
Insurance and damage claims	**484**	**427**	428
Other services	**(51)**	**167**	196
Recoveries	**(400)**	**(414)**	(391)
	6,273	**6,681**	6,466

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Finance and administration division			
Customer billing	**2,059**	**1,963**	1,887
Administrative services	**800**	**668**	200
Accounting services	**230**	**202**	150
Financial planning	**271**	**197**	154
Process improvement	**99**	**123**	101
	3,459	**3,153**	2,492
Engineering services division			
Design and construction	**729**	**554**	521
Drafting and graphics	**403**	**503**	397
Water planning	**556**	**450**	310
Customer technical services	**362**	**357**	331
Administration	**(141)**	**222**	329
Asset management	**102**	**162**	104
Project management	**581**	**155**	531
Services development	**153**	**142**	133
Resource centre	**77**	**58**	74
Land drainage/flood planning	**-**	**(3)**	(69)
Wastewater planning	**-**	**(5)**	-
	2,822	**2,595**	2,661
Information systems and technology division			
Major systems	**687**	**636**	510
Support services	**419**	**311**	391
	1,106	**947**	901
Human resources division			
Human resources	**287**	**304**	240
Timekeeping and payroll	**187**	**163**	97
Human resources training	**146**	**114**	117
Work place health and safety	**80**	**87**	39
	700	**668**	493
Customer services division			
Customer relations	**430**	**454**	457
Administration	**55**	**53**	60
Communications	**45**	**40**	44
Public consultation	**(4)**	**22**	21
	526	**569**	582

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Environmental standards division			
Analytical services	**485**	**398**	371
Research	**140**	**61**	81
Administration	**31**	**58**	66
Compliance	**(34)**	**6**	-
	622	**523**	518
Total Expenses from Operations	**57,682**	**46,395**	43,601
Transfers to other funds (Note 11)			
Transfer to General Revenue Fund	**12,580**	**12,580**	12,123
Transfer to Water Treatment Reserve	**10,127**	**10,515**	10,089
Transfer to General Capital Fund	**-**	**19**	105
Total transfer to other funds	**22,707**	**23,114**	22,317
Total Expenses	**$ 80,389**	**$ 69,509**	$ 65,918

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2007 Budget	2007 Actual	2006 Actual
Salaries	**$ 27,842**	**$ 24,886**	$ 23,948
Transfers	**22,707**	**23,114**	22,317
Goods and services	**21,398**	**17,517**	17,774
Interest on long-term debt	**8,501**	**7,061**	5,504
Other expenses	**5,572**	**5,313**	5,150
Employee benefits	**4,960**	**4,019**	3,869
Finance charges	**918**	**136**	599
Grants	**95**	**90**	95
Amortization	**3,486**	**-**	-
Recoveries	**(15,090)**	**(12,627)**	(13,338)
Total Expenses	**$ 80,389**	**$ 69,509**	$ 65,918

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2007 Actual	2006 Actual
Revenues		
Transfers		
Water Treatment Reserve	**$ 36,301**	$ 61,457
Water Main Renewal Reserve	**6,470**	7,836
Aqueduct Rehabilitation Reserve	**38**	68
Sewage Disposal System	**23**	266
	42,832	69,627
Developer contributions-in-kind	**5,288**	616
Other capital funding	**-**	25
Total revenue from capital	**48,120**	70,268
Expenses		
Amortization	**12,187**	11,845
Loss on disposal of assets	**795**	86
Other expenses	**453**	82
Total expenses from capital	**13,435**	12,013
Net surplus from capital	**$ 34,685**	$ 58,255

THE CITY OF WINNIPEG
WATERWORKS SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Buildings	Machinery and Equipment	Computer
Cost				
Balance, beginning of year	$ 1,821	$ 5,399	$ 9,100	$ 21,507
Add: Additions during the year	3	-	300	2,082
Less: Disposals during the year	-	-	-	-
Balance, end of year	1,824	5,399	9,400	23,589
Accumulated amortization				
Balance, beginning of year	-	1,358	8,121	16,509
Add: Amortization	-	103	123	1,247
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	-	1,461	8,244	17,756
Net Book Value of Tangible Capital Assets	$ 1,824	$ 3,938	$ 1,156	$ 5,833

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	**2007**	2006
$ 634,008	$ 102,878	$ 100,658	**$ 875,371**	$ 802,966
13,666	8,619	81,575	**106,245**	72,720
(3,286)	-	-	**(3,286)**	(315)
644,388	111,497	182,233	**978,330**	875,371
184,368	42,971	-	**253,327**	241,711
8,811	1,903	-	**12,187**	11,845
(2,491)	-	-	**(2,491)**	(229)
190,688	44,874	-	**263,023**	253,327
$ 453,700	$ 66,623	$ 182,233	**$ 715,307**	$ 622,044



THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

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

The objective of the Sewage Disposal System is to protect public health, the environment, and the aesthetic quality of the rivers through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

An Environmental Projects Reserve was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would improve river quality. The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing environmental programs and studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and combined sewer overflow mitigation infrastructure.

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

Manitoba Conservation subsequently issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers (NEWPCC, WEWPCC, and SEWPCC). The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan.

The 25 year wastewater improvement program, which includes effluent ultraviolet (UV) disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations is estimated to cost $1.2 billion.

Wastewater treatment upgrades to the NEWPCC and WEWPCC are currently underway. The NEWPCC effluent disinfection was commissioned in July 2006. The NEWPCC phosphorus removal was commissioned in May 2007. The NEWPCC centrate treatment and the WEWPCC effluent disinfection and biological nutrient removal will be complete in 2008.

The upgrades include year-round UV disinfection of the final effluent, and biological nutrient removal upgrades to achieve an interim reduction of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on biological nutrient removal at the SEWPCC was initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC biological nutrient removal will commence after a NEWPCC Master Plan study has been completed with a target in-service date of 2014.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	2007	2006	2005	2004	2003
Rate in dollars (per 100 cu. ft.)	**$ 4.46**	$ 3.87	$ 3.39	$ 3.11	$ 2.73
Annual sewage received (million litres)*	**107,310**	102,609	123,584	127,534	96,199
Daily sewage received (million litres)*	**294.0**	281.1	339.6	349.4	263.6
Kilometres of interceptor sewers	**114.4**	109.1	109.7	109.7	109.8
Kilometres of combined sewers**	**1,045.4**	1,283.2	1,338.2	1,334.1	1,327.8
Kilometres of wastewater sewers	**1,313.5**	1,456.6	1,427.1	1,422.3	1,408.5
Kilometres of storm sewers***	**1,775.0**	1,668.8	2,260.7	2,241.9	2,217.8
Number of lift stations	**76**	76	76	76	76
Number of billed sewer services	**190,318**	188,887	187,398	185,939	184,637

Note:

* Sewage received is dependent on both levels of precipitation and water conservation efforts.

** Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.

*** Estimates of storm sewers only include actual pipe in the ground, whereas, prior to 2006 estimates include surface ditch drainage.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Cash	**$ 1**	$ 1
Inventory	**250**	248
Accounts receivable (Note 3)	**34,641**	23,583
Due from General Revenue Fund (Note 4)	**34,322**	29,442
	69,214	53,274
Tangible capital assets (Note 5)	**725,530**	685,693
	$ 794,744	$ 738,967
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 13,832**	$ 8,968
Performance and other deposits	**264**	213
Current portion of long-term debt (Note 7)	**4,034**	3,927
	18,130	13,108
Long-term debt (Note 7)	**41,090**	47,660
	59,220	60,768
ACCUMULATED SURPLUS (Note 8)	**735,524**	678,199
	$ 794,744	$ 738,967

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF OPERATIONS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES (Schedule 1)			
Sewer services (Note 9)	**$ 107,083**	**$ 106,948**	$ 98,152
Government transfers, permits and other	**2,534**	**4,393**	2,590
Interest	**2,856**	**4,052**	3,641
Total revenues	**112,473**	**115,393**	104,383
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	**28,263**	**24,681**	22,176
Taxes, employee benefits and other (Note 10)	**12,049**	**11,916**	11,639
Debt and finance	**14,903**	**8,359**	8,413
Engineering services	**3,798**	**3,806**	3,197
Finance and administration	**3,557**	**2,978**	2,564
Environmental standards	**2,259**	**1,557**	1,485
Information systems and technology	**1,159**	**883**	896
Customer services	**694**	**677**	679
Human resources	**699**	**575**	489
Total expenses from operations	**67,381**	**55,432**	51,538
Surplus for the year from operations	**45,092**	**59,961**	52,845
Transfers to other funds (Note 11)	**26,411**	**28,143**	24,429
Net surplus for the year from operations after transfer to other funds	**18,681**	**31,818**	28,416
Net surplus from capital (Schedule 4)	**-**	**25,507**	5,816
Net surplus for the year	**$ 18,681**	**57,325**	34,232
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**678,199**	643,967
ACCUMULATED SURPLUS, END OF YEAR		**$ 735,524**	$ 678,199

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

STATEMENT OF CASH FLOWS

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

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 57,325**	$ 34,232
Non-cash items related to operations		
Amortization	**15,142**	14,995
Net assets transferred to General Capital Fund	**7,663**	-
Loss on disposal of tangible capital assets	**534**	630
Working capital from operations	**80,664**	49,857
Change in net working capital other than cash	**(6,145)**	(4,054)
	74,519	45,803
FINANCING		
Debt retired	**(1,241)**	(1,577)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(2,536)**	(2,292)
Due from General Revenue Fund	**(4,880)**	(6,106)
Payments to The Sinking Fund Trustees for outstanding long-term debt	**(2,601)**	(2,600)
Decrease in other debt	**(85)**	(62)
	(11,343)	(12,637)
INVESTING		
Purchase of tangible capital assets	**(63,176)**	(33,166)
Cash, beginning of year	**1**	1
Cash, end of year	**$ 1**	$ 1

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

Basis of accounting

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

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

a) Tangible capital assets

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

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

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

b) Contributions of tangible capital assets

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

1. Significant Accounting Policies (continued)

c) 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.

d) Sewer System Rehabilitation Reserve Fund

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by City Council between the Reserves in accordance with the needs at that time.

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

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

The Director of the Water and Waste Department is the Fund Manager.

e) Environmental Projects Reserve Fund

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

The 2007 sewer rate includes a provision of 31.3 cents (2006 - 31.3 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2007, $8.0 million (2006 - $8.5 million) was transferred to the Environmental Projects Reserve Fund.

2. Status of the Sewage Disposal System

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. Accounts Receivable

	2007	2006
Sewer billings and other	**$ 34,701**	$ 23,650
Allowance for doubtful accounts	**(60)**	(67)
	$ 34,641	$ 23,583

4. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. Tangible Capital Assets

	Net Book Value	
	2007	2006
Land	**$ 1,451**	$ 1,451
Buildings	**344**	354
Equipment	**238**	-
Underground networks	**482,275**	483,998
Sewage treatment plants and lift stations	**171,534**	156,700
Assets under construction	**69,688**	43,190
	$ 725,530	$ 685,693

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were $179 thousand (2006 - $218 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled $7.6 million in 2007 (2006 - $0.4 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	2007	2006
Trade accounts payable	**$ 10,459**	$ 5,746
Accrued debenture interest	**2,948**	2,968
Other accrued liabilities	**425**	254
	$ 13,832	$ 8,968

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2007**	Amount of Debt 2006
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 11,000**	$ 11,000
1993-2013	Feb. 11	9.375	VN	6090/93	**40,000**	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	**35,000**	35,000
					86,000	86,000
Equity in Sinking Fund (Note 7b)					**(53,773)**	(48,636)
Net sinking fund debentures outstanding					**32,227**	37,364

Other long-term debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.98% (2006 - 4.61%)	**9,300**	10,541
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2006 - 8.25%)	**71**	77
Pointe West Properties debt, maturity in 2012, interest rate of 6.65%	**3,526**	3,605
	45,124	51,587
Current portion of long-term debt	**(3,903)**	(3,842)
Current portion of Equity in Capital Assets Fund debt	**(6)**	(6)
Current portion of Pointe West Properties debt	**(125)**	(79)
Current portion of long-term debt	**(4,034)**	(3,927)
	$ 41,090	$ 47,660

Principal retirement on long-term debt over the next five years is as follows:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures	$ -	$ 11,000	$ -	$ -	$ -	$ 75,000
Serial and installment	1,302	1,367	1,435	1,506	1,580	2,110
Equity in Capital Assets Fund	6	7	7	8	9	34
Pointe West debt	125	134	143	100	3,024	-
	$ 1,433	$ 12,508	$ 1,585	$ 1,614	$ 4,613	$ 77,144

7. Long-term Debt (continued)

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

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

c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of $3.8 million plus interest, compounded semi-annually at a rate per annum of 6.65% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of $3 million.

d) Cash paid for interest during the year was $8.4 million (2006 - $8.4 million).

e) Interest paid to the Equity in Capital Assets Fund during 2007 was $5 thousand (2006 - $6 thousand).

8. Accumulated Surplus

	2007	2006
Invested in tangible capital assets	**$ 680,290**	$ 634,343
Retained earnings	**55,234**	43,856
	$ 735,524	$ 678,199

9. Revenue

The 2007 sewer rate increased to 4.46 cents per hundred cubic feet (2006 - 3.87 cents). The Environmental Projects Reserve contribution for 2007 was 31.3 cents per hundred cubic feet (2006 - 31.3 cents).

10. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. Taxes are assessed on property as if it were privately owned. During 2007, realty and business taxes paid to the General Revenue Fund was $9.2 million (2006 - $9.7 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2007, this amounted to $0.5 million (2006 - $0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is $0.9 million (2006 - $0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is $1.0 million (to 2006 - $21 thousand) that has been received from the Insurance Reserve Fund.

10. Taxes, Employee Benefits and Other (continued)

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is $1.2 million (2006 - $1.2 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at $402 thousand (2006 - $498 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at $0.2 million (2006 - $0.2 million).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at $1.4 million (2006 - $1.3 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year $817 thousand (2006 - $752 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has disclosed an actuarial surplus.

11. Transfers to Other Funds

Beginning in 1988, City Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2007, the Utility contributed $11.9 million (2006 - $8.5 million) to the General Revenue Fund to support the land drainage program.

	2007	2006
Transfer to General Revenue Fund	**$ 18,422**	$ 14,970
Transfer to Environmental Projects Reserve	**8,006**	8,501
Transfer to General Capital Fund	**1,715**	958
	$ 28,143	$ 24,429

12. Related Party Transactions

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

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 1

REVENUES

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

	2007 Budget	2007 Actual	2006 Actual
Sewer services	**$ 107,083**	**$ 106,948**	$ 98,152
Government transfers, permits and other			
Industrial waste surcharges	**1,850**	**2,236**	1,360
Other	**370**	**1,833**	922
Provincial support transfer	**204**	**194**	180
Permits and fees	**110**	**130**	128
	2,534	**4,393**	2,590
Interest			
Sinking Fund earnings	**2,556**	**2,536**	2,292
Interest	**200**	**1,337**	1,131
Capitalized	**100**	**179**	218
	2,856	**4,052**	3,641
Total Revenues	**$ 112,473**	**$ 115,393**	$ 104,383

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Collection, interception and treatment			
North end water pollution control centre	**$ 9,654**	**$ 8,975**	$ 7,723
Local sewer	**4,958**	**4,085**	4,243
South end water pollution control centre	**2,717**	**2,452**	2,486
Interception system	**1,781**	**1,744**	1,586
West end water pollution control centre	**1,833**	**1,649**	1,312
Mechanical maintenance	**1,614**	**1,484**	1,184
Sludge disposal	**1,926**	**1,445**	1,488
Electrical maintenance/instrumentation	**1,146**	**1,140**	821
Administration	**1,950**	**1,048**	863
Civil maintenance	**684**	**659**	470
	28,263	**24,681**	22,176
Taxes, employee benefits and other			
Property taxes	**9,425**	**9,203**	9,733
Miscellaneous	**1,050**	**1,472**	967
Rent	**793**	**932**	795
Employee benefits	**484**	**792**	762
General government charges	**467**	**467**	467
Insurance and claims	**326**	**307**	303
Provincial payroll tax	**204**	**206**	194
Recoveries	**(700)**	**(1,463)**	(1,582)
	12,049	**11,916**	11,639
Debt and finance			
Long-term debt interest	**8,335**	**8,354**	8,408
Finance charges	**100**	**5**	5
Amortization - debt principal	**6,468**	**-**	-
	14,903	**8,359**	8,413
Engineering services			
Sewer connections	**650**	**922**	403
Wastewater planning	**403**	**610**	253
Design and construction	**729**	**558**	546
Drafting and graphic	**463**	**505**	397
Customer technical services	**362**	**359**	331
Administrative services	**228**	**351**	328
Project management	**581**	**159**	578
Engineering services development	**153**	**143**	133
Resource centre	**77**	**92**	74
Asset management	**102**	**57**	104
Land drainage and flood planning	**50**	**50**	50
	3,798	**3,806**	3,197

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Finance and administration			
Customer accounts	**2,132**	**1,957**	1,967
Administrative services	**800**	**574**	194
Financial services	**225**	**173**	151
Financial planning	**265**	**169**	152
Process improvement	**135**	**105**	100
	3,557	**2,978**	2,564
Environmental standards			
Analysis	**1,176**	**891**	806
Industrial waste	**553**	**399**	361
Research	**309**	**135**	175
Administration	**187**	**132**	143
Compliance	**34**	**-**	-
	2,259	**1,557**	1,485
Information systems and technology			
Major systems	**677**	**539**	398
Support services	**482**	**344**	498
	1,159	**883**	896
Customer services			
Customer relations	**523**	**538**	535
Administration	**76**	**66**	69
Communications	**58**	**47**	51
Public consultation	**37**	**26**	24
	694	**677**	679
Human resources			
Human resources	**296**	**264**	235
Timekeeping and payroll	**183**	**140**	99
Human resources training	**142**	**97**	117
Work place health and safety	**78**	**74**	38
	699	**575**	489
Total Expenses from Operations	**67,381**	**55,432**	51,538

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Transfers to other funds			
Transfer to General Revenue Fund	**18,689**	**18,422**	14,970
Transfer to Environmental Projects Reserve	**7,722**	**8,006**	8,501
Transfer to General Capital Fund	**-**	**1,715**	958
	26,411	**28,143**	24,429
Total Expenses	**$ 93,792**	**$ 83,575**	$ 75,967

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	2007 Budget	2007 Actual	2006 Actual
Transfers to other funds	**$ 26,411**	**$ 28,143**	$ 24,429
Goods and services	**28,933**	**25,461**	27,170
Salaries	**14,273**	**12,586**	11,177
Other expenses	**17,789**	**11,582**	11,297
Interest on long-term debt	**8,335**	**8,354**	8,408
Employee benefits	**2,476**	**2,315**	2,124
Finance charges	**100**	**5**	5
Recoveries	**(4,525)**	**(4,871)**	(8,643)
Total Expenses	**$ 93,792**	**$ 83,575**	$ 75,967

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

Schedule 4

NET SURPLUS FROM CAPITAL

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

	2007 Actual	2006 Actual
Revenues		
Transfer from Environmental Projects Reserve	**$ 19,294**	$ 15,839
Provincial and Federal capital transfers	**17,013**	3,714
Transfer from Sewer System Rehabilitation Reserve	**4,829**	316
Transfer from Federal Gas Tax Revenue Reserve	**1,726**	1,883
Transfer from Wastewater Renewal Reserve	**-**	72
	42,862	21,824
Developer contributions-in-kind	**7,579**	373
	50,441	22,197
Expenses		
Amortization	**15,142**	14,995
Transfer to General Capital Fund	**7,663**	-
Capital maintenance	**1,572**	490
Loss on disposal of tangible capital assets	**534**	630
Transfer to Waterworks System	**23**	266
	24,934	16,381
Net surplus from capital	**$ 25,507**	$ 5,816

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Buildings	Equipment	Underground Networks
Cost				
Balance, beginning of year	$ 1,451	$ 885	$ -	$ 763,605
Add: Additions during the year	-	-	251	16,283
Less: Disposals during the year	-	-	-	(2,948)
Less: Transfer to General Capital Fund	-	-	-	(13,849)
Balance, end of year	1,451	885	251	763,091
Accumulated amortization				
Balance, beginning of year	-	531	-	279,607
Add: Amortization	-	10	13	9,809
Less: Accumulated amortization on disposals	-	-	-	(2,414)
Less: Transfer to General Capital Fund	-	-	-	(6,186)
Balance, end of year	-	541	13	280,816
Net Book Value of Tangible Capital Assets	$ 1,451	$ 344	$ 238	$ 482,275

Schedule 5

Infrastructure		**Totals**	
Sewage Treatment Plants and Lift Stations	Assets Under Construction	**2007**	2006
$ 270,207	$ 43,190	**$ 1,079,338**	$ 1,047,467
20,144	26,498	**63,176**	33,166
-	-	**(2,948)**	(1,295)
-	-	**(13,849)**	-
290,351	69,688	**1,125,717**	1,079,338
113,507	-	**393,645**	379,315
5,310	-	**15,142**	14,995
-	-	**(2,414)**	(665)
-	-	**(6,186)**	-
118,817	-	**400,187**	393,645
$ 171,534	$ 69,688	**$ 725,530**	$ 685,693

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

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

The Solid Waste Disposal Fund was established in 1992 to create a self-supporting utility.

The objective of the Solid Waste Disposal Fund ("Fund") is to provide facilities for the receiving and disposal of solid waste generated in the City to protect the public health and the environment. The Water and Waste Department is responsible for the planning and monitoring of the City's closed landfill facilities, the operation of the Brady Road landfill site and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the General Revenue Fund to support the garbage collection program.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the Capital Region. Commercial tonnage coming to the Brady Road landfill has increased slightly from 2006. The amount of commercial tipping at Brady Road is estimated to be about 25% to 30% of market share. The internal tipping fee and other municipalities' tipping fee remained at $22.50 per tonne. In 2007, waste was accepted from the City of Kenora, Whiteshell Provincial Park and the R.M. of MacDonald.

Waste minimization programs include multi-material residential recycling for 182,000 single-family and 96,000 multi-family residences, depot recycling, "Let's Chip-In" (Christmas tree recycling), Leaf It With Us (leaf collection and composting), Office Paper Recycling, Back Yard Composting and public information/education programs. Recycling volumes in 2007 were 43,703 tonnes, an increase of 3.6% from 2006.

The revenues from the recycling programs are made up of support payments from the Manitoba Product Stewardship Corporation ($110 per tonne until March 2007, $118 thereafter) and from the sale of the recyclables. In 2007, the City realized $8.9 million in revenue (2006 - $7.2 million).

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

FIVE-YEAR REVIEW

As at December 31

	2007	2006	2005	2004	2003
Solid Waste (tonnes)					
Single family residential	**182,894**	185,974	210,378	200,295	190,122
Multi-family and small commercial	**46,467**	46,176	45,308	42,869	38,442
Large commercial / industrial	**103,459**	104,521	97,335	112,000	101,930
Other (1)	**100,066**	54,757	76,910	68,132	58,931
Charitable organization	**1,618**	1,089	1,068	1,040	-
Total landfill tonnage	**434,504**	392,517	430,999	424,336	389,425
Clean fill, concrete, automotive shredder residue and sawdust	**169,055**	158,945	157,385	135,379	86,489
Residential small loads Number of loads	**100,123**	93,469	92,244	93,128	80,091
Recyclables (tonnes)					
Blue box	**35,072**	33,520	33,355	32,503	28,529
Depots/apartments	**8,631**	8,665	8,813	8,374	7,194
Total	**43,703**	42,185	42,168	40,877	35,723

1) Includes tonnage for small load based on an estimated weight entering the landfill. In 2007, the estimate was increased from 400kg per load to 750kg per load, an increase of 88 per cent.

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

STATEMENT OF FINANCIAL POSITION

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

	2007	2006
ASSETS		
Current		
Cash	**$ 121**	$ 122
Due from General Revenue Fund (Note 3)	**7,646**	6,408
Accounts receivable (Note 4)	**792**	1,069
	8,559	7,599
Tangible capital assets (Note 5)	**2,528**	1,881
	$ 11,087	$ 9,480
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	**$ 651**	$ 164
Current portion of long-term debt (Note 7)	**89**	89
	740	253
Long-term debt (Note 7)	**699**	887
	1,439	1,140
ACCUMULATED SURPLUS (Note 8)	**9,648**	8,340
	$ 11,087	$ 9,480

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

STATEMENT OF OPERATIONS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES (Schedule 1)			
Sales of services and regulatory fees	**$ 18,152**	**$ 17,375**	$ 15,788
Interest	**209**	**453**	385
Government transfers	**122**	**68**	124
Total revenues	**18,483**	**17,896**	16,297
EXPENSES (Schedules 2 and 3)			
Solid waste disposal	**15,968**	**15,065**	14,109
Taxes, employee benefits and other (Note 9)	**328**	**320**	301
Debt and finance	**473**	**285**	291
Total expenses from operations	**16,769**	**15,670**	14,701
Surplus for the year from operations	**1,714**	**2,226**	1,596
Transfers to other funds (Note 10)	**1,828**	**581**	1,051
Surplus (Deficit) from operations after transfers to other funds	**(114)**	**1,645**	545
Net deficit from capital (Schedule 4)	**-**	**(337)**	(289)
Net surplus (deficit) for the year	**$ (114)**	**1,308**	256
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**8,340**	8,084
ACCUMULATED SURPLUS, END OF YEAR		**$ 9,648**	$ 8,340

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

STATEMENT OF CASH FLOWS

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

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	**$ 1,308**	$ 256
Non-cash items related to operations		
Amortization	**204**	297
Working capital from operations	**1,512**	553
Change in net working capital other than cash	**764**	(224)
	2,276	329
FINANCING		
Debt retired	**-**	(103)
Due from General Revenue Fund	**(1,238)**	148
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	**(99)**	(90)
Payments to The Sinking Fund Trustees for outstanding debt	**(89)**	(89)
	(1,426)	(134)
INVESTING		
Purchase of tangible capital assets	**(851)**	(128)
(Decrease) Increase in cash	**(1)**	67
Cash position, beginning of year	**122**	55
Cash position, end of year	**$ 121**	$ 122

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

Basis of accounting

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

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

a) Tangible capital assets

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

Land improvements	10 to 100 years
Machinery and equipment	10 to 20 years

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

b) Brady Landfill Site Rehabilitation Reserve Fund

City Council on December 17th, 1993, in accordance with Sections 338 (1) and (2) of the former City of Winnipeg Act, established the Reserve to provide funding, over time, for the future rehabilitation of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The transfer is based on 50 cents per tonne of the tipping fee charged at the Brady Road Landfill Site. The Director of Water and Waste is the Fund Manager.

1. *Significant Accounting Policies (continued)*

c) 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.

2. *Status of the Solid Waste Disposal Fund*

On March 23, 1992, City Council adopted a motion establishing the Solid Waste Disposal Fund ("Utility") as a separate fund within The City of Winnipeg's ("City") financial records. Upon establishment of this Utility, the capital assets, work in progress and related debt were transferred to this Utility from the General Capital Fund. The Utility is self-supporting and is primarily funded by landfill tipping fees. The purpose of the Fund is to improve the cost accountability of the solid waste management system and to establish a financial structure to accommodate long-term planning and financing of solid waste management programs.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. *Accounts Receivable*

	2007	2006
Refuse disposal and recycling	**$ 812**	$ 1,109
Allowance for doubtful accounts	**(20)**	(40)
	$ 792	$ 1,069

5. *Tangible Capital Assets*

	Net Book Value	
	2007	2006
Land	**$ 541**	$ 541
Land improvements	**308**	405
Machinery and equipment	**623**	730
	1,472	1,676
Assets under construction	**1,056**	205
	$ 2,528	$ 1,881

5. Tangible Capital Assets (continued)

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During the year, there were no write-downs of tangible capital assets (2006 - $nil). Administration fees and interim financing charges capitalized during 2007 were $16.8 thousand (2006 - $2.0 thousand).

6. Accounts Payable and Accrued Liabilities

	2007	2006
Trade accounts payable	**$ 555**	$ 91
Other accrued liabilities	**75**	52
Accrued debenture interest payable	**21**	21
	$ 651	$ 164

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt **2007**	Amount of Debt 2006
1989-2009	Dec. 14	10.000	VH	5286/89	**$ 1,935**	$ 1,935
1995-2015	May 12	9.125	VR	6620/95	**1,000**	1,000
					2,935	2,935
Equity in Sinking Fund (Note 7b)					**(2,147)**	(1,959)
Net sinking fund debentures outstanding					**788**	976
Current portion of long-term debt					**(89)**	(89)
					$ 699	$ 887

Principal retirement on long-term debt over the next five years is as follows:

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures	$ -	$ 1,935	$ -	$ -	$ -	$ 1,000

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

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

c) Cash paid for interest during the year was $0.3 million (2006 - $0.3 million).

d) During 2007, interest was not paid to the Equity in Capital Assets Fund as this debt matured during 2006 (2006 - $1 thousand).

8. Accumulated Surplus

	2007	2006
Invested in tangible capital assets	**$ 1,783**	$ 998
Retained earnings	**7,865**	7,342
	$ 9,648	$ 8,340

9. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2007, the amount incurred was $44 thousand (2006 - $37 thousand).

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2007 this amounted to $79 thousand (2006 - $79 thousand) and was transferred to the General Revenue Fund.

The Solid Waste Disposal Fund was charged $19 thousand (2006 - $20 thousand) by the Insurance Reserve Fund.

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is $0.17 million (2006 - $0.19 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December 31, 2007 is estimated at $113 thousand (2006 - $114 thousand).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at $0.1 million (2006 - $0.1 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at $36 thousand (2006 - $31 thousand).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates is pension costs to various departments. During 2007, $118 thousand (2006 - $121 thousand) of pension costs were allocated to Solid Waste. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has an actuarial surplus.

10. Transfers to Other Funds

	2007	2006
Transfer to General Revenue Fund	**$ 407**	$ 876
Transfer to Brady Landfill Site Rehabilitation Reserve	**174**	175
	$ 581	$ 1,051

Included in various expense categories is an amount of $167 thousand (2006 - $66 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

11. Related Party Transactions

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

12. Comparative Figures

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

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 1

REVENUES

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

	2007 Budget	2007 Actual	2006 Actual
Sales of services and regulatory fees			
Recycling	**$ 9,012**	**$ 8,862**	$ 7,236
Landfill tipping fees	**8,665**	**8,120**	8,178
Small load fees	**475**	**393**	374
	18,152	**17,375**	15,788
Interest			
Interest	**100**	**328**	285
Sinking Fund earnings	**99**	**99**	90
Interest capitalized	**5**	**17**	2
Late payment charges	**5**	**9**	8
	209	**453**	385
Government transfers			
Provincial support	**122**	**68**	124
Total Revenues	**$ 18,483**	**$ 17,896**	$ 16,297

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Solid waste disposal			
Recycling	**$ 9,830**	**$ 9,326**	$ 9,290
South west operations	**4,580**	**4,456**	3,615
Landfill and environmental	**729**	**647**	596
Waste minimization	**406**	**321**	256
Take Pride Winnipeg	**214**	**200**	212
Administration	**209**	**115**	140
	15,968	**15,065**	14,109
Taxes, employee benefits and other			
Employee benefits	**149**	**217**	188
General government charges	**79**	**79**	79
Provincial payroll tax	**122**	**49**	68
Property taxes	**39**	**44**	37
Insurance and damage claims	**34**	**34**	33
Miscellaneous	**-**	**2**	-
Claims - general liability	**10**	**-**	-
Departmental recoveries	**(105)**	**(105)**	(104)
	328	**320**	301
Debt and finance			
Interest on long-term debt	**473**	**285**	291
Total Expenses from Operations	**16,769**	**15,670**	14,701
Transfers to other funds			
Transfer to General Revenue Fund	**1,636**	**407**	876
Transfer to Brady Landfill Site Rehabilitation Reserve	**192**	**174**	175
	1,828	**581**	1,051
Total Expenses	**$ 18,597**	**$ 16,251**	$ 15,752

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 3

EXPENSES BY OBJECT

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

	2007 Budget	2007 Actual	2006 Actual
Goods and services	**$ 13,416**	**$ 12,763**	$ 11,829
Salaries	**2,097**	**1,888**	1,954
Transfers	**1,828**	**581**	1,051
Other expenses	**476**	**483**	403
Employee benefits	**509**	**455**	422
Interest on long-term debt	**473**	**285**	291
Finance charges	**3**	**18**	13
Recoveries	**(205)**	**(222)**	(211)
Total Expenses	**$ 18,597**	**$ 16,251**	$ 15,752

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

Schedule 4

DEFICIT FROM CAPITAL

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

	2007 Budget	2007 Actual	2006 Actual
Revenues			
Other capital funding	**$ -**	**$ -**	$ 130
Expenses			
Amortization	**-**	**204**	297
Capital maintenance	**-**	**133**	122
Total expenses from capital	**-**	**337**	419
Net deficit from capital	**$ -**	**$ (337)**	$ (289)

THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	**Land Improvements**	**Buildings**	**Machinery and Equipment**
Cost				
Balance, beginning of year	$ 541	$ 3,371	$ 273	$ 1,320
Add: Additions during the year	-	-	-	-
Balance, end of year	541	3,371	273	1,320
Accumulated amortization				
Balance, beginning of year	-	2,966	273	590
Add: Amortization	-	97	-	107
Balance, end of year	-	3,063	273	697
Net Book Value of Tangible Capital Assets	$ 541	$ 308	$ -	$ 623

Schedule 5

Assets Under Construction	Totals 2007	Totals 2006
$ 205	**$ 5,710**	$ 5,582
851	**851**	128
1,056	**6,561**	5,710
-	**3,829**	3,532
-	**204**	297
-	**4,033**	3,829
$ 1,056	**$ 2,528**	$ 1,881





THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2007	2006
ASSETS		
Current		
Cash	**$ 7,334**	$ 2,082
Accounts receivable (Note 5)	**32,136**	45,074
Inventory	**9,363**	7,115
Prepaid expenses	**25,835**	28,178
	74,668	82,449
Equipment		
Computer	**78,946**	76,126
Furniture and other	**111,353**	107,786
	190,299	183,912
Less: accumulated depreciation	**(155,394)**	(147,045)
	34,905	36,867
	$ 109,573	$ 119,316
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 106,040**	$ 52,147
Vacation and overtime payable	**52,790**	45,785
Deferred revenue	**525,681**	514,700
Due to The City of Winnipeg - General Revenue Fund (Note 6)	**361,218**	275,188
	1,045,729	887,820
Long-term		
Retirement allowance (Note 7a)	**129,000**	129,000
	1,174,729	1,016,820
Commitments (Note 8)		
CAPITAL DEFICIENCY		
Deficit	**(1,065,156)**	(897,504)
	$ 109,573	$ 119,316

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF LOSS AND DEFICIT

For the years ended December 31

	2007	2006
REVENUES	**$ 975,855**	$ 983,609
EXPENSES		
Salaries and benefits	**1,253,781**	1,197,199
Services (Note 9)	**542,082**	596,472
Rent (Note 9)	**169,338**	169,952
Material, parts and supplies	**31,337**	31,226
Other		
Administrative expenses (Note 9)	**177,592**	165,036
Depreciation	**8,349**	1,275
Interest	**1,647**	914
	2,184,126	2,162,074
Loss from operations	**(1,208,271)**	(1,178,465)
Other		
Grant from the Province of Manitoba	**21,769**	21,779
Grant from The City of Winnipeg (Note 10)	**1,018,850**	1,020,101
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**(167,652)**	(136,585)
DEFICIT, BEGINNING OF YEAR	**(897,504)**	(760,919)
DEFICIT, END OF THE YEAR	**$ (1,065,156)**	$ (897,504)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31

	2007	2006
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	**$ (167,652)**	$ (136,585)
Non-cash items related to operations		
Depreciation	**8,349**	1,275
Increase in retirement allowance	**12,000**	12,000
Working capital from operations	**(147,303)**	(123,310)
Net change in working capital other than cash assets	**72,912**	76,137
	(74,391)	(47,173)
FINANCING		
Increase in Due to The City of Winnipeg - General Revenue Fund	**86,030**	77,732
INVESTING		
Purchase of equipment	**(6,387)**	(35,370)
Increase (decrease) in cash	**5,252**	(4,811)
CASH, BEGINNING OF YEAR	**2,082**	6,893
CASH, END OF YEAR	**$ 7,334**	$ 2,082

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. Description of Business

Animal Services - Special Operating Agency (the "Agency") commenced operations on January 1, 2000. Goals since the establishment of the Agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

2. Significant Accounting Policies

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). The financial statements are based on the following significant accounting policies:

Revenue recognition

License revenues are recognized over the license validation period.

Inventory

Inventory is stated at the lower of cost and net realizable value.

Equipment

Equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the asset using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%

Deferred revenue

Included in deferred revenue is $32,130 (2006 - $40,163) received from the City of Winnipeg for the purchase of communication equipment. This amount is recognized as income at the same rate that the related assets are being depreciated.

Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity’s objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. Changes in Accounting Policies

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 - Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's cash is classified as held-for-trading and the accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, vacation and overtime payable, and due to The City of Winnipeg - General Revenue Fund have been classified as other liabilities. Financial assets classified as held-for-trading are reported at fair value with changes in fair value recognized in the Statement of Loss and Deficit and transaction costs related to this classification of financial instruments are expensed as incurred. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-to-maturity or as available-for-sale. The book value of the Agency's financial assets and liabilities approximates their fair value, therefore there was no impact on the Agency's financial position or on the results of its operations related to the adoption of these standards.

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the capital deficiency of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in capital deficiency during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive loss, but are excluded from net loss. The adoption of this standard had no impact on the Agency's capital deficiency as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. Financial Instruments

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. Accounts Receivable

	2007	2006
Trade accounts receivable	**$ 45,482**	$ 41,505
Allowance for doubtful accounts	**(36,021)**	(19,105)
	9,461	22,400
Provincial grant	**22,675**	22,674
	$ 32,136	$ 45,074

6. Due to The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, Animal Services does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%). City Council approved, in the Agency's 2007 budget, an operating line of credit up to $520,000 from The City of Winnipeg.

During the year, the Agency paid $1,647 (2006 - $914) in interest costs.

7. Employee Benefits

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experience gains and losses are amortized on a straight-line basis over 10.0 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. 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 Agency's retirement allowance benefit plan is as follows:

	2007	2006
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 139,000**	$ 128,000
Current service cost	**5,000**	5,000
Interest cost	**6,000**	6,000
Net actuarial gain	**(3,000)**	-
Benefit payments	**(12,000)**	-
Balance, end of year	**135,000**	139,000
Unamortized net actuarial loss	**(6,000)**	(10,000)
Retirement allowance - accrued liability	$ **129,000**	$ 129,000

Retirement allowance expense consists of the following:

	2007	2006
Current service cost	**$ 5,000**	$ 5,000
Interest cost	**6,000**	6,000
Amortization of net actuarial loss	**1,000**	1,000
	$ 12,000	$ 12,000

7. Employee Benefits (continued)

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

	2007	2006
Valuation interest rate	**4.70%**	4.50%
General increases in pay	**3.00%**	3.00%

b) Pensions

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, $63,973 (2006 - $63,382) of pension costs were allocated to Animal Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has an actuarial surplus.

8. Commitments

The Agency and the Winnipeg Humane Society have entered into a contract that is in force from January 1, 2006 to December 31, 2008. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agrees to pay the Winnipeg Humane Society the sum of $200,000 per year, payable in quarterly installments of $50,000. In addition, the Agency agrees to pay $20.00 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of $50,000.

9. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Civic Accommodations Fund for rent of $169,338 (2006 - $169,952) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $88,026 (2006 - $80,396). Also included are lease costs of $85,336 (2006 - $79,739) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2006 - $69,582) for general government charges that has been paid to the City of Winnipeg - General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

10. Grant from The City of Winnipeg

This year, the general grant from The City of Winnipeg decreased by 0.12% or $1,251 to $1,018,850 This follows an increase in 2006 of 13.9%.

2003	$ 1,100,000
2004	950,000
2005	895,877
2006	1,020,101
2007	1,018,850



THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007 (Note 1)	2006
ASSETS		
Current		
Accounts receivable	**$** -	$ 280
Inventory	-	277
Capital assets held for sale	-	4,066
	-	4,623
Capital assets	-	27
	$ -	$ 4,650
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund	**$** -	$ 1,412
Accounts payable and accrued liabilities	-	28
Deferred revenue	-	272
Vacation payable	-	31
Current portion of long-term debt	-	3,875
	-	5,618
Retirement allowance	-	45
Long-term debt	-	12
	-	5,675
CAPITAL		
Deficit	-	(1,025)
	$ -	$ 4,650

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	2007	2006
	(Note 1)	
REVENUES		
Sales of goods and services	**$ 336**	$ 2,419
Interest income (Note 3)	**425**	-
	761	2,419
EXPENSES		
Administrative services	**3**	283
Amortization and depletion	**-**	286
Interest (Note 3)	**15**	90
Material, parts and supplies	**279**	351
Salaries and benefits	**182**	382
Services	**30**	661
	509	2,053
Income from operations	**252**	366
Gain on disposal of Pine Ridge Pit and assets (Note 1)	**10,707**	-
Net income for the year	**10,959**	366
Deficit, Beginning of Year	**(1,025)**	(1,391)
Transfer to The City of Winnipeg - Equipment and Material Services Fund	**(9,934)**	-
DEFICIT, END OF YEAR	**$ -**	$ (1,025)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2007 (Note 1)	2006
OPERATING		
Net income for the year	**$ 10,959**	$ 366
Non-cash items related to operations		
Amortization and depletion	**-**	286
Gain on disposal of Pine Ridge Pit and assets	**(10,707)**	
Retirement allowance	**(45)**	-
Working capital from operations	**207**	652
Net change in working capital	**226**	37
	433	689
FINANCING		
Due to The City of Winnipeg - General Revenue Fund	**(1,412)**	(683)
Repayment of long-term debt	**(87)**	(90)
	(1,499)	(773)
INVESTING		
Proceeds from disposal of capital assets	**11,000**	-
Purchase of capital assets	**-**	(1)
Transfer to The City of Winnipeg - Equipment and Material Services Fund	**(9,934)**	-
	1,066	(1)
DECREASE IN CASH POSITION	**-**	(85)
CASH POSITION, BEGINNING OF YEAR	**-**	85
CASH POSITION, END OF YEAR	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

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

1. Wind-up of Operations

On July 18, 2007, City Council approved the dissolution of Glacial Sand and Gravel - Special Operating Agency (the "Agency") effective December 31, 2007. The Agency's Pine Ridge property, facilities, equipment and reserve assets had been sold for cash consideration of $11.0 million, with transfer of ownership occurring February 5, 2007. All proceeds concerning the sale were received.

The Agency's $3.8 million gravel pit loan with The City of Winnipeg - Equipment and Material Services Fund ("EMS") and the offsetting Due from Glacial Sand and Gravel in the books of EMS were cancelled in 2007. The entire proceeds and gain from the sale of the Pine Ridge Pit and assets are reflected in the Agency's financial statements.

Disposal of Pine Ridge Pit and assets

Sale price (proceeds received)		**$ 11,000**
Cost of Sale		
Net Book Value of disposed capital assets		
Gravel pit	**$ 3,273**	
Machinery	**705**	
Building under capital lease	**43**	
Land clearing	**28**	
Building	**15**	
Office equipment	**2**	**(4,066)**
Cancellation of gravel pit loan with The City of Winnipeg - Equipment and Material Services Fund		**3,800**
Write-down of obsolete computer equipment		**(27)**
Gain on disposal of Pine Ridge Pit and assets		**$ 10,707**

Retirement allowance

All staff were redeployed within the General Revenue Fund's operations of the Public Works Department by December 31, 2007.

An amount of $28 thousand was transferred to the Streets Maintenance division of the Public Works Department for consideration of Agency staff currently on sick leave.

1. *Wind-up of Operations (continued)*

Transfer of Remaining Statement of Financial Position Balances

As of December 31, 2007, all of the Agency's remaining assets and liabilities were transferred to the General Revenue Fund.

Assets and liabilities transferred to Streets Maintenance division of the Public Works Department:

Accounts receivable	**$**	**187**	
Accounts payable and accrued liabilities		**(11)**	
Deferred revenue		**(173)**	
Vacation payable		**(22)**	**$ (19)**

Balance transferred to The City of Winnipeg - Equipment and Material Services Fund:

Accumulated surplus	**$**	**9,934**

2. *Significant Accounting Policies*

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Revenue recognition

Amounts billed for products not yet delivered are recorded as deferred revenue. Revenue is recognized upon delivery of products.

3. *Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

a) Sales of goods and services of $nil (2006 - $227 thousand) to The City of Winnipeg;

b) Interest income of $425 thousand (2006 - $nil) from The City of Winnipeg;

c) Charges in the amount of $nil (2006 - $225 thousand) to The City of Winnipeg - General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;

d) Charges in the amount of $12 thousand (2006 - $75 thousand) to The City of Winnipeg Fleet Management - Special Operating Agency for services related to equipment supply, maintenance, and fuel;

e) Interest on the equipment loan during the year was $2 thousand (2006 - $8 thousand) and has been paid to The City of Winnipeg Fleet Management Special Operating Agency; and

f) Interest expense of $13 thousand (2006 - $82 thousand) to The City of Winnipeg.



THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007	2006
ASSETS		
Current		
Accounts receivable	**$ 67**	$ 56
Inventory	**51**	51
Prepaid expenses	**5**	5
	123	112
Capital assets (Note 5)	**23,479**	23,732
	$ 23,602	$ 23,844
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund (Note 6)	**$ 2,008**	$ 1,436
Accounts payable and accrued liabilities	**82**	83
Deferred revenue	**43**	2
Vacation payable	**49**	43
Current portion of long-term debt (Note 7)	**87**	61
	2,269	1,625
Retirement allowance (Note 8a)	**161**	152
Long-term debt - The City of Winnipeg (Note 7)	**3,774**	3,848
	6,204	5,625
SURPLUS		
Contributed surplus	**20,574**	20,574
Deficit	**(3,176)**	(2,355)
	17,398	18,219
	$ 23,602	$ 23,844

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	2007	2006
REVENUES		
Green fees	**$ 1,985**	$ 2,037
Equipment rentals	**247**	230
Net revenue from leasing operations	**121**	117
Merchandise sales	**107**	94
Concessions	**101**	102
Other	**27**	137
Total Revenues	**2,588**	2,717
EXPENSES		
Salaries and employee benefits (Note 8)	**1,359**	1,318
Services (Note 9)	**569**	534
Debt, finance charges and interest (Notes 6 and 7)	**308**	296
Material, parts and supplies	**278**	264
Municipal tax equivalency charge (Note 10)	**272**	265
Amortization	**265**	257
Provision for doubtful accounts	**36**	62
Rent (Note 9b)	**17**	17
Total Expenses	**3,104**	3,013
Net loss and comprehensive loss for the year from operations	**(516)**	(296)
DEFICIT, BEGINNING OF YEAR	**(2,355)**	(1,747)
Transfer to The City of Winnipeg - General Revenue Fund	**(305)**	(312)
DEFICIT, END OF YEAR	**$ (3,176)**	$ (2,355)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2007	2006
OPERATING		
Net loss for the year	**$ (516)**	$ (296)
Non-cash items related to operations		
Increase in retirement allowance	**9**	6
Amortization	**265**	257
Working capital from operations	**(242)**	(33)
Net change in working capital	**35**	62
	(207)	29
FINANCING		
Increase in due to The City of Winnipeg - General Revenue Fund	**572**	276
(Decrease) increase in long-term debt - The City of Winnipeg	**(48)**	283
Transfer to The City of Winnipeg - General Revenue Fund	**(305)**	(312)
	219	247
INVESTING		
Purchase of capital assets	**(12)**	(276)
CASH, END OF YEAR	**$ -**	$ -

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(in thousands of dollars)

1. Description of Business

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency (the "Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by the City of Winnipeg and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to The City of Winnipeg on golf operations and ensure the long-term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

2. Significant Accounting Policies

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Property and Assessment Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002 is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over their estimated useful lives using the following rates and methods:

Building	4%	Straight-line
Equipment	10%	Straight-line
Golf course improvements	5%	Straight-line

Revenue recognition

Green fees and equipment rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product. Income from prepaid passes is recognized in the year in which the rounds are played. Any sales of prepaid passes that have not yet been redeemed are included in deferred revenue.

2. Significant Accounting Policies (continued)

Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. Changes in Accounting Policies

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 - Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's accounts receivable are classified as loans and receivables. Due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable and long-term debt have been classified as other liabilities. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-for-trading, held-to-maturity or available-for-sale. The adoption of the new standard had no impact on the Agency's financial position or on the results of its operations.

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the deficit of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in the deficit during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive loss, but are excluded from net loss. The adoption of this standard had no impact on the Agency's deficit as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. Financial Instruments

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. *Capital Assets*

	Cost	Accumulated Amortization	Net Book Value 2007	2006
Land	**$ 20,376**	**$ -**	**$ 20,376**	$ 20,376
Building	**2,540**	**609**	**1,931**	2,033
Equipment	**1,389**	**675**	**714**	843
Golf course improvements	**518**	**60**	**458**	480
	$ 24,823	**$ 1,344**	**$ 23,479**	$ 23,732

6. *Due to The City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is $1,650 thousand at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2007, the rate was 4.2%. The interest paid in 2007 was $61 thousand (2006 - $57 thousand).

7. *Long-Term Debt - The City of Winnipeg*

	2007	2006
Golf Course Reserve		
Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	**$ 50**	$ 57
- 2005	**57**	63
- 2006	**97**	106
- 2007	**226**	245
- 2008	**305**	305
- 2009	**13**	-
	748	776
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal	**3,113**	3,133
	3,861	3,909
Current portion of long-term debt	**(87)**	(61)
	$ 3,774	$ 3,848

a) Principal repayments due within the next five years and thereafter are as follows:

2008	$ 87
2009	92
2010	98
2011	104
2012	110
Thereafter	3,370
	$ 3,861

7. Long-Term Debt - The City of Winnipeg (continued)

b) Interest on the golf course improvement loans during the year was $47 thousand (2006 - $39 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $188 thousand (2006 - $188 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $235 thousand (2006 - $227 thousand).

8. Employee Benefits

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experience gains and losses are amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. 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 Agency's retirement allowance benefit plan is as follows:

	2007	2006
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 134**	$ 126
Current service cost	**5**	4
Interest cost	**6**	6
Benefit payments	**-**	(2)
Net actuarial gain	**(3)**	-
Balance, end of year	**142**	134
Unamortized net actuarial gain	**19**	18
Retirement allowance - accrued liability	**$ 161**	$ 152

Retirement allowance expense consists of the following:

	2007	2006
Current service cost	**$ 5**	$ 4
Interest cost	**6**	6
Amortization of net actuarial gain	**(2)**	(2)
	$ 9	$ 8

8. Employee Benefits (continued)

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

	2007	2006
Valuation interest rate	**4.70%**	4.50%
General increases in pay	**3.00%**	3.00%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year $57 thousand (2006 - $53 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has an actuarial surplus.

9. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred to the Agency's revenues/expenses are as follows:

a) In Services, an amount of $61 thousand (2006 - $62 thousand) for general government charges has been included and paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;

b) An amount of $17 thousand (2006 - $17 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space;

c) An amount of $48 thousand (2006 - $45 thousand) has been charged by The City of Winnipeg General Revenue Fund for various supporting services provided by The City of Winnipeg Planning, Property and Development Department;

d) An amount of $91 thousand (2006 - $78 thousand) has been charged by the City of Winnipeg Building Services Fund for services provided at the various golf courses; and

e) An amount of $20 thousand (2006 - $26 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by the Agency.

10. Municipal Tax Equivalency Charge

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by The City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses. The municipal tax equivalency charge also includes payroll tax of $25 thousand (2006 - $25 thousand).

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007	2006
ASSETS		
Current		
Cash	**$ -**	$ 1
Due from The City of Winnipeg - General Revenue Fund (Note 5)	**289**	2,392
Accounts receivable	**149**	123
Loan receivable (Note 6)	**-**	87
Inventory	**1,511**	1,388
Prepaid expenses	**243**	216
	2,192	4,207
Capital assets (Note 7)	**47,643**	38,960
	$ 49,835	$ 43,167
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**$ 482**	$ 677
Vacation payable	**591**	682
Current portion of long-term debt (Note 8)	**14,406**	6,655
	15,479	8,014
Long-term debt (Note 8)	**27,000**	27,418
Deferred revenue	**2,135**	3,319
Retirement allowance (Note 9a)	**633**	655
Environmental liability (Note 10)	**420**	420
Asset retirement obligations (Note 11)	**176**	-
	30,364	31,812
	45,843	39,826
Commitments (Note 12)		
SURPLUS		
Contributed surplus	**390**	390
Retained earnings	**3,602**	2,951
	3,992	3,341
	$ 49,835	$ 43,167

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	2007	2006
REVENUES		
Fleet leases	**$ 15,475**	$ 13,476
Services and parts revenue (Schedule 1)	**7,308**	6,140
Fuel sales	**6,542**	5,734
Rental income	**2,715**	2,698
Amortization of deferred revenue	**870**	1,359
Gain on sale of capital assets	**465**	1,518
Total Revenues	**33,375**	30,925
EXPENSES		
Services	**8,216**	7,261
Supplies	**8,076**	7,388
Salaries and employee benefits	**7,012**	7,012
Amortization	**6,500**	5,372
Interest (Note 8)		
Short-term	**72**	62
Long-term	**802**	22
Other	**552**	344
Total Expenses	**31,230**	27,461
Net income from operations	**2,145**	3,464
Charges from The City of Winnipeg - General Revenue Fund (Note 13f)	**-**	(1,862)
Net income and comprehensive income for the year	**2,145**	1,602
RETAINED EARNINGS, BEGINNING OF YEAR	**2,951**	1,349
Transfer to The City of Winnipeg - General Revenue Fund (Note 13g)	**(1,494)**	-
RETAINED EARNINGS, END OF YEAR	**$ 3,602**	$ 2,951

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2007	2006
OPERATING		
Net income for the year	**$ 2,145**	$ 1,602
Non-cash items related to operations		
Amortization	**6,500**	5,372
Amortization of deferred revenue	**(870)**	(1,359)
Gain on sale of capital assets	**(465)**	(1,518)
Retirement allowance	**(22)**	(26)
Accretion expense	**7**	-
Working capital from operations	**7,295**	4,071
Net change in working capital	**(462)**	(107)
	6,833	3,964
FINANCING		
Decrease (increase) in Due from		
The City of Winnipeg - General Revenue Fund	**2,103**	(1,401)
Proceeds from term loans	**13,500**	17,700
Repayment of term loans	**(1,316)**	-
Repayment of debt - The City of Winnipeg	**(5,165)**	(8,357)
Transfer to The City of Winnipeg - General Revenue Fund	**(1,494)**	-
	7,628	7,942
INVESTING		
Purchase of capital assets	**(15,429)**	(15,117)
Decrease in loan receivable	**87**	70
Proceeds from sale of capital assets	**880**	3,091
	(14,462)	(11,956)
Decrease in cash	**(1)**	(50)
CASH, BEGINNING OF YEAR	**1**	51
CASH, END OF YEAR	**$ -**	$ 1

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(in thousands of dollars)

1. Commencement of Operations

On May 28, 2003, City Council adopted the Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency (the "Agency") effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other public sector organizations, in support of their service delivery.

2. Significant Accounting Policies

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated net realizable value on that date. Subsequent acquisitions are recorded at cost. Land and buildings are stated at assessed values as of January 1, 2003, which were determined by The City of Winnipeg Property Assessment Department.

Capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

Buildings and parking	4% to 8%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	Lease term	Straight-line
Equipment	10% to 30%	Straight-line

Amortization begins once an asset is placed in service.

Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

2. Significant Accounting Policies (continued)

Deferred revenue

Deferred revenue represents the value of fleet assets acquired from The City of Winnipeg at start-up. This amount is recognized as income at the same rate that the related assets are being amortized.

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

Asset retirement obligations

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The retirement cost is added to the carrying amount of the related asset. In subsequent periods, the retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity’s objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. Changes in Accounting Policies

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's due from The City of Winnipeg - General Revenue Fund and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, vacation payable and long-term debt have been classified as other liabilities. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-for-trading, held-to-maturity or available-for-sale. The adoption of the new standard had no impact on the Agency's financial position or on the results of its operations.

3. Changes in Accounting Policies (continued)

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the retained earnings of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in retained earnings during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but are excluded from net income. The adoption of this standard had no impact on the Agency's retained earnings as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. Financial Instruments

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. Due from The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.3% (2006 - 4.3%). As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit up to $10,000 thousand for short-term financing from The City of Winnipeg.

6. Loan Receivable

	2007	2006
The City of Winnipeg Glacial Sand and Gravel - Special Operating Agency - equipment financing program loan, interest at 6.5%	**$ -**	$ 87
Current portion	**-**	(87)
	$ -	$ -

7. Capital Assets

	Cost	Accumulated Amortization	Net Book Value 2007	2006
Land	**$ 390**	**$ -**	**$ 390**	$ 390
Buildings	**3,377**	**398**	**2,979**	2,168
Fleet assets				
Acquired at start-up	**11,386**	**9,472**	**1,914**	2,952
Purchased	**54,136**	**12,838**	**41,298**	32,750
Equipment	**2,245**	**1,183**	**1,062**	700
	$ 71,534	**$ 23,891**	**$ 47,643**	$ 38,960

The net book value of fleet assets not yet in service is $1,619 thousand (2006 - $1,418 thousand).

8. Long-term Debt

Lender	Maturity Dates	Interest Rate	2007	2006
Royal Bank of Canada (Note 8b)	2011 - 2019	4.53% - 5.20%	**$ 29,883**	$ 17,700
The City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule			**1,148**	1,148
The City of Winnipeg (Notes 8c and 13e)			**10,375**	15,225
			41,406	34,073
Current portion of long-term debt			**(14,406)**	(6,655)
			$ 27,000	$ 27,418

a) Principal repayments due within the next five years and thereafter are as follows:

2008	$ 14,406
2009	3,025
2010	3,173
2011	3,327
2012	3,038
Thereafter	14,437
	$ 41,406

b) The Agency has a revolving facility by way of a series of term loans in the amount of $35,000 thousand. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2007, $29,883 thousand (2006 - $17,700 thousand) was outstanding under this facility. The effective interest rate at December 31, 2007 was 4.6% (2006 - 4.6%).

c) On May 28, 2003, City Council approved the transfer of the Equipment Replacement Reserve Fund balance at January 1, 2003 to the Agency, to be used as a source of financing for fleet replacement, thereby resulting in the termination of the Fund at January 1, 2003. In 2005, interest charges ceased. The balance has decreased during the year by repayments.

d) Cash paid for interest during the year is $786 thousand (2006 - $nil).

9. Employee Benefits

a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions and experience gains and losses are amortized on a straight-line basis over 10.4 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. 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 Agency's retirement allowance benefit plan is as follows:

	2007	2006
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 652**	$ 678
Current service cost	**31**	33
Interest cost	**28**	29
Net actuarial gain	**(12)**	-
Benefit payments	**(81)**	(88)
Balance, end of year	**618**	652
Unamortized net actuarial gain	**15**	3
Retirement allowance - accrued liability	**$ 633**	$ 655

Retirement allowance expense consists of the following:

	2007	2006
Current service cost	**$ 31**	$ 33
Interest cost	**28**	29
	$ 59	$ 62

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

	2007	2006
Valuation interest rate	**4.70%**	4.50%
General increases in pay	**3.00%**	3.00%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $397 thousand (2006 - $397 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and indicates an actuarial surplus.

10. Environmental Liability

The Agency has included an estimate of the cost to remediate fuel sites. A third party has estimated the cost at $420 thousand (2006 - $420 thousand).

11. Asset Retirement Obligations

Asset retirement obligations have been recognized for the decommissioning of the Agency's petroleum storage tank systems. The Agency estimates the amount to settle the asset retirement obligations are $43 thousand which will be incurred prior to December 31, 2009 for decommissioning two petroleum tank systems. The balance of $133 thousand is to be incurred at an undetermined date. Estimates are based on a third party engineering firm valuation. Funds have not been set aside to settle the asset retirement obligations.

Asset retirement obligations are as follows:

	2007	2006
Liability	**$ 169**	$ -
Accretion expense	**7**	-
Balance, end of year	**$ 176**	$ -

12. Commitments

The Agency has entered into lease agreements mainly for the lease of fleet equipment. Future minimum lease payments are as follows:

	Operating Leases
2008	$ 986
2009	878
2010	688
2011	484
2012	111
	$ 3,147

The Agency has commitments that relate to future upgrading and closing requirements for existing fuel storage facilities in the amount of $652 thousand, approved by the Chief Administrative Officer in The City of Winnipeg Fuel Sites Report.

13. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue from The City of Winnipeg.

13. Related Party Transactions (continued)

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

a) Revenues include sales of goods and services of $30,039 thousand (2006 - $26,835 thousand) to The City of Winnipeg.

b) An amount of $179 thousand (2006 - $131 thousand) has been transferred to the Civic Accommodations Fund for the rental of office and garage space.

c) An amount of $325 thousand (2006 - $nil) has been transferred to the Public Works Department - General Revenue Fund for operator training services.

d) During the year, transfers were made to City of Winnipeg Funds for miscellaneous services as follows:

	2007	2006
General Revenue Fund	**$ 251**	$ 196
Winnipeg Parking Authority - Special Operating Agency	**1**	-
	252	196

e) During the year, transfers were made to various City of Winnipeg Funds for the repayment of debt as follows:

	2007	2006
General Revenue Fund	**$ 4,836**	$ 6,083
Building Services	**8**	-
Animal Services - Special Operating Agency	**6**	40
Waterworks System	**-**	260
Sewage Disposal System	**-**	260
Solid Waste Disposal	**-**	130
	4,850	6,773
Write-down of debt	**-**	749
	$ 4,850	$ 7,522

f) Charges from The City of Winnipeg - General Revenue Fund

	2007	2006
GST equivalency	**$ -**	$ 580
General government charges	**-**	421
Interest equivalency	**-**	400
Grant - Autopac rebate to Public Works Department	**-**	377
PeopleSoft savings equivalency	**-**	66
Income tax equivalency	**-**	18
	$ -	$ 1,862

13. Related Party Transactions (continued)

Goods and Services Tax (GST) equivalency

As part of the municipal government, the Agency pays GST on its purchases. In 2004, the Agency received a 4% input tax credit with the remaining 3% input tax credit retained by The City of Winnipeg. Beginning in 2005, the Agency receives the full GST input tax credit and is charged by The City of Winnipeg a GST equivalency representing the 3% input tax credit retained by The City of Winnipeg. In 2007, the GST equivalency charge ceased.

General government charges

The Agency is charged by The City of Winnipeg general government charges, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency. In 2007, general government charges ceased.

Interest equivalency

During 2004, the Agency paid interest on long-term debt. In 2005, interest on long-term debt ceased and the Agency is charged by The City of Winnipeg an interest equivalency, representing interest on long-term debt. In 2007, the interest equivalency charge ceased.

Grant - Autopac rebate to Public Works Department

A grant was made to the Public Works Department, representing the amount of Autopac rebate received by the Agency. In 2007, the grant - Autopac rebate transfer ceased.

PeopleSoft savings equivalency

The City of Winnipeg operates a central finance function and charges the Agency a fee representing purchasing savings equivalency, as determined by the Corporate Finance Department. In 2007, the PeopleSoft savings equivalency charge ceased.

Income tax equivalency

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to The City of Winnipeg based on the following rates:

Small business rate on the first $300 thousand of net income	17.62%
Manitoba Small Business Rate ($300 to $400 thousand)	26.62%
Regular corporate rate on the balance	36.62%

The gain on sale of fleet assets acquired at inception is excluded from net income for the purpose of the tax calculation. In 2007, the income tax equivalency charge ceased.

g) Transfer to The City of Winnipeg - General Revenue Fund

An amount of $1,494 thousand (2006 - $nil) was transferred to the General Revenue Fund as a return on investment.

14. Subsequent Event

On November 21, 2007, City Council adopted the Agency's 2008 Selection Report (Business Plan Summary) thereby approving the transfer of the Agency's long-term debt due to The City of Winnipeg to contributed surplus.

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF SERVICES AND PARTS REVENUE

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

	2007	2006
Consumables and corrective maintenance	**$ 3,333**	$ 2,465
Insurance revenue	**1,488**	1,458
Other	**761**	253
Power tools	**656**	653
Manufacturing sales	**544**	791
Autopac rebate	**370**	377
Provincial support grant	**132**	132
Interest	**24**	11
	$ 7,308	$ 6,140

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007	2006
ASSETS		
Current		
Cash	**$ 7**	$ 26
Accounts receivable, net	**1,670**	1,321
Inventory	**155**	313
Prepaid expenses	**-**	5
	1,832	1,665
Property, equipment and leasehold improvements (Note 5)	**14,661**	16,090
	$ 16,493	$ 17,755
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund (Note 6)	**$ 8,829**	$ 7,757
Accounts payable and accrued liabilities	**648**	450
Vacation payable	**106**	117
Customer deposits	**7**	7
Current portion of long-term debt (Note 7)	**12,939**	12,930
	22,529	21,261
Retirement allowance (Note 8b)	**95**	86
Long-term debt (Note 7)	**1,929**	2,373
	2,024	2,459
	24,553	23,720
CAPITAL DEFICIENCY		
Contributed surplus	**172**	172
Deficit	**(8,232)**	(6,137)
	(8,060)	(5,965)
	$ 16,493	$ 17,755

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	2007	2006
REVENUES		
Enforcement (Note 9)	**$ 5,242**	$ 4,482
Parking fees (Note 11a)		
Winnipeg Square parkade	**2,431**	2,114
Millennium Library parkade	**1,157**	1,010
Surface parking lots	**790**	671
Civic Centre parkade	**616**	572
Meters	**2,494**	2,284
Parking permits	**334**	271
Ground lease	**325**	325
Sundry	**38**	41
Total Revenues	**13,427**	11,770
EXPENSES		
Services (Note 11c, g, and i)		
Enforcement	**1,912**	1,571
Utilities	**834**	619
Parkade management	**471**	368
Other	**1,044**	1,788
Debt and finance charges (Notes 6 and 7b)	**1,258**	1,026
Provision for bad debts	**1,173**	1,054
Salaries and employee benefits (Note 8)	**1,130**	1,078
Material, parts and supplies	**986**	957
Amortization	**911**	747
Recoveries	**(11)**	(5)
Total Expenses	**9,708**	9,203
Income before other item and The City of Winnipeg charges	**3,719**	2,567
OTHER ITEM		
Loss on disposal of assets	**(32)**	(366)
Income before The City of Winnipeg charges	**3,687**	2,201
THE CITY OF WINNIPEG CHARGES		
Transfer to The City of Winnipeg Land Operating Reserve Fund	**(48)**	-
Overhead charge (Note 11d)	**(195)**	(191)
Allocated departmental charges (Note 11b, e, and f)	**(504)**	(652)
Municipal tax equivalency charge (Note 11h)	**(663)**	(758)
Income tax equivalency charge (Note 10)	**(772)**	(302)
Net income and comprehensive income for the year	**1,505**	298
DEFICIT, BEGINNING OF YEAR	**(6,137)**	(1,591)
Transfer to The City of Winnipeg - General Revenue Fund	**(3,600)**	(4,844)
DEFICIT, END OF YEAR	**$ (8,232)**	$ (6,137)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	2007	2006
OPERATING		
Net income and comprehensive income for the year	**$ 1,505**	$ 298
Non-cash items related to operations		
Loss on disposal of assets	**32**	366
Amortization	**911**	747
Retirement allowance	**9**	9
Working capital from operations	**2,457**	1,420
Net change in working capital	**1**	(180)
	2,458	1,240
FINANCING		
Increase in due to The City of Winnipeg - General Revenue Fund	**1,072**	5,151
Proceeds from long-term debt	**-**	2,861
Repayment of long-term debt	**(435)**	(558)
Transfer to The City of Winnipeg - General Revenue Fund	**(3,600)**	(4,844)
	(2,963)	2,610
INVESTING		
Proceeds from the sale of capital assets	**486**	19
Purchase of capital assets	**-**	(4,016)
	486	(3,997)
DECREASE IN CASH POSITION	**(19)**	(147)
CASH POSITION, BEGINNING OF YEAR	**26**	173
CASH POSITION, END OF YEAR	**$ 7**	$ 26

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(in thousands of dollars)

1. Description of Business

On March 20, 1997, City Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, City Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, City Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by City Council.

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by The City of Winnipeg ("the City"). The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

2. Significant Accounting Policies

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

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") and include the following significant accounting policies:

a) Revenue recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Inventory

Inventory is recorded at the lower of cost and replacement cost.

2. Significant Accounting Policies (continued)

c) Property, equipment and leasehold improvements

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. In the year of acquisition 50% of the applicable amortization rates are used, with the exception of assets transferred from the City. The amortization rates are as follows:

Leasehold improvements	15 Years
Surface parking lots	5%
Parkades	2%
Vehicles	20%
Meters	10%
Equipment	10-20%
Computer	33%
Office furniture and equipment	20%

d) Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity’s objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. Changes in Accounting Policies

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's cash is classified as held-for-trading and the accounts receivable are classified as loans and receivables. Due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable, customer deposits and long-term debt have been classified as other liabilities. Financial assets classified as held-for-trading are reported at fair value with changes in fair value recognized in the Statement of Operations and Deficit and transaction costs related to this classification of financial instruments are expensed as incurred. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-to-maturity or as available-for-sale. The adoption of the new standard had no impact on the Agency's financial position or on the results of its operations.

3. Changes in Accounting Policies (continued)

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the retained earnings of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in deficit during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but are excluded from net income. The adoption of this standard had no impact on the Agency's deficit as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. Financial Instruments

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. Property, Equipment and Leasehold Improvements

	Cost	**Accumulated Amortization**	**Net Book Value 2007**	2006
Land	**$ 73**	**$ -**	**$ 73**	$ 172
Leasehold improvements	**413**	**64**	**349**	376
Parking surfaces	**79**	**10**	**69**	103
Parkades	**10,700**	**642**	**10,058**	10,272
Vehicles	**92**	**54**	**38**	62
Meters	**3,942**	**667**	**3,275**	4,055
Equipment	**827**	**182**	**645**	748
Computer equipment	**342**	**279**	**63**	176
Office furniture and equipment	**176**	**85**	**91**	126
	$ 16,644	**$ 1,983**	**$ 14,661**	$ 16,090

6. Due to The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%). As well, the Agency has negotiated an operating line of credit up to $7,500 thousand, which it has temporarily exceeded.

Interest paid to The City of Winnipeg General Revenue Fund on the line of credit was $259 thousand for the year.

7. Long-Term Debt

	2007	2006
The City of Winnipeg - General Revenue Fund		
Start-up loan, interest at 6%, with no specific terms of repayment	**$ 12,218**	$ 12,218
Equipment financing		
Loan repayable $65 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**118**	170
Loan repayable $11 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**20**	29
Loan repayable $482 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**1,265**	1,633
Loan repayable $363 thousand per year including imputed interest at 6.9% with a 15 month deferral of first payment	**1,228**	1,228
Loan repayable $7 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	**19**	25
	14,868	15,303
Current portion of long-term debt	**(12,939)**	(12,930)
	$ 1,929	$ 2,373

a) Principal repayments on the equipment financing loans due within the next four years are as follows:

2008	$ 721
2009	793
2010	772
2011	364
	$ 2,650

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $733 thousand (2006 - $733 thousand).

8. Employee Benefits

a) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, $62 thousand (2006 - $59 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has an actuarial surplus.

8. Employee Benefits (continued)

b) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 9.7 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. 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 Agency's retirement allowance benefit plan is as follows:

	2007	2006
Retirement allowance - accrued obligation:		
Balance, beginning of year	**$ 86**	$ 77
Current service cost	**5**	5
Interest cost	**4**	4
Net actuarial gain	**(2)**	-
Balance, end of year	**93**	86
Unamortized net actuarial gain	**2**	-
Retirement allowance - accrued liability	**$ 95**	$ 86

Retirement allowance expense consists of the following:

	2007	2006
Current service cost	**$ 5**	$ 5
Interest cost	**4**	4
	$ 9	$ 9

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

	2007	2006
Valuation interest rate	**4.70%**	4.50%
General increases in pay	**3.00%**	3.00%

9. Enforcement Revenue

Prior to 2005, enforcement revenue was accounted for using the cash basis of accounting by the City. At January 1, 2005 a gross enforcement receivable was estimated at $12,182 thousand, which was assumed by the Agency, and a corresponding allowance for doubtful accounts set up. The Agency will recognize revenue as these accounts are recovered. Collections of pre-2005 citations amounted to $573 thousand (2006 - $691 thousand).

10. Income Tax Equivalency

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to the City based on the following rates:

Small business rate on the first $400 thousand of net income	16.10%
Regular corporate rate on the balance	36.10%

The loss on disposal of assets is excluded from net income for the purposes of the tax calculation.

An amount of $772 thousand (2006 - $302 thousand) has been transferred to The City of Winnipeg General Revenue Fund.

11. Related Party Transactions

The Agency is wholly-owned by the City. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Revenues include sales of $383 thousand (2006 - $382 thousand) to the City.

b) An amount of $36 thousand (2006 - $28 thousand) for general government charges has been included and paid to The City of Winnipeg General Revenue Fund which represents the estimated share of the City's general expenses applicable to the Agency.

c) In Services, an amount of $113 thousand (2006 - $113 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space.

d) An amount of $195 thousand (2006 - $191 thousand) has been charged by The City of Winnipeg General Revenue Fund, which represents a transfer to the City as determined by the Corporate Finance Department.

e) An amount of $209 thousand (2006 - $175 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of support services.

f) An amount of $259 thousand (2006 - $449 thousand) has been charged by The City of Winnipeg Building Services Fund for services provided at the various locations.

g) In Services, an amount of $48 thousand (2006 - $47 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

h) An amount of $663 thousand (2006 - $758 thousand) has been transferred to The City of Winnipeg General Revenue Fund for payments-in-lieu of municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.

i) In Services, an amount of $291 thousand (2006 - $238 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.

j) In Accounts receivable, an amount of $213 thousand (2006 - $111 thousand) is included for parking charges owing from the City.

12. Comparative Figures

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




Radisson

THE CONVENTION CENTRE CORPORATION

BALANCE SHEET

As at December 31, 2007

	2007	2006
ASSETS		
Current:		
Cash	**$ 2,804,882**	$ 2,293,532
Accounts receivable	**1,310,663**	1,524,660
Inventory	**131,510**	143,327
Prepaid expenses	**60,748**	48,107
	4,307,803	4,009,626
Capital assets (note 3)	**10,111,025**	10,639,745
Feasibility studies - future expansion (note 4)	**300,654**	207,111
	$ 14,719,482	$ 14,856,482
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	**$ 1,920,043**	$ 1,377,904
Customer deposits	**468,746**	494,586
Current portion of City of Winnipeg debentures (note 6)	**246,800**	234,998
Current portion of City of Winnipeg term loan (note 7)	**44,348**	44,348
Current portion of capital lease obligation (note 8)	**47,184**	39,751
	2,727,121	2,191,587
City of Winnipeg debentures (note 6)	**1,626,776**	1,873,575
City of Winnipeg term loan (note 7)	**124,828**	169,176
Capital lease obligation (note 8)	**66,309**	113,494
Deferred contributions related to capital assets (note 9)	**1,873,837**	1,793,787
Deferred funding - wall cladding replacement and stabilization (note 10)	**4,926,836**	5,256,795
	11,345,707	11,398,414
FUND BALANCES		
Operating fund	**-**	-
Restricted fund	**2,015,240**	2,092,028
Invested in capital assets	**1,358,535**	1,366,040
	3,373,775	3,458,068
	$ 14,719,482	$ 14,856,482

The accompanying notes are an integral part of this Balance Sheet.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FUND BALANCES

Year ended December 31, 2007

	2007	2006
BALANCE, beginning of year	**$ 3,458,068**	$ 2,726,097
(Deficiency) excess of revenue over expenditures	**(84,293)**	731,971
BALANCE, end of year	**$ 3,373,775**	$ 3,458,068

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2007

	2007	2006
Operating revenue	**$ 11,091,640**	$ 11,103,889
Operating costs	**4,985,714**	4,876,870
Net operating revenue	**6,105,926**	6,227,019
General operating grant (note 14):		
City of Winnipeg	**1,246,244**	1,452,530
Province of Manitoba	**1,120,739**	1,325,727
	2,366,983	2,778,257
	8,472,909	9,005,276
Expenditures:		
Accounting and financial services and human resources	**701,497**	678,512
Administration	**985,089**	1,076,753
Building maintenance	**3,833,531**	3,779,377
Client services	**1,091,102**	964,567
Interest on capital lease	**23,406**	24,332
Sales and promotion	**774,122**	721,372
Security	**454,420**	449,704
	7,863,167	7,694,617
Net operating revenue less expenditures before under-noted	**609,742**	1,310,659
City of Winnipeg debt servicing grants:		
Debentures (note 14)	**498,796**	497,498
Term loan (note 14)	**44,348**	44,348
Recognition of deferred contributions related to capital assets (notes 9 and 10)	**820,430**	723,070
Amortization to expense of capital assets (note 3)	**(1,793,815)**	(1,569,863)
Interest on City of Winnipeg debentures	**(263,794)**	(273,741)
(Deficiency) excess of revenue over expenditures for the year	**$ (84,293)**	$ 731,971

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2007

	2007	2006
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenditures	**$ (84,293)**	$ 731,971
Adjustments for:		
- amortization of capital assets	**1,793,815**	1,569,863
- recognition of deferred contributions related to capital assets	**(820,430)**	(723,070)
	889,092	1,578,764
Net changes in working capital balances		
Accounts receivable	**213,997**	(367,158)
Inventory	**11,817**	10,005
Prepaid expenses	**(12,641)**	(758)
Accounts payable and accrued liabilities	**542,139**	141,881
Customer deposits	**(25,840)**	(2,535)
	1,618,564	1,360,199
FINANCING ACTIVITIES		
Capital lease obligation	**(39,752)**	(28,298)
City of Winnipeg term loan repayments	**(44,348)**	(44,348)
City of Winnipeg debenture repayments	**(234,997)**	(223,757)
City of Winnipeg/Province of Manitoba major repair and replacement grant received	**570,521**	160,545
	251,424	(135,858)
INVESTING ACTIVITIES		
Feasibility studies - future expansion	**(93,543)**	(101,973)
Major repair and replacement expenditures	**(1,265,095)**	(745,382)
	(1,358,638)	(847,355)
INCREASE IN CASH DURING THE YEAR	**511,350**	376,986
CASH, beginning of year	**2,293,532**	1,916,546
CASH, end of year	**$ 2,804,882**	$ 2,293,532

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

1. Purpose of the Organization

The corporation was incorporated by special act under the laws of Manitoba to operate and promote the Winnipeg Convention Centre. The corporation is a not-for-profit organization and is therefore not subject to income taxes.

2. Significant Accounting Policies

Fund Method of Accounting:

The fund method of accounting was adopted prospectively by the corporation in 2006, replacing the deferral method previously utilized.

In prior periods, excess of revenue over expenditures was, by Board of Directors resolution, reserved from surplus for future major repairs and replacements. As assets were acquired the reserve was deferred and amortized to income at the same rate as the assets were amortized.

Under the fund method of accounting the excess of revenue over expenses is allocated to the Operating Fund. By Board of Directors resolution, any addition to the Operating Fund are to be transferred to the Restricted Fund for future expenditures or major repairs and replacements.

As assets are acquired a like amount is transferred from the Restricted Fund to the Invested in Capital Asset Fund. The resulting balance represents the unamortized investment in major repairs and replacements net of amounts funded by grants. The Invested in Capital Asset Fund is reduced by the amortization of such assets and the amount amortized is transferred to the operating fund.

Inventory:

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

Capital Assets:

Capital assets are recorded at cost.

Amortization is calculated at the following rates and basis:

Major capital expenditures	-	at rate of related debenture repayment
Revitalization program	-	at rate of related debenture repayment
Major repair and replacement	-	20%, straight line
Wall cladding replacement and stabilization	-	on a straight line basis over 20 years
Equipment under capital lease	-	20%, straight line

2. Significant Accounting Policies (continued)

Vacation Pay:

Vacation pay is accrued and expensed as the related service is performed.

Employee Sick Leave Entitlement:

Certain employees hired before February 1996 are entitled to cash payment for unused sick leave credits upon retirement or death. The amount of these accumulated sick leave credits have not been actuarially determined and are not recorded in the financial statements. The credits are expensed when paid.

The estimated maximum unused sick leave credits at year end totalled $497,718 (2006 - $479,517).

Union agreements after February 1996 exclude any cash payment entitlements for employees hired thereafter.

Revenue Recognition:

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably assured.

Operating revenue, which consists mainly of room rentals and food and beverage sales from events held at the Winnipeg Convention Centre are recognized as revenue when the events are held.

Measurement Uncertainty:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

Financial Instruments:

The corporation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, City of Winnipeg debentures and term loan and capital lease obligation. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

3. Capital Assets

	Cost	Accumulated Amortization	Net Carrying Value 2007	2006
Major capital expenditures	$ **2,000,000**	$ **1,631,386**	$ **368,614**	$ 443,483
Revitalization program:				
- City of Winnipeg portion	**3,000,000**	**1,495,036**	**1,504,964**	1,665,092
- Province of Manitoba portion	**2,000,000**	**989,585**	**1,010,415**	1,117,155
Major repair and replacement	**9,420,919**	**7,198,963**	**2,221,956**	2,042,671
Wall cladding replacement	**6,599,175**	**1,672,339**	**4,926,836**	5,256,795
Equipment under capital lease	**181,543**	**103,303**	**78,240**	114,549
	$ 23,201,637	**$ 13,090,612**	**$ 10,111,025**	$ 10,639,745

Major Capital Expenditures:

Major capital expenditures represent expenditures for major capital projects incurred in the years 1987 to 1995 inclusive.

Major capital expenditures are carried at cost and are equal to the related debentures (note 6). The costs are amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life of the assets.

Revitalization Program:

In the years 1991 to 1996 inclusive, the corporation incurred costs for revitalization programs funded by the City of Winnipeg and the Province of Manitoba.

City of Winnipeg Portion

The revitalization programs expenditures funded by the City are carried at cost and are equal to the related debentures (note 6). The costs are amortized in an amount equal to the principal repayments on the debentures, which approximates the estimated useful life of the assets.

Provincial Portion

The revitalization programs funded by the Province are carried at cost and amortized at the same rate as the City of Winnipeg revitalization program assets.

Major Repair and Replacement:

A portion of major repairs and replacements incurred after 1993 have been funded by grants from the City of Winnipeg and the Province of Manitoba. The assets are recorded at cost and amortized over their estimated useful life. The funded portion included with deferred contributions related to capital assets, is recognized on the same basis.

3. Capital Assets (continued)

Wall Cladding Replacement and Stabilization:

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. Pursuant to a funding agreement dated March 21, 2002, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to $6.6 million.

The expenditures are carried at cost and are being amortized on a straight line basis over 20 years. The funding for this project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

Equipment Under Capital Lease:

In 2005, the corporation entered into a leasing agreement with the Royal Bank of Canada to finance the acquisition of the new parkade equipment.

The equipment is being amortized on a straight line basis over 5 years.

Amortization Expense:

The amortization of the capital assets is as follows:

	2007	2006
Major capital expenditures	**$ 74,869**	$ 71,261
Revitalization program:		
- City of Winnipeg portion	**160,128**	152,495
- Province of Manitoba portion	**106,740**	101,660
Major repair and replacement	**1,085,810**	878,178
Wall cladding replacement	**329,959**	329,959
Equipment under capital lease	**36,309**	36,310
	$ 1,793,815	$ 1,569,863

4. Feasibility Studies - Future Expansion

The corporation has incurred certain costs to evaluate the feasibility of expanding the existing facility to ensure it is competitive with similar facilities in other cities. Such costs are deferred and will be capitalized when an expansion occurs. Total additions in the year are $93,543.

5. Demand Operating Loan

The corporation has a demand operating loan credit facility from the Royal Bank of Canada up to $250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2007 and 2006 is nil.

6. City of Winnipeg Debentures

	2007			2006
	Debenture	**Sinking Fund**	**Net**	Net
For major capital expenditures:				
Sinking Fund Debenture, bearing interest at 10%, maturing December 14, 2009, with annual Sinking Fund contributions of $15,121 earning interest at 5%	**$ 500,000**	**$ 426,389**	**$ 73,611**	$ 108,350
Serial Debenture. Principal payments vary under the terms of the debenture, payable January 17th yearly, ending in 2013. The debenture bears interest between 3.05% and 5.35% per annum with interest payable semi-annually	**154,119**	**-**	**154,119**	175,513
Sinking Fund Debenture, bearing interest at 9.375%, maturing February 11, 2013, with annual Sinking Fund contributions of $6,805 earning interest at 5%	**225,000**	**139,261**	**85,739**	99,138
Sinking Fund Debenture, bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $3,024 earning interest at 5%	**100,000**	**49,674**	**50,326**	55,664
	979,119	**615,324**	**363,795**	438,665
For revitalization program expenditures:				
Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $90,728 earning interest at 5%	**3,000,000**	**1,490,219**	**1,509,781**	1,669,908
	$ 3,979,119	**$ 2,105,543**	**1,873,576**	2,108,573
Current portion			**246,800**	234,998
			$ 1,626,776	$ 1,873,575

6. City of Winnipeg Debentures (continued)

Principal due within each of the next five years is as follows:

2008	$	246,800
2009	$	258,031
2010	$	232,001
2011	$	243,663
2012	$	255,821

Debt service costs will be funded by grants from The City of Winnipeg. The corporation annually allocates an amount from grants received from The City of Winnipeg to cover debt service costs and the grants are recorded to income when those costs are incurred.

7. City of Winnipeg - Term Loan

	2007	2006
Term loan	**$ 169,176**	$ 213,524
Less: current portion	**(44,348)**	(44,348)
	$ 124,828	$ 169,176

The loan was advanced in 1991 to fund the corporation's deficit. The term loan is non-interest bearing and repayable in 14 annual principal payments of $44,348 each, beginning August 17, 1997 with the remaining balance due on August 17, 2011.

8. Capital Lease Obligation

	2007	2006
Parkade equipment lease - payable to the Royal Bank of Canada, bearing interest at approximately 8%, 48 monthly payments of $5,263 (plus PST and GST) beginning March 20, 2006 with a purchase option of $1 at the end of the lease term.	**$ 136,838**	$ 199,993
Less: imputed interest	**(23,345)**	(46,748)
	113,493	153,245
Less: current portion	**(47,184)**	(39,751)
	$ 66,309	$ 113,494

Minimum lease payments, including PST, over the next three years are as follows:

2008	$	67,677
2009	$	67,577
2010	$	11,263

9. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent externally restricted contributions including the provincial portion of the revitalization program assets and funds granted for major repair and replacement assets. These amounts are recognized as income as the related assets are amortized.

	2007	2006
Beginning balance	**$ 1,793,787**	$ 2,026,353
Deferred contributions for major repair and replacement expended on major repair and replacement assets during the year (note 14)	**570,521**	160,545
Deduct amounts recognized as revenue:		
- Major repair and replacement expenditures	**(383,731)**	(291,451)
- Provincial portion of revitalization program expenditures	**(106,740)**	(101,660)
	$ 1,873,837	$ 1,793,787

10. Deferred Funding - Wall Cladding Replacement and Stabilization

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from the City of Winnipeg and the Province of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in note 3. This amount is being amortized into income as the related asset is amortized.

	2007	2006
Beginning Balance	**$ 5,256,795**	$ 5,586,754
Deduct amount amortized to revenue	**(329,959)**	(329,959)
	$ 4,926,836	$ 5,256,795

11. Operating Fund

The operating fund is as follows:

	2007	2006
Opening balance	**$ -**	$ -
(Deficiency) excess of revenues over expenditures	**(84,293)**	731,971
Amortization of invested in capital assets	**702,079**	586,726
Amounts transferred to the restricted fund by board resolution	**(617,786)**	(1,318,697)
	$ -	$ -

12. Restricted Fund

The restricted fund represents the excess of revenues over expenditures that are internally restricted by board resolution for future expenditures on capital assets. The fund is reduced by annual expenditures on capital assets net of any externally restricted amounts.

	2007	2006
Opening balance	**$ 2,092,028**	$ 1,358,168
Capital assets purchased in the year, net of externally restricted amounts ($570,521-2007; $160,545-2006)	**(695,974)**	(584,837)
Disposals in year	**1,400**	-
Amounts internally restricted by board resolution (note 11)	**617,786**	1,318,697
	$ 2,015,240	$ 2,092,028

13. Invested in Capital Assets

Invested in capital assets represents total capital assets less amounts amortized less specific deferred contributions.

	2007	2006
Opening balance	**$ 1,366,040**	$ 1,367,929
Capital assets purchased in the year, net of disposals	**1,265,095**	745,382
Externally restricted amounts (note 9)	**(570,521)**	(160,545)
	694,574	584,837
Amortization of invested in capital assets	**(702,079)**	(586,726)
	$ 1,358,535	$ 1,366,040

14. Grants

The corporation operates with the assistance of grants from the City of Winnipeg and the Province of Manitoba.

	2007	2006
City of Winnipeg	**$ 2,074,648**	$ 2,074,648
Province of Manitoba	**1,406,000**	1,406,000
	$ 3,480,648	$ 3,480,648

The grants are allocated as follows:

General operating grant	**$ 2,366,983**	$ 2,778,257
Debt service		
City of Winnipeg debenture	**498,796**	497,498
City of Winnipeg term loan	**44,348**	44,348
Major repairs and replacement expenditures	**570,521**	160,545
	$ 3,480,648	$ 3,480,648

15. Commitments

The corporation has contracts with Correia Enterprises Ltd. (operating as Bee-Clean), Winnipeg Elevator (1978) Ltd. and Securitas Canada Limited for the provision of housekeeping, elevator and security services. These contracts expire during 2011 with an option to renew for a further five-year term.

Future payments to the expiry of the contracts are as follows:

2008	$ 1,211,597
2009	$ 1,198,740
2010	$ 1,211,569
2011	$ 921,121

16. Pension Plan

Description of Benefit Plans:

The employees of the corporation are members of the City of Winnipeg Civic Employees Defined Benefit Pension Plan. The corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg.

Total Cash Payment:

Total cash payments for employee future benefits for fiscal year 2007, consisting of cash contributed by the Centre to the Plan was $510,488 (2006 - $594,913).

17. Economic Dependency

The corporation is dependent on the City of Winnipeg and the Province of Manitoba for funding and financing which is essential to its continuing operations.


Winnipeg
Convention
Centre

DESTINATION WINNIPEG INC.

BALANCE SHEET

December 31, 2007, with comparative figures for 2006

	2007	2006
ASSETS		
Current assets:		
Cash	**$ 145,278**	$ 129,640
Investments (note 4)	**749,480**	881,220
Accounts receivable	**120,157**	53,937
Prepaid expenses	**128,509**	85,526
	1,143,424	1,150,323
Capital assets (note 5)	**238,259**	243,922
	$ 1,381,683	$ 1,394,245
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 84,097**	$ 59,738
Deferred rent	**51,359**	54,748
Deferred contributions:		
Future expenses (note 6)	**9,790**	18,327
Capital assets (note 7)	**184,322**	215,920
	194,112	234,247
Net assets:		
Unappropriated:		
Invested in capital assets (note 8)	**53,937**	28,002
Unrestricted	**425,887**	464,898
	479,824	492,900
Appropriated for contingency reserve (note 9)	**399,902**	371,582
Appropriated for homecoming initiative reserve (note 10)	**172,389**	181,030
	1,052,115	1,045,512
Commitments (note 11)		
	$ 1,381,683	$ 1,394,245

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2007, with comparative figures for 2006

	2007	2006
REVENUE:		
Funding:		
City of Winnipeg	**$ 1,313,000**	$ 1,288,000
Province of Manitoba	**1,248,000**	1,223,000
Partners on projects	**505,369**	584,158
Other	**39,267**	42,908
Interest	**60,480**	45,840
Amortization of deferred contributions	**31,598**	31,598
	3,197,714	3,215,504
EXPENDITURES:		
Initiatives and marketing	**1,315,682**	1,398,141
Personnel	**1,473,591**	1,389,182
Administrative	**182,629**	183,423
Occupancy and facilities	**219,209**	215,343
	3,191,111	3,186,089
EXCESS OF REVENUE OVER EXPENDITURES	**$ 6,603**	$ 29,415

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2007, with comparative figures for 2006

	Unappropriated	Contingency Reserve	Homecoming Initiative Reserve	2007 Total	2006 Total
Balance, beginning of year	**$ 492,900**	**$ 371,582**	**$ 181,030**	**$ 1,045,512**	$ 1,016,097
Excess (deficiency) of revenue over expenditures	**15,244**	**-**	**(8,641)**	**6,603**	29,415
Allocation to/(from) unappropriated (note 9)	**(28,320)**	**28,320**	**-**	**-**	-
Balance, end of year	**$ 479,824**	**$ 399,902**	**$ 172,389**	**$ 1,052,115**	$ 1,045,512

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2007, with comparative figures for 2006

Cash provided by (used in):	**2007**	2006
OPERATING ACTIVITIES:		
Excess of revenue over expenditures	**$ 6,603**	$ 29,415
Adjustments for:		
Amortization of capital assets	**57,668**	50,814
Amortization of deferred contributions - capital assets	**(31,598)**	(31,598)
Amortization of deferred rent	**(3,389)**	(3,387)
Change in non-cash operating working capital		
Accounts receivable	**(66,220)**	37,648
Prepaid expenses	**(42,983)**	(13,487)
Accounts payable and accrued liabilities	**24,359**	(38,060)
Decrease in deferred contributions - future expense, net	**(8,537)**	1,800
	(64,097)	33,145
FINANCING AND INVESTING ACTIVITIES:		
Acquisition of capital assets	**(52,005)**	(33,053)
Investments, net	**131,740**	54,173
	79,735	21,120
INCREASE IN CASH	**15,638**	54,265
CASH, beginning of year	**129,640**	75,375
CASH, end of year	**$ 145,278**	$ 129,640

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2007

1. General:

Destination Winnipeg Inc. (the organization) is Winnipeg's economic and tourism services agency, an arm's length organization led by an independent board appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the agency.

2. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition:

The organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

b) Capital assets:

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

Asset	Rate
Computer hardware and software	2 - 3 years
Office furniture and fixtures	5 years
Leasehold improvements	over the term of the related lease

c) Deferred rent:

As part of the organization's operating premise lease, a period of free rent was incurred and is being amortized over the term of the related lease.

d) Investments:

Investments are classified as held-for-trading financial instruments and are carried at fair value (note 3). The fair value of investments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

e) Income taxes:

The organization is a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes, providing certain requirements of the Income Tax Act are met.

2. Significant accounting policies (continued):

f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Change in accounting policy:

On January 1, 2007, the organization adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement. According to this standard, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value, subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading.

The organization's cash and investments are classified as held-for-trading and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in excess of revenue over expenditures. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The organization will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The organization has not classified any assets or liabilities as held-to-maturity or as available-for-sale.

There was no transitional adjustment for the organization's held-for-trading investments as their carrying values approximate fair value due to their immediate of short-term nature.

4. Investments:

Investments consist of investments in money market instruments and a guaranteed investment certificate to fund the contingency reserve (Note 9), homecoming initiative reserve (Note 10) and other expenses.

5. Capital assets:

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Computer hardware and software	**$ 85,859**	**$ 60,048**	**$ 25,811**	$ 18,502
Office furniture and fixtures	**101,566**	**54,695**	**46,871**	31,446
Leasehold improvements	**283,263**	**117,686**	**165,577**	193,974
	$ 470,688	**$ 232,429**	**$ 238,259**	$ 243,922

6. Deferred contributions - future expenses:

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

	2007	2006
Balance, beginning of year	**$ 18,327**	$ 16,527
Amounts received during the year	**165,674**	156,063
	184,001	172,590
Less amounts recognized into revenue in the year	**(174,211)**	(154,263)
Balance, end of year	**$ 9,790**	$ 18,327

7. Deferred contributions - capital assets:

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2007	2006
Balance, beginning of year	**$ 215,920**	$ 247,518
Amount amortized to revenue	**(31,598)**	(31,598)
Balance, end of year	**$ 184,322**	$ 215,920

8. Invested in capital assets:

	2007	2006
Capital assets	**$ 238,259**	$ 243,922
Deferred contributions - capital assets	**(184,322)**	(215,920)
Invested in capital assets	**$ 53,937**	$ 28,002

9. Contingency reserve:

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the organization is terminated by the City of Winnipeg and the Province of Manitoba. As at December 31, 2007, $28,320 (2006 - $12,913) was added to the contingency reserve and deducted from unappropriated surplus, based on the calculation of the contingency reserve requirement as at December 31, 2007.

10. Homecoming initiative reserve:

A homecoming initiative reserve was established in prior years to reserve funds to be used for a future initiative.

11. Commitments:

The organization is committed under leases for office premises and equipment for a total of $1,045,741. The minimum lease payments over the next five years are as follows:

2008	$ 174,606
2009	178,367
2010	178,367
2011	179,119
2012 and thereafter	335,282

12. Segregated funds:

The organization holds funds that are segregated for partners (including the organization) in a separate convention development account. These funds are held in an interest-bearing account for the benefit of convention development.

The balance of these funds and the income and expenditure associated therewith, is not included in these financial statements.

	2007	2006
Balance, beginning of year	**$ 104,686**	$ 101,929
Additional funds received during the year	**32,532**	-
Funds used during the year	**(15,000)**	-
Interest earned	**3,306**	2,757
Balance, end of year, and amount of funds held	**$ 125,524**	$ 104,686

13. Fair value:

Interest rate risk:

Interest rate risk is the risk to the organization's earnings that arises from fluctuations in the interest rates and the degree of volatility of those rates. The company is exposed to interest rate risk on its money market investments.

Fair value:

The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short term to maturity.

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31
(unaudited)

	2007	2006
ASSETS		
Cash	**$ 13,738**	$ 180,223
Due from City of Winnipeg - General Revenue Fund (Note 3)	**-**	72,666
Accounts receivable	**219,657**	231,407
Due from City of Winnipeg (Note 4)	**5,439,304**	6,172,693
	$ 5,672,699	$ 6,656,989
LIABILITIES		
Due to City of Winnipeg - General Revenue Fund (Note 3)	**$ 1,334,874**	$ -
Accounts payable and accrued liabilities	**221,221**	221,221
Debt (Note 5)	**2,072,056**	3,955,376
	3,628,151	4,176,597
NET ASSETS	**2,044,548**	2,480,392
	$ 5,672,699	$ 6,656,989

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the years ended December 31
(unaudited)

	2007	2006
REVENUES		
Entertainment funding tax - Winnipeg Football Club	**$ 445,157**	$ -
Transfer from City of Winnipeg - General Revenue Fund	**75,000**	37,500
Other	**31,034**	107,099
Transfer from City of Winnipeg - General Capital Fund	**-**	2,134,475
	551,191	2,279,074
EXPENSES		
Write-off of long-term receivable (Note 4)	**733,389**	733,389
Interest on debt and other finance charges	**229,541**	345,481
Professional fees, office supplies and other	**24,105**	23,821
	987,035	1,102,691
NET (LOSS) INCOME FOR THE YEAR	**(435,844)**	1,176,383
NET ASSETS - BEGINNING OF YEAR	**2,480,392**	1,304,009
NET ASSETS - END OF YEAR	**$ 2,044,548**	$ 2,480,392

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(unaudited)

1. Entity Definition and Wind-Up of Operations

Winnipeg Enterprises Corporation ("WEC") is a not-for-profit organization established by the Winnipeg Enterprises Corporation Incorporation Act on July 26, 1952 under the laws of the Province of Manitoba. As at March 31, 2005, WEC has wound-down its operations and is being managed by The City of Winnipeg, its sole director. The City of Winnipeg has assumed all remaining and prospective debt and liabilities of WEC.

2. Significant Accounting Policies

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

Financial instruments

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, debt and an interest rate swap on a portion of the debt. Unless otherwise stated, the book value of the Corporation's financial assets and liabilities approximates their fair value. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments except as per Note 5.

The Corporation uses interest rate swap contracts to manage interest rate risk on certain floating rate debt. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense on a basis which matches the related fluctuations in the interest payments under floating rate debt.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

3. Due from/to City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Due from City of Winnipeg

The due from City of Winnipeg represents the net book value of the property and equipment that was owned by WEC and transferred to the City of Winnipeg based on the assignment agreement dated June 1, 2004 between The City, WEC and the Winnipeg Football Club. The receivable is being written-down based on the amortization of the property and equipment using the straight-line method over 10 years on the remaining unamortized balance.

5. Debt

	2007	2006
Demand loan (credit facility A); bearing interest at a swap rate of 5.94% per annum until May 30, 2014; after which bears interest at prime; repayable in quarterly instalments of $70,833 plus interest	**$ 1,819,715**	$ 2,101,795
Demand loan (credit facility B); bearing interest at 7.24% per annum until October 21, 2009, after which, bears interest at prime plus 0.25%; repayable in blended monthly instalments of $11,735; secured by a specific fixed charge on certain equipment	**252,341**	370,217
Demand loan; bearing interest at prime; repayable in blended monthly instalments of $31,634	**-**	1,483,364
	$ 2,072,056	$ 3,955,376

Credit facility A is secured by a limited guarantee from the City of Winnipeg of $7,650,000.

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2007

	2007	2006
ASSETS		
Current Assets		
Cash (Note 8)	**$ 612,083**	$ 51,909
Rents receivable	**17,135**	24,066
Other receivables	**58,290**	53,276
Grants receivable	**191,357**	191,781
GST receivable	**84,971**	39,210
Subsidy due from CMHC (Note 3)	**11,742**	11,054
Subsidy due from MHRC (Note 3)	**260,488**	273,229
Operating deficiency recoverable from MHRC (Note 4)	**128,233**	163,590
Prepaid expenses	**102,586**	97,591
Housing inventory (Note 2(a))	**1,983,763**	474,810
	3,450,648	1,380,516
Restricted Cash and Deposits		
Replacement Reserve Fund (Notes 2(b) and 5)		
CMHC funded	**141,465**	32,040
MHRC funded	**2,962,330**	2,747,395
WHRC funded	**18,869**	18,305
	3,122,664	2,797,740
Subsidy Surplus Reserve Fund (Note 6)	**-**	79,324
	3,122,664	2,877,064
Capital Assets (Notes 2(c) and 7)	**30,197,110**	31,431,390
	$ 36,770,422	$ 35,688,970

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

March 31, 2007

	2007	2006
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 294,161**	$ 384,684
Accrued interest payable	**233,528**	241,103
Security deposits and prepaid rent	**188,281**	183,964
Current portion of forgivable loans (Notes 2(d) and 9)	**59,653**	100,853
Current portion of long-term debt (Note 10)	**783,341**	793,823
	1,558,964	1,704,427
Deferred Revenue	**192,862**	209,913
Restricted Surplus (Deficit) (Note 11)	**16,775**	(29,563)
Forgivable Loans (Notes 2(d) and 9)	**2,266,931**	505,386
Long-term Debt (Note 10)	**29,852,359**	30,944,550
Replacement Reserves		
Replacement Reserve - CMHC	**141,465**	32,040
Replacement Reserve - MHRC	**2,962,330**	2,747,395
Subsidy Surplus Reserve	**-**	79,324
	3,103,795	2,858,759
NET ASSETS		
Internally Restricted Net Assets (Note 12)	**244,996**	-
Unrestricted Net Assets	**(466,260)**	(504,502)
	(221,264)	(504,502)
	$ 36,770,422	$ 35,688,970

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended March 31, 2007

	2007	2006
REVENUE		
City of Winnipeg operating grant	**$ 200,000**	$ 200,000
CMHC subsidy (Note 3)	**164,111**	129,230
Development fees	**44,650**	21,615
Home Ownership Training Initiative grant	**43,333**	47,633
Interest	**39,273**	12,762
Loan forgiveness	**38,342**	85,200
MHRC rent supplement (Note 13)	**327,215**	340,124
MHRC subsidy (Note 3)	**3,257,296**	3,311,425
Miscellaneous income	**5,168**	20,329
Parking and laundry	**64,284**	68,849
Property management fees	**242,875**	247,890
Renovation grants	**12,000**	-
Rental revenue		
Residential	**2,382,517**	2,305,357
Commercial	**52,369**	54,948
Winnipeg Housing and Homelessness Initiative grant	**16,388**	12,983
Gain on sale of rental properties	**235,663**	-
Realized gain on forgivable loans	**60,000**	-
	7,185,484	6,858,345
EXPENDITURES	**6,988,454**	6,951,405
Excess (deficiency) of revenue over expenditures	**197,030**	(93,060)
Net assets, beginning of year	**(504,502)**	(483,190)
Subsidy due (to) from MHRC	**-**	(48,895)
Operating deficiency recoverable from MHRC (Note 4)	**78,873**	97,582
Transfer of Replacement Reserve	**-**	23,061
Transfer to internally restricted net assets (Note 12)	**(237,661)**	-
Net assets, end of year	**$ (466,260)**	$ (504,502)

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (continued)

Year ended March 31, 2007

	2007	2006
EXPENDITURES		
Administration	**$ 271,192**	$ 304,360
Advertising	**829**	1,614
Allocation to Replacement Reserve (Note 5)	**295,717**	263,828
Amortization (Note 2(c))	**856,596**	837,208
Bad debt	**39,830**	41,493
Bank charges and other interest	**3,887**	3,010
Cable T.V.	**1,126**	1,236
Collection fees	**2,647**	1,907
Disallowed GST	**3,495**	12,244
Garbage removal	**8,510**	7,696
Heat	**285,988**	320,937
Home Ownership Training Initiative	**43,333**	47,633
Hydro	**278,131**	276,300
Insurance	**117,133**	103,320
Janitorial services	**258,921**	249,133
Licenses and permits	**340**	340
Maintenance and repairs (Note 5)	**626,695**	514,137
Mortgage interest (Note 10)	**2,795,580**	2,869,532
Office operations	**60,358**	51,487
Office salaries and benefits	**361,599**	348,149
Pest control	**327**	390
Professional fees	**30,932**	25,317
Property taxes	**307,945**	352,444
Recruiting	**-**	605
Renovation grants	**12,000**	549
Security	**2,428**	2,077
Snow removal	**6,380**	5,596
Telephone	**-**	772
Tenant charge backs (recovery)	**(12,567)**	(2,092)
Utilities	**6,860**	15,187
Water	**316,401**	294,996
Unrealized projects	**5,841**	-
Total Expenditures	**$ 6,988,454**	$ 6,951,405

WINNIPEG HOUSING REHABILITATION CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended March 31, 2007

	2007	2006
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	**$ 197,030**	$ (93,060)
Add non cash item(s):		
Amortization	**856,596**	837,208
Loan forgiveness	**(38,342)**	(85,200)
Gain on sale of rental properties	**(235,663)**	-
	779,621	658,948
Change in non-cash working capital:		
Rents receivable	**6,933**	19,594
Other receivables	**(5,014)**	2,038
Grants receivable	**424**	(27,340)
GST receivable	**(45,761)**	(19,583)
Subsidy due from CMHC	**(688)**	3,418
Subsidy due from MHRC	**12,741**	6,860
Prepaid expenses	**(4,995)**	(82,020)
Housing inventory	**(1,508,953)**	384,728
Accounts payable and accrued liabilities	**(90,521)**	105,748
Accrued interest payable	**(7,575)**	(4,622)
Security deposits and prepaid rent	**4,318**	7,711
Deferred revenue	**(17,051)**	788
	(876,521)	1,056,268
INVESTING ACTIVITIES		
Purchase of capital assets	**(279,943)**	(150,303)
Proceeds on sale of capital assets	**795,981**	-
Increase in MHRC replacement reserve	**214,935**	164,209
Increase in CMHC replacement reserve	**109,425**	28,440
Decrease in subsidy surplus reserve	**(79,324)**	-
	761,074	42,346
FINANCING ACTIVITIES		
Decrease in restricted surplus (deficit)	**(20,712)**	(56,630)
Increase (decrease) in forgivable loans	**1,930,378**	(7,746)
Advance of long-term debt	**102,000**	-
Repayment of long-term debt	**(1,204,673)**	(770,642)
Increase (decrease) in rental replacement reserve	**-**	(23,035)
Transfer of rental replacement reserve	**-**	23,061
MHRC recoveries	**114,228**	41,883
	921,221	(793,109)
Increase in cash	**805,774**	305,505
Cash, beginning of year	**2,928,973**	2,623,468
Cash, end of year (Note 14)	**$ 3,734,747**	$ 2,928,973

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

1. Accounting Entity

The corporation is engaged in providing assisted housing in the Core Area of Winnipeg. The corporation is mandated by the City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation (CMHC) and Manitoba Housing and Renewal Corporation (MHRC). The corporation's activities include a property management head office, management of individual properties and a housing rehabilitation program. The corporation is not taxable under section 149 of the Income Tax Act. For GST purposes, the corporation is designated as a municipality and is able to recover 100% of the GST paid for its CMHC and MHRC portfolios.

These financial statements consolidate Winnipeg Housing Rehabilitation Corporation (WHRC) and Winnipeg Partners in Housing Inc. (WPH). WHRC controls WPH by virtue of appointing the board of directors. Individual financial statements for both entities are available.

2. Significant Accounting Policies

The consolidated financial statements of the corporation have been prepared solely for the information and use of CMHC and MHRC to comply with each of their operating agreements. The corporation follows certain accounting principles as determined by CMHC and MHRC for administration and funding purposes in recording expenditures.

a) Housing Inventory

Housing inventory is recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No amortization is being taken on the housing inventory. These buildings are either in the pre-renovation or renovation stages.

b) Replacement Reserve Fund

The Replacement Reserve Fund accounts are maintained to provide for future asset replacement. The accounts are established by an annual charge against operations. Interest earned is added and replacement costs are charged directly against the accumulated reserves.

c) Capital Assets

Capital assets are recorded at cost. For properties acquired from the City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property. Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, are applied towards the capital cost of the property. Furniture and equipment costing less than $1,000 are expensed. Options and feasibility studies are added to the cost of acquired property or expensed if the property is not acquired. Any forgivable loans received are charged against the capital cost of the property.

2. Significant Accounting Policies (continued)

c) Capital Assets (continued)

Amortization is provided for as follows:

Computer equipment	- straight-line over 3 years
Furniture and equipment	- straight-line over 5 years
Office building	- straight-line over 20 years
Rental properties	- an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies
General	- a replacement reserve is maintained to provide for future asset replacement

d) Forgivable Loans

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years from the completion date of the property.

e) Revenue Recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured.

Revenue is recognized when services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

The corporation enters into rent to own agreements with some of its tenants. The intent is to have the tenant purchase the home at an agreed upon price at the end of the lease so that a portion of the rent paid goes towards reducing the purchase price. Rent is recognized as revenue when due and includes any amount which would be applied to reducing the purchase price. Upon sale of the property, the purchase price will be recorded net of rent paid.

f) Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting periods presented. Actual results could differ from these estimates.

g) Financial Instruments

Financial instruments include cash, restricted cash and deposits, rents receivable, other receivables, grants receivable, subsidy due from CMHC, subsidy due from MHRC, operating deficiency recoverable from MHRC, accounts payable and accrued liabilities, accrued interest payable, security deposits, forgivable loans, and long-term debt. The carrying value of these financial instruments approximates fair market value. It is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. Subsidy Due from CMHC and MHRC

The CMHC properties are subsidized for mortgage interest on a monthly basis. The MHRC properties are subsidized for mortgage interest and property taxes on a monthly basis. The amounts represent the accrued interest and property taxes for the month of March 2007 and March 2006, for comparative purposes.

4. Operating Deficiency Recoverable from MHRC

Pursuant to the current operating agreement with MHRC, and the agreements with CMHC which expired March 31, 1999, on a cumulative basis for each portfolio of properties, any excess funding provided to the corporation is to be repaid. Where a cumulative deficiency exists for MHRC properties, the shortfall is the responsibility of MHRC subject to MHRC approval of project costs.

	2007	2006
Operating deficiency recoverable from MHRC	**$ 128,233**	$ 177,236
Operating surplus due to MHRC from prior years	**-**	(13,646)
	$ 128,233	$ 163,590

5. Replacement Reserve Fund

Under the terms of the agreements with CMHC/MHRC, the Replacement Reserve account has been credited with an annual charge against earnings. These funds along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/MHRC from time to time. The funds in the account may only be used as approved by CMHC/MHRC. Withdrawals are credited to interest first and then principal. At year end, the funds in the reserve consisted of the following:

	2007	2006
Allocation		
Annual charge	**$ 295,717**	$ 263,828
Security and safety - maintenance and repairs charge	**85,200**	-
Transfer from subsidy surplus (Note 6)	**79,324**	-
	$ 460,241	$ 263,828
Year end balance		
Cash	**$ 29,371**	$ 39,705
Canadian Treasury Bills and Bonds	**3,093,293**	2,758,035
	$ 3,122,664	$ 2,797,740

6. Subsidy Surplus Reserve Fund

	2007	2006
Cash	**$ -**	$ 79,324

In the current year, approval was given to transfer the Subsidy Surplus Fund to the Replacement Reserve Fund in WHRC's CMHC portfolio.

7. Capital Assets

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Rental properties	**$ 37,767,041**	**$ 7,569,931**	$ 38,201,556	$ 6,799,130
Office building	**-**	**-**	44,614	26,768
Furniture and equipment	**191,584**	**191,584**	191,584	180,466
	$ 37,958,625	**$ 7,761,515**	$ 38,437,754	$ 7,006,364
Net book value	**$ 30,197,110**		$ 31,431,390	

8. Bank Indebtedness

The corporation has a line of credit with the Assiniboine Credit Union with an approved maximum of $1,800,000 which is due on demand and bears interest at the credit union's prime rate, payable monthly. This line of credit is secured by a $2,000,000 guarantee by the City of Winnipeg. As of March 31, 2007, there is still $1,576,035 available from this line of credit.

9. Forgivable Loans

	2007	2006
Forgivable loans	**$ 2,326,584**	$ 606,239
Less: current portion	**59,653**	100,853
	$ 2,266,931	$ 505,386

WHRC has entered into various forgivable loan agreements with MHRC under various programs. These loans are forgivable over a period of fifteen years, in equal monthly amounts, commencing from the date of execution of the agreement. In the event a housing unit is sold or otherwise transferred before the entire loan is forgiven, any unforgiven portion shall become payable to MHRC.

These loans will be forgiven as follows:

2008	$ 59,653
2009	49,653
2010	49,653
2011	43,653
2012	35,653
Thereafter	2,088,319
	$ 2,326,584

10. Long-Term Debt

Lender	Interest Rate	Maturity Dates	**2007**	2006
Royal Bank of Canada	4.64% - 5.10%	2007-2010	**$ 29,415**	$ 37,617
Assiniboine Credit Union	5.80% - 6.85%	2008-2010	**889,043**	1,222,927
Canada Mortgage and Housing Corporation	4.52% - 5.50%	2017-2021	**5,170,611**	5,389,857
Manitoba Housing and Renewal Corporation	6.63% - 12.50%	-	**24,546,631**	25,087,972
			30,635,700	31,738,373
Less: current portion			**783,341**	793,823
			$ 29,852,359	$ 30,944,550

All mortgages are secured by a charge registered against the properties.

Although some of the mortgages may become due within the next fiscal period, these mortgages have not been shown as current as they are expected to be refinanced on similar terms when they come due.

Principal repayments due within the next five years are as follows:

2008	$ 783,341
2009	853,243
2010	924,346
2011	1,008,410
2012	1,101,100
Thereafter	24,869,389
CMHC second mortgages	1,095,871
	$ 30,635,700

11. Restricted Surplus (Deficit)

Restricted surplus (deficit) is used to record the gains and losses on the sale of properties that were in construction. The net gains must ultimately be used in the specific communities in which they were earned.

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

12. Internally Restricted Net Assets

The internally restricted net assets consist of the net gains/losses on buildings that were sold, the accumulated operation surplus/deficits of those buildings and the realized gain on forgivable loans. These funds are restricted for use on housing projects in the future and are not to be used for operating expenses.

	2007	2006
Properties sold	**$ 237,661**	$ -
Properties retained	**7,335**	-
	$ 244,996	$ -

13. MHRC Rent Supplement

Two projects, 435 Sargent and 461 Cumberland, receive monthly rent supplements from Manitoba Housing.

14. Additional Information to Cash Flow Statement

	2007	2006
Cash is represented by:		
Cash	**$ 612,083**	$ 51,909
Restricted cash and deposits	**3,122,664**	2,877,064
	$ 3,734,747	$ 2,928,973
Additional information:		
Interest received	**$ 146,407**	$ 49,601
Interest paid	**2,792,565**	2,874,154

15. Comparative Figures

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.


THE EXCHANGE
BANNATYNE
AVENUE

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31

	2007	2006
ASSETS		
Current Assets		
Cash and bank	**$ 2,794,162**	$ 1,333,943
Short-term investments	**-**	4,082,422
Accounts receivable	**126,310**	364,489
Prepaid expenses	**12,988**	13,639
Property held for resale (Note 4)	**2,150,412**	1,474,003
Current portion of mortgages receivable (Note 5)	**1,745,000**	1,148,925
Current portion of loans receivable (Note 6)	**505,000**	315,285
	7,333,872	8,732,706
Mortgages receivable (Note 5)	**1,523,446**	1,112,717
Loans receivable (Note 6)	**1,755,106**	713,219
Capital assets (Note 8)	**2,159,054**	1,954,331
	$ 12,771,478	$ 12,512,973
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	**$ 75,577**	$ 99,128
Deferred grant revenue (Note 9)	**890,826**	373,436
	966,403	472,564
Commitments and contingencies (Note 10)		
NET ASSETS		
Invested in capital assets	**2,159,054**	1,954,331
General	**1,722,126**	1,669,566
Urban Development Bank	**7,923,895**	8,416,512
	11,805,075	12,040,409
	$ 12,771,478	$ 12,512,973

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	Invested in Capital Assets	General	Urban Development Bank	Total 2007	Total 2006
Balance, beginning of year	**$ 1,954,331**	**$ 1,669,566**	**$ 8,416,512**	**$ 12,040,409**	$ 12,231,174
Excess (deficiency) of revenue over expenditures for the year	**(67,596)**	**224,879**	**(392,617)**	**(235,334)**	(190,765)
Capital expenditures during the year	**272,319**	**(172,319)**	**(100,000)**	**-**	-
Balance, end of year	**$ 2,159,054**	**$ 1,722,126**	**$ 7,923,895**	**$ 11,805,075**	$ 12,040,409

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS

For the years ended December 31

	2007			2006
	General	Urban Development Bank	Total	Total
REVENUE				
Grants				
City of Winnipeg	**$ 250,000**	**$ -**	**$ 250,000**	$ 250,000
Designated grants	**-**	**122,693**	**122,693**	92,500
Interest	**478,761**	**-**	**478,761**	449,717
Investments (adjustment to market value)	**-**	**-**	**-**	(31,900)
Rental	**183,398**	**-**	**183,398**	190,817
Sale of properties	**-**	**20,000**	**20,000**	251,500
	912,159	**142,693**	**1,054,852**	1,202,634
EXPENDITURES				
Administration	**367,542**	**-**	**367,542**	342,793
Amortization	**67,596**	**-**	**67,596**	61,722
Bank charges and interest	**1,151**	**-**	**1,151**	1,322
Cost of properties	**-**	**192,575**	**192,575**	388,728
Grants paid out				
Designated revenues	**-**	**122,693**	**122,693**	92,500
General	**-**	**99,019**	**99,019**	142,030
Insurance	**9,040**	**-**	**9,040**	10,050
Office	**79,178**	**-**	**79,178**	53,618
Professional fees				
Contract management	**13,875**	**23,800**	**37,675**	95,176
IT and other	**20,797**	**-**	**20,797**	4,204
Legal and accounting	**31,652**	**29,604**	**61,256**	93,094
Marketing	**33,277**	**20,707**	**53,984**	32,929
Project development	**-**	**46,912**	**46,912**	16,963
Property rental	**15,900**	**-**	**15,900**	19,394
Public destinations	**114,868**	**-**	**114,868**	38,876
	754,876	**535,310**	**1,290,186**	1,393,399
EXCESS (DEFICIENCY) OF OF REVENUE OVER EXPENDITURES FOR THE YEAR	**$ 157,283**	**$ (392,617)**	**$ (235,334)**	$ (190,765)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the years ended December 31

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Deficiency of revenue over expenditures for year	**$ (235,334)**	$ (190,765)
Adjustment for amortization of capital assets	**67,596**	61,722
	(167,738)	(129,043)
Changes in non-cash working capital balances		
Short-term investments	**4,082,422**	2,903,236
Accounts receivable	**238,179**	(120,878)
Prepaid expenses	**651**	(3,693)
Property held for resale	**(676,409)**	(424,934)
Accounts payable and accrued liabilities	**(23,552)**	5,339
Deferred grant revenue	**517,390**	(92,500)
	4,138,681	2,266,570
	3,970,943	2,137,527
CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES		
Purchase of capital assets	**(272,319)**	(764,774)
Advances of mortgages receivable	**(1,508,562)**	(1,197,610)
Advances of loans receivable	**(962,919)**	(372,440)
Receipts from mortgages receivable	**55,722**	216,051
Receipts from loans receivable	**177,354**	82,387
	(2,510,724)	(2,036,386)
Increase in cash and cash equivalents during the year	**1,460,219**	101,141
Cash and cash equivalents, beginning of year	**1,333,943**	1,232,802
Cash and cash equivalents, end of year	**$ 2,794,162**	$ 1,333,943

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

December 31, 2007

Basis of Financial Presentation

The corporation records its financial transactions on the deferred fund accounting basis as follows:

General

General includes transactions related to general operations and administration of the corporation.

Urban Development Bank

The Urban Development Bank represents funds intended to enable CentreVenture Development Corporation to facilitate economic development initiatives with private and non-profit sectors and provide creative financing options to encourage downtown investment.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.

Revenue Recognition

CentreVenture Development Corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgages and agreements and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

Special Projects - Restricted Funding Arrangements

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by CentreVenture Development Corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were ongoing during the year:

Province of Manitoba:

North Main Economic Development Program Grant
The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

Special Projects - Restricted Funding Arrangements (continued)

City of Winnipeg:

Downtown Housing Strategy
The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

City of Winnipeg:

Gail Parvin Hammerquist
The purpose of these grants is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

Mortgages and Loans Receivable

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the income is received.

Allowance for Doubtful Loans

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income and is reduced by write-offs.

Financial Instruments

The corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The corporation's accounting policy for each applicable category is as follows:

Held-for-trading

This category is comprised of cash. It is carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

Financial Instruments (continued)

Loans and Receivables

This category is comprised of trade receivables, mortgage receivables and loan receivables. These assets are non-derivative financial assets resulting from the delivery of cash of other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities

Other financial liabilities are comprised of trade payables. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are netted against the amount initially recognized.

Capital Assets

Purchased capital assets are recorded at cost. Amortization is provided for on a straight-line basis in accordance with the following terms:

Buildings	25 years
Computer equipment	3 years
Furniture and fixtures	5 years

The acquisition costs of capital assets which are funded from capital financing sources are charged to operations and matched with the applicable revenue sources in the year of expenditure. Where capital is financed using prior year's equity, the cost will be charged to the related net asset balance. These expenditures are recorded as an addition to assets with a corresponding increase in Invested in Capital Assets.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

Income Tax

The corporation is exempt from income tax by virtue of p.149(1)(e) of the Income Tax Act. The corporation files annually an annual corporate tax return and a non-profit organization information return as required by the Canada Revenue Agency.

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. Nature and Purpose of the Corporation

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.

2. Adoption of CICA Section 3855

On January 1, 2007, the corporation retroactively adopted, without restatement of prior periods, CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3861 “Financial Instruments – Disclosure and Presentation” to establish standards for the recognition and measurement of financial assets and financial liabilities. Under these new standards, all financial instruments are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. CentreVenture Development Corporation determined the impact of the adoption of these new sections on the financial statements to be insignificant.

3. Fair Value of Financial Instruments

Cash Distributions

CICA Handbook Section 1540, Cash Flow Statements, has been amended to require additional disclosures where cash distributions are made in accordance with a contractual obligation for cash distributions. The revised requirements are effective for interim and annual financial statements for fiscal years ending on or after March 31, 2007. The corporation is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently assessing the impact of the new standard.

Financial Instruments – Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863 replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

3. Fair Value of Financial Instruments (continued)

Inventories

The CICA has issued Section 3031, Inventories, which provides guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard includes guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The corporation is currently assessing the impact of the new standard on property held for sale.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The corporation does not expect the adoption of these changes to have a material impact on its financial statements.

International Financial Reporting Standards

The CICA plans to converge Canadian generally accepted accounting policies with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the corporation’s financial statements has yet to be determined.

4. Property Held for Resale

Under the asset agreement between CentreVenture Development Corporation and the City of Winnipeg, CentreVenture Development Corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar or a maximum of three years back property taxes. Any properties obtained under either of these options are recorded at the consideration price.

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost. Property held for resale at year end consists of the following:

	2007	2006
Property for sale	**$ 1,916,570**	$ 1,474,003
Property development costs	**233,842**	-
	$ 2,150,412	$ 1,474,003

5. Mortgages Receivable

	2007	2006
Mortgages receivable	**$ 3,299,231**	$ 2,305,744
Accrued interest receivable	**19,215**	5,898
Allowance for doubtful loans	**(50,000)**	(50,000)
	3,268,446	2,261,642
Current portion of mortgages receivable	**1,745,000**	1,148,925
	$ 1,523,446	$ 1,112,717

Mortgages receivable on various properties in downtown Winnipeg with terms ranging from demand to maturity of 5 years, monthly instalments applied to interest first, compounded semi-annually not in advance, and secured by recourse to the related underlying property, personal and corporate guarantees, and other forms of security. Interest rates charged for CentreVenture Development Corporation mortgages range from 5.25% to 8.0% and are both fixed and variable in reference to the bank's prime rate of lending at the time of loan disbursement.

During the current year, mortgages receivable totaling $446,036 were reclassified as loans receivable to reflect the completion of project construction and assignment of tax credits by the client to CentreVenture Development Corporation.

Loan principal receipts are expected as follows:

	2007	2006
2007	**$ -**	$ 1,148,925
2008	**1,745,000**	412,324
2009	**754,017**	13,863
Subsequent to 2009	**-**	730,632
2010	**232,139**	-
Subsequent to 2010	**568,075**	-
Accrued interest	**19,215**	5,898
	3,318,446	2,311,642
Allowance	**(50,000)**	(50,000)
	$ 3,268,446	$ 2,261,642

6. Loans Receivable

	2007	2006
Loans receivable	**$ 2,348,220**	$ 1,124,159
Accrued interest receivable	**11,886**	4,345
Allowance for doubtful loans	**(100,000)**	(100,000)
	2,260,106	1,028,504
Current portion of loans receivable	**505,000**	315,285
	$ 1,755,106	$ 713,219

Loans receivable from various borrowers have a maximum term to maturity of 10 years, payable in monthly interest instalments plus annual principal payment, and secured by an assignment of Heritage Tax Credits or other forms of security. Interest rates charged, ranging from 4.75% to 8.0%, are both fixed and variable in reference to the bank's prime rate of lending at the time of loan disbursement.

Loan principal receipts are expected as follows:

	2007	2006
2007	**$ -**	$ 315,285
2008	**505,000**	315,285
2009	**425,000**	315,285
Subsequent to 2009	**-**	178,304
2010	**425,000**	-
Subsequent to 2010	**993,220**	-
Accrued interest	**11,886**	4,345
	2,360,106	1,128,504
Allowance	**(100,000)**	(100,000)
	$ 2,260,106	$ 1,028,504

7. Fair Value of Financial Instruments

The carrying amount of the corporation's financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

8. Capital Assets

	2007		2006	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Land	**$ 864,774**	**$ -**	$ 764,774	$ -
Building	**1,485,000**	**356,400**	1,485,000	297,000
Computer equipment	**60,211**	**52,789**	49,077	48,348
Furniture and fixtures	**25,352**	**11,647**	8,720	7,892
Leasehold improvements	**144,553**	**-**	-	-
	$ 2,579,890	**$ 420,836**	$ 2,307,571	$ 353,240
Net book value	**$ 2,159,054**		$ 1,954,331	

Building with an original cost of $2,999,327 was written down in 2003 to recognize a permanent impairment in value.

During 2007, CentreVenture Development Corporation changed its location to 492 Main Street and has incurred leasehold costs to the year end amounting to $144,553, which have not been amortized in the current year.

9. Deferred Grant Revenue

Deferred grant revenue represents externally restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for externally restricted projects during the year is as follows:

	2007	2006
Downtown Housing Strategy	**$ 30,767**	$ 49,990
Gail Parvin Hammerquist 2003	**18,836**	30,846
Gail Parvin Hammerquist 2004	**198,540**	290,000
Gail Parvin Hammerquist 2005	**35,544**	-
Gail Parvin Hammerquist 2006/2007	**604,539**	-
North Main Economic Development Program Grant	**2,600**	2,600
	$ 890,826	$ 373,436

10. Commitments and Contingencies

CentreVenture Development Corporation has made commitments for grants that had not been disbursed by the December 31, 2007 year end in the approximate amount of $790,772 (2006 - $603,313).

CentreVenture Development Corporation has made commitments for loans that had not been disbursed by the December 31, 2007 year end in the approximate amount of $868,801 (2006 - $1,403,810).

CentreVenture Development Corporation has made commitments for property development and property purchases with the maximum amount committed to be $1,081,262 (2006 - $419,435) pending the recipient's ability to meet the requirements of the agreement.

11. Related Party Transactions

The following table summarizes CentreVenture Development Corporation's related party transactions for the year:

	2007	2006
REVENUE		
City of Winnipeg (parent) - Operating grant	**$ 250,000**	$ 250,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
City of Winnipeg (parent) - Property taxes	**40,334**	39,209
City of Winnipeg (parent) - Property purchases	**1**	14,517
OTHER		
City of Winnipeg (parent) - Assigned Heritage Tax Credits for loans repayment	**155,714**	99,016

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties).

12. Comparative Figures

Certain of the comparative figures for the year ended December 31, 2006 have been reclassified to provide better comparison with the current year's presentation.



WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
BALANCE SHEET

As at December 31, 2007, with comparative figures for 2006

	2007	2006
ASSETS		
Current Assets:		
Cash	**$ 33,824**	$ 5,149
Term Deposits	**1,700,000**	1,212,000
Grant and Other Receivable	**7,621**	477,066
Goods and Services Tax Rebate	**8,224**	7,482
Accrued Interest	**745**	38,507
Prepaid Expenses	**3,542**	1,826
	1,753,956	1,742,030
Administrative Capital Assets, at cost		
Advance on New Space Construction (Note 3)	**-**	62,653
Leasehold Improvements (Note 3)	**101,886**	-
Furnishings and Equipment	**25,611**	-
Computer Hardware	**20,516**	19,428
Telephone Hardware	**6,574**	5,347
	154,587	87,428
Less: Accumulated Amortization (Note 4)	**(18,684)**	(2,762)
	135,903	84,666
	$ 1,889,859	$ 1,826,696
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	**$ 15,226**	$ 48,995
Grant Holdbacks (Note 5)	**357,456**	572,989
Public Art Fund (Note 6)	**1,129,593**	889,635
	1,502,275	1,511,619
NET ASSETS		
Invested in Administrative Capital Assets	**135,902**	84,666
Internally Restricted for Cash Flow Assistance (Note 7)	**100,000**	100,000
Internally Restricted for Municipal Arts and Culture Development (Note 8)	**60,615**	42,821
Internally Restricted for Future Programs	**72,667**	47,590
Internally Restricted for Future Youth Arts Initiatives	**18,400**	-
Internally Restricted for Future Administrative Capital Asset Acquisitions	**-**	40,000
Unrestricted Net Assets	**-**	-
	387,584	315,077
	$ 1,889,859	$ 1,826,696

WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
STATEMENT OF NET RESULT AND CHANGES IN NET ASSETS

For the year ended December 31, 2007, with comparative figures for 2006

	2007	2006
REVENUES:		
Grants from the City of Winnipeg	**$ 4,174,551**	$ 3,924,552
Interest Income	**35,752**	42,221
Other Income	**4,927**	2,110
	4,215,230	3,968,883
GRANTS AWARDED AND DIRECT EXPENSES THEREOF:		
Operating Grants	**2,905,000**	2,671,400
Individual Artists Grants (Note 5)	**235,643**	105,000
Project Grants (Note 5)	**200,000**	133,775
Downtown Festivals Grants (Note 5)	**186,000**	186,000
New Creations Grants (Note 5)	**113,485**	341,862
Professional Development Grants	**85,000**	62,343
Youth Arts Initiative Grants (Note 5)	**52,000**	64,939
Carol Shields Winnipeg Book Award	**3,750**	3,750
Jury Honoraria and Expenses	**18,119**	15,070
Translation Services	**8,970**	10,231
	3,807,967	3,594,370
ADMINISTRATIVE EXPENSES:		
Salaries and Benefits	**199,024**	128,475
Supplies and Other Office Expenses	**28,956**	16,304
Office Rent and Amortization of Leaseholds	**26,240**	9,758
Hospitality and Promotion	**16,282**	10,507
Professional and Consultants Fees	**12,661**	28,796
Professional Development, Memberships, and Conferences	**10,088**	11,498
Telecommunications	**4,617**	3,351
Board and Committee Meetings	**4,680**	3,190
Executive Search	**-**	31,180
	302,548	243,059
	4,110,515	3,837,429
EXCESS OF REVENUES OVER AWARDS AND EXPENSES FOR THE YEAR	**104,715**	131,454

WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
STATEMENT OF NET RESULT AND CHANGES IN NET ASSETS (continued)
For the year ended December 31, 2007, with comparative figures for 2006

			2007	2006
NON-RECURRING GRANTS				
Supplemental Operating Grants			**-**	(130,100)
Supplemental Project Grants			**-**	(34,000)
Supplemental Individual Artists Grants			**-**	(20,000)
			-	(184,100)
NET RESULT AFTER SUPPLEMENTAL GRANTS			**104,715**	(52,646)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR			**-**	214,840
Excess (Deficiency) of Revenues over Expenses for the Year	**$**	**104,715**		(52,646)
Add Back: Amortization of Administrative Capital Assets		**15,922**	**120,637**	2,762
			120,637	164,956
Internally Restricted for Municipal Arts and Culture Development			**(50,000)**	-
Internally Restricted for Future Programs			**(25,077)**	(47,590)
Internally Restricted for Future Youth Arts Initiatives			**(18,400)**	-
Internally Restricted for Capital Assets			**-**	(40,000)
			27,160	77,366
Invested in Administrative Capital Assets:				
Leasehold Improvements		**(101,886)**		
Less: Construction Advance Applied		**62,653**		
Furnishings and equipment		**(25,611)**		
Computer Hardware		**(1,089)**		
Telephone Hardware		**(1,227)**		
Less: Reserve for Future Administrative Capital Assets Applied		**40,000**	**(27,160)**	(77,366)
UNRESTRICTED NET ASSETS, END OF YEAR			**$ -**	$ -

WINNIPEG ARTS COUNCIL INC.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2007

1. Purpose of the Organization:

Winnipeg Arts Council Inc. funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

2. Financial Dependency:

Winnipeg Arts Council Inc. is financially dependent upon an annual allocation from the City of Winnipeg.

3. Construction Advances and Leasehold Improvements:

The Council entered into contracts to renovate office space in rental premises for the purpose of a new administrative centre. This project was completed in 2007 after a total expenditure of $101,886. These improvements to the leased premises are being charged to administrative expenses over the life of the lease. In 2007 $6,205 of this expense was included in administrative rental costs.

4. Amortization of Fixed Assets:

The Computer Hardware is being written off over three years from the month of the acquisition of each item. The Telephone Hardware is being written off over five years from the month of the acquisition of this system. The Furnishings and Office Equipment is being written off over ten years from the month of the acquisition of each item. In the current year $9,716 (2006 - $2,762) of these write-offs was included in administrative expenses.

5. Grant Holdbacks:

The Council has a policy of holding back a proportion of grants awarded in a year until certain completion criteria have been satisfied. Furthermore, some awards will be disbursed according to a cash-flow schedule developed with the agreement of the client organizations. Accordingly, this account represents those award balances which will be disbursed in the future according to those guidelines.

The composition of these holdbacks according to award category is as follows:

New Creations	$ 142,512
Project Grants	46,687
Downtown Festivals	15,450
Individual Artist Grants	100,807
Youth Arts Initiative	70,400
	$ 375,856

6. Public Art Fund:

Winnipeg Arts Council Inc. maintains a separate fund for the financing of the design and execution of particular artworks to be created in public areas of the city. This fund is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendations of juries selected by the Council.

The commissioning and installation of public art projects is a multi-year process. At the year-end, the following unexpended balances remain from the original financial commitments made by the City of Winnipeg.

6. Public Art Fund (continued):

	Unexpended Commitment
Artwork for a Major Street	$ 197,000
Transit Project	157,224
Community Arts Projects	104,164
Maison des Artists	114,800
Bishop Grandin Greenway	97,500
St. Boniface Museum	41,200
Public Archives	20,281
Assiniboine Park	46,926
Playground Project	42,000
Redwood Bridge	122,237
Public Education Program	15,216
Private/Public Collaboration	64,400
BIZ Collaboration	9,252
Public Art Projects in Process	1,032,200
Reserved for Public Art Development	97,393
Total Fund Balance	$ 1,129,593

The City of Winnipeg in 2007 allocated $464,200 towards the support of both existing and new projects for public art.

7. Cash Flow Assistance Reserve:

This allocation was made in order to provide cash-flow assistance to client organizations until such time as operating grants for their use have been received by Winnipeg Arts Council Inc. from the City of Winnipeg.

8. Municipal Arts and Culture Development Reserve:

This allocation was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg. In 2007 $33,661 was expended on a major promotional event and on cultural mapping.

9. Lease Commitment:

Winnipeg Arts Council Inc. has entered into a lease agreement at an annual cost of $35,464 until March of the year 2012, after which this amount will be subject to an escalation until the year 2017, at which time the lease expires.

10. Provision for Income Taxes:

Winnipeg Arts Council Inc. was incorporated as a Not-for-Profit Organization and, as such, no provision has been made in these financial statements for income taxes.

11. Directors' Remuneration:

Winnipeg Arts Council Inc. is governed by a volunteer board of directors, who receive no remuneration for their services.

WINNIPEG ARTS COUNCIL INC.

SCHEDULE OF CONTINUITY OF THE PUBLIC ART FUND

For the year ended December 31, 2007, with comparative figures for 2006

	2007	2006
UNEXPENDED FUND BALANCE, BEGINNING of the YEAR	**$ 889,635**	$ 555,898
INCREASE IN FUND BALANCE:		
Grants from the City of Winnipeg	**464,200**	471,100
Interest Income	**21,168**	19,154
	485,368	490,254
DECREASE IN FUND BALANCE:		
Artists' Fees	**140,583**	67,600
Jury Honoraria and Expenses	**10,832**	3,863
Artists' Proposal Honoraria	**10,162**	-
Artist Legal Agreements	**4,380**	13,609
Public Art Promotion	**3,599**	2,364
Candidates' Interview Expenses	**2,277**	-
Public Art Workshop for Artists	**-**	783
Administration	**73,577**	68,298
	245,410	156,517
NET INCREASE for the YEAR	**239,958**	333,737
UNEXPENDED FUND BALANCE, END of the YEAR	**$ 1,129,593**	$ 889,635

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

As at December 31, 2007

	2007	2006
ASSETS		
Current		
Cash (Note 3)	**$ 3,299**	$ 15,261
Guaranteed investment certificates (Note 4)	**15,000**	20,000
Prepaid expenses	**396**	1,042
	$ 18,695	$ 36,303
LIABILITIES		
Current		
Accounts payable		
Regular	**$ 390**	$ 505
Library Advisory Committees (Note 5)	**534**	1,199
	924	1,704
NET ASSETS	**17,771**	34,599
	$ 18,695	$ 36,303

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS AND NET ASSETS

For the year ended December 31

	2007	2006
REVENUES		
City of Winnipeg operating grant	**$ 68,128**	$ 36,792
Interest	**613**	511
	68,741	37,303
EXPENSES		
Administrative	**35,894**	40,894
Development and research	**23,888**	10,089
Donation - Baby Grand Piano	**1,500**	-
Sponsorship	**6,298**	7,990
Promotion, advertising and community outreach	**7,989**	8,272
Foundation donation	**10,000**	5,000
	85,569	72,245
Excess (deficiency) of revenues over expenditures	**(16,828)**	(34,942)
Net assets, beginning of year	**34,599**	69,541
Net assets, end of year	**$ 17,771**	$ 34,599

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. Purpose and organization

The Winnipeg Library Board (the Board) was organized to provide the City of Winnipeg with the guidance with respect to improving the City's library system.

The Board was created by a by-law of the City of Winnipeg. As a not-for-profit organization, the Winnipeg Public Library Board is a tax-exempt organization under the provisions of the Income Tax Act.

2. Summary of Significant Accounting Policies

Investments:

The company follows the cost method of accounting for its investments.

3. Cash

	2007	2006
Bank	**$ 3,139**	$ 15,089
Petty Cash		
Treasurer	**17**	17
Executive Assistant	**143**	155
	$ 3,299	$ 15,261

4. Investments

	2007	2006
RBC GIC #0006 variable interest rate paid semi-annually maturing October 31, 2008	**$ 10,000**	$ 15,000
RBC non redeemable GIC #0001, 2.150% rate of interest paid at maturity on December 31, 2007, reinvested by bank without consent of the board. Amount withdrawn from investment on January 10, 2008 and deposited into current account	**5,000**	5,000
	$ 15,000	$ 20,000

5. Library Advisory Committees

	2007	2006
Trust Funds		
Assiniboia	**$ 119**	$ 319
City Centre	**-**	168
EK-Transcona	**-**	81
LS/WK	**390**	390
Riel	**25**	241
	$ 534	$ 1,199

6. Statement of Cash Flows

A statement of cash flows has not been prepared as the cash flows are evident from the statement of financial position and the statement of operations and net assets.



THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

His Worship the Mayor
and Members of the Council
of the City of Winnipeg

Ladies and Gentlemen:

Pursuant to the requirements of The City of Winnipeg Charter, the Sinking Fund Trustees submit the 2007 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported net income of $1,387,000 for the year ended December 31, 2007.

The Trustees appropriated $900,000 of the accumulated surplus towards levy commutations, leaving a balance of surplus in the amount of $1,091,000 as at December 31, 2007.

The rates of interest earned by the Fund for the years 1998 to 2007 are shown below:

1998.....7.07%	2003.....6.02%
1999.....7.10%	2004.....6.27%
2000.....7.43%	2005.....5.55%
2001.....6.91%	2006.....5.41%
2002.....6.61%	2007.....5.46%

Changes in the sinking fund reserve during 2007 are summarized as follows. The total reserve for retirement of debenture debt increased to $378,090,000 as at December 31, 2007 (2006 - $356,369,000) of which $131,500,000 represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

Sinking funds are invested in securities with maturities which closely match the current position of related reserves.

Respectfully submitted,

J. S. McCALLUM
Chairman

G. V. STESKI
Trustee

A. S. PENMAN
Trustee

J. L. FERRIER
Trustee

L. J. DERRY
Secretary

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007	2006
ASSETS		
Investment in bonds and debentures (Schedule 1 and Note 7)	**$ 347,082**	$ 334,318
Call loans - City of Winnipeg (Note 3)	**31,552**	22,036
Accrued interest receivable	**4,191**	4,067
Cash	**5**	2
	$ 382,830	$ 360,423
LIABILITIES, RESERVE AND SURPLUS		
Accounts payable - City of Winnipeg	**$ 900**	$ 700
Accrued interest payable (Note 5)	**2,734**	2,736
Accrued liabilities	**15**	14
	3,649	3,450
Reserve for retirement of debenture debt (Note 6)	**378,090**	356,369
Surplus	**1,091**	604
	$ 382,830	$ 360,423

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF INCOME

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

	2007	2006
Interest income (Schedule 2)	**$ 22,573**	$ 21,344
Interest requirements - debenture debt reserves	**(11,513)**	(10,348)
Interest requirements - Manitoba Hydro bonds (Note 5)	**(9,558)**	(9,726)
Excess of interest earned over requirements	**1,502**	1,270
Administration expenses	**115**	118
Net income for the year	**$ 1,387**	$ 1,152

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF SURPLUS

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

	2007	2006
Balance, beginning of year	**$ 604**	$ 152
Add:		
Net income for the year	**1,387**	1,152
	1,991	1,304
Deduct:		
Appropriations for City of Winnipeg - provision for levies	**900**	700
Balance, end of year	**$ 1,091**	$ 604

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG

STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

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

	2007	2006
Balance, beginning of year	**$ 356,369**	$ 334,568
Add:		
Installments - City of Winnipeg	**12,958**	12,958
Interest credited - debenture debt reserves	**11,513**	10,348
	380,840	357,874
Deduct:		
Applied to debt redemption (Note 6)	**2,750**	1,505
Balance, end of year	**$ 378,090**	$ 356,369

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2007
(in thousands of dollars)

1. Status of The Sinking Fund Trustees of The City of Winnipeg

The Sinking Fund Trustees of The City of Winnipeg (the "Fund") was established as a body corporate by subsection 314(1) of The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba ("the province"). The City of Winnipeg Act was repealed by the province effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the province. Under section 520 of The City of Winnipeg Charter, The Sinking Fund Trustees continues to have the same rights and obligations as outlined under the former City of Winnipeg Act for Sinking Fund debentures issued prior to December 31, 2002 and any future refinancing of these debentures.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

a) Bonds and debentures

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

b) Bond residues and coupons

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

c) Statement of cash flows

A statement of cash flows has not been prepared as its presentation would not provide additional information.

d) Use of estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

3. Call loans - City of Winnipeg

Call loans represent short-term investments with The City of Winnipeg which are callable by the Fund upon one business day notice. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

4. Interest Rate and Credit Risk

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2007 was 5.46% (2006 - 5.41%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2007 are as follows:

Term To Maturity	Par Value	Book Value
Two to five years	$ 118,881	$ 113,460
Greater than five years	234,098	233,622
	$ 352,979	$ 347,082

b) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2007 the Fund's maximum credit risk exposure at fair market value was $390,509.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

5. Purchase of Winnipeg Hydro by Manitoba Hydro

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the Asset Purchase Agreement between The City of Winnipeg and Manitoba Hydro and The Purchase of Winnipeg Hydro Act, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to:

a) Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity.

The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2007 amounted to $131,500 (2006 - $134,250).

b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

6. Reserve for Retirement of Debenture Debt

Amounts applied to debt redemption on the statement for retirement of debenture debt are as follows:

	Principal		
	Hydro Portion	Other Purposes	Total
Serial Debt:			
By-laws 7054/97	$ 2,750	$ -	$ 2,750

As at December 31, 2007 the reserve for retirement of debenture debt is allocated as follows:

	Hydro Portion	Other Purposes	Total
Sinking Fund Debt	$ 131,500	$ 246,590	$ 378,090

As at December 31, 2007, the reserve for retirement of debenture debt includes $131,500 (2006 - $131,500) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

7. Change in Accounting Policy

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants Handbook Section 3855 Financial Instruments - Recognition and Measurement and Section 3861 Financial Instruments - Disclosure and Presentation and, as a result, now measures and presents its call loans at fair value. In accordance with the transitional provisions of Section 3855, recognition, derecognition and measurement policies followed in financial statements for periods prior to the effective date of this Section are not reversed. Therefore, the new accounting policy was applied at January 1, 2007 and the 2006 comparative financial statements were not restated. The implementation of the change in accounting policy did not affect the carrying value of the call loans at January 1, 2007.

Investments in bonds and debentures are classified as held-to-maturity investments as defined under Section 3855 and, as a result, continue to be measured and presented at amortized cost.

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 1

SCHEDULE OF INVESTMENTS

As at December 31
(in thousands of dollars)

	2007					2006	
	Par Value	**Market Value**	**%**	**Book Value**	**%**	Book Value	%
Investment in bonds and debentures							
Government of Canada and Government of Canada guaranteed	**$ 28,000**	**$ 28,735**	**8**	**$ 27,896**	**8**	$ 27,819	8
Provincial and Provincial guaranteed (Notes 5 and 6)	**211,514**	**214,013**	**60**	**211,360**	**61**	201,343	61
Municipal	**57,581**	**58,407**	**16**	**57,458**	**17**	57,441	17
City of Winnipeg	**6,013**	**6,695**	**2**	**5,844**	**2**	5,786	2
Supranationals	**7,000**	**7,061**	**2**	**7,076**	**2**	7,085	2
	$ 310,108	**314,911**	**88**	**309,634**	**90**	299,474	90
Bond residues and coupons							
Government of Canada		**19,793**	**6**	**18,173**	**5**	16,804	5
Provincial		**20,062**	**6**	**19,275**	**5**	18,040	5
		$ 354,766	**100**	**$ 347,082**	**100**	$ 334,318	100

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	2007	2006
Interest on bonds and debentures	**$ 18,588**	$ 18,085
Income accrued - bond residues and coupons	**2,604**	2,422
Call fund interest	**1,205**	612
Net bond discount amortization	**135**	186
Securities lending income	**41**	39
	$ 22,573	$ 21,344

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007
ASSETS	
Investment in bonds and debentures (Schedule 1)	**$ 963**
Call loans - General Revenue Fund	**26**
Accrued interest receivable	**10**
Due from General Revenue Fund (Note 3)	**4**
	$ 1,003
RESERVE	
Reserve for retirement of debenture debt	**$ 1,003**

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SINKING FUND

STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

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

	2007
Balance, beginning of year	**$ -**
Add:	
Installments - Waterworks System	**984**
Interest income (Schedule 2)	**21**
	1,005
Deduct:	
Administration expenses	**2**
Balance, end of year	**$ 1,003**

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
SINKING FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(in thousands of dollars)

1. Status of The City of Winnipeg Sinking Fund

The City of Winnipeg Act was repealed by the Province of Manitoba ("province") effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the province. Under the new charter the Public Service became responsible for managing the sinking funds of any sinking fund debenture issued after January 1, 2003.

2. Significant Accounting Policies

These financial statements have been prepared using the accrual basis of accounting and include the the following significant accounting policies:

a) Bonds and debentures

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

b) Bond residues and coupons

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

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2%.

4. Interest Rate and Credit Risk

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2007 was 4.5%.

4. Interest Rate and Credit Risk (continued)

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2007 are as follows:

Term To Maturity	Par Value	Book Value
Greater than five years	$ 872	$ 963

b) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2007 the Fund's maximum credit risk exposure at fair market value was $1,046 thousand.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy adopted by City Council.

THE CITY OF WINNIPEG
SINKING FUND

Schedule 1

SCHEDULE OF INVESTMENT

As at December 31
(in thousands of dollars)

	2007				
	Par Value	**Market Value**	**%**	**Book Value**	**%**
Investment in bonds and debentures					
Provincial and Provincial guaranteed	**$ 872**	**$ 1,010**	**100**	**$ 963**	**100**

THE CITY OF WINNIPEG
SINKING FUND

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	2007
Interest on bonds and debentures	$ 15
Call fund interest	6
	$ 21

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31,2007

	2007	2006
ASSETS		
CURRENT		
Cash	**$ 371,628**	$ 557,178
Short term investments (Note 2)		
(Market value $9,133,085; 2006 - $1,395,500)	**9,042,367**	1,395,500
Accounts receivable	**725,627**	850,648
Inventory (Note 2)	**5,445**	8,927
Prepaid expenses	**497,851**	370,910
Current portion of loans receivable (Note 3)	**10,438**	9,783
	10,653,356	3,192,946
LOANS RECEIVABLE (Note 3)	**199,635**	191,358
CAPITAL ASSETS (Note 2, 4)	**20,222,893**	22,624,184
INVESTMENTS IN PROPERTIES		
AND INFRASTRUCTURE ENHANCEMENTS (Note 6)	**59,361,270**	66,323,131
DEFERRED CHARGES (Note 2)	**312,500**	362,500
	$ 90,749,654	$ 92,694,119
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	**$ 1,821,042**	$ 1,763,706
Accrual for unsettled land expropriation claims (Note 7)	**1,500,000**	1,500,000
Loan payable (Note 1)	**1,711,636**	1,711,636
Current portion of obligations under capital lease (Note 2, 10)	**297,718**	256,312
	5,330,396	5,231,654
PREPAID LAND RENTS (Note 2)	**663,900**	671,987
OBLIGATIONS UNDER CAPITAL LEASE (Note 2, 10)	**793,027**	1,100,876
DEFERRED CONTRIBUTIONS (Note 1, 2)	**24,780,479**	26,463,114
	31,567,802	33,467,631
NET ASSETS		
Share capital (Note 11)	**3**	3
Contributed surplus (Note 1)	**39,310,266**	39,310,266
Donated land equity (Note 2, 9)	**8,000,000**	8,000,000
Net assets	**11,871,583**	11,916,219
	59,181,852	59,226,488
	$ 90,749,654	$ 92,694,119

CONTINGENT LIABILITY (Note 14)

COMMITMENTS (Note 15)

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURES AND NET ASSETS

Year ended March 31, 2007

	2007	2006
REVENUE FROM OPERATIONS		
Rental	**$ 383,208**	$ 487,070
Parking	**3,917,150**	3,771,144
Theatre	**1,122,362**	857,606
The Forks Market	**1,711,306**	1,716,494
Public amenities recoveries	**171,294**	178,606
Lease and land rents	**1,448,052**	1,657,506
Events	**80,018**	53,304
Sponsorship	**308,172**	204,717
Interest income	**239,211**	65,366
Miscellaneous	**46,664**	16,328
	9,427,437	9,008,141
EXPENSES		
Forks Market	**1,591,432**	1,614,021
General and administration	**1,037,754**	1,033,078
Marketing	**520,760**	481,495
Parking	**1,731,093**	1,722,789
Planning and development	**412,803**	297,381
Program and events	**411,269**	329,052
Public amenities	**1,061,473**	910,279
Rental	**277,225**	343,747
Sponsorship	**113,584**	96,897
Theatre	**1,465,169**	1,211,373
	8,622,562	8,040,112
OPERATING INCOME	**804,875**	968,029
Depreciation and amortization (Note 12)	**(1,626,166)**	(1,476,563)
Gain on disposal of assets	**776,655**	-
	(849,511)	(1,476,563)
DEFICIENCY OF REVENUE OVER EXPENDITURES	**(44,636)**	(508,534)
NET ASSETS - BEGINNING OF YEAR	**11,916,219**	12,424,753
NET ASSETS - END OF YEAR	**$ 11,871,583**	$ 11,916,219

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2007

	2007	2006
OPERATING ACTIVITIES		
Cash receipts from customers and sponsors	**$ 9,315,636**	$ 8,592,075
Cash paid to suppliers and employees	**(8,578,754)**	(8,155,426)
Interest received	**239,211**	65,366
Interest paid	**(70,405)**	(17,986)
Cash flow from operating activities	**905,688**	484,029
INVESTING ACTIVITIES		
Purchase of capital assets	**(1,659,959)**	(3,237,090)
Proceeds on disposal of capital assets	**8,192,320**	-
Loan receivable issued	**(31,990)**	-
Repayment of loan receivable	**23,057**	6,956
Cash flow from (used by) investing activities	**6,523,428**	(3,230,134)
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	**(266,443)**	(13,777)
Receipt of deferred contributions	**298,644**	1,863,156
Cash flow from financing activities	**32,201**	1,849,379
INCREASE (DECREASE) IN CASH FLOW	**7,461,317**	(896,726)
CASH - BEGINNING OF YEAR	**1,952,678**	2,849,404
CASH - END OF YEAR	**$ 9,413,995**	$ 1,952,678
CASH CONSISTS OF:		
Cash	**$ 371,628**	$ 557,178
Short term investments	**9,042,367**	1,395,500
	$ 9,413,995	$ 1,952,678

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

1. Description of Business

The mission of North Portage Development Corporation (the "Corporation" or "NPDC") is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. The Corporation is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks.

The merger of the operations of The Forks Renewal Corporation ("FRC") and the North Portage Development Corporation in 1994, established one management structure to oversee development and operations at the two sites. Since the time of implementation of the Initial Concept and Financial Plans for the North Portage site (1984) and The Forks (1987), the Corporation has carried out its mandate through a mixed use approach to renewal activities, resulting in a diverse mix of developments and uses to bring people downtown.

North Portage Theatre Corporation, ("NPTC") a subsidiary of NPDC, owns and operates an Imax theatre within the Portage Place Retail Complex.

The company is exempt from income tax.

(a) North Portage Development Corporation

NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg. Funding provided by the shareholders, as noted below, was utilized to acquire capital assets.

The funding has been allocated as follows:

The Government of Canada's Special Capital Recovery Projects Program	$ 22,000,000
The Province of Manitoba	22,000,000
The City of Winnipeg	22,000,000
Winnipeg Core Area Initiative - Program 7	5,000,000
	$ 71,000,000

The funding has been allocated as follows:

	2007	2006
Deferred contributions	**$ 14,014,927**	$ 14,831,478
Amortization of deferred contributions recognized in income	**18,220,501**	17,403,950
Contributed surplus	**37,052,933**	37,052,933
Applied to operations	**1,711,639**	1,711,639
	$ 71,000,000	$ 71,000,000

1. Description of Business (continued)

(b) The Forks Renewal Corporation

FRC has received its funding from the following sources:

	2007 (cumulative)	2006 (cumulative)
Nature Conservancy	**$ 226,005**	$ 226,005
Winnipeg Core Area Initiative - I		
Program 8.2	**657,000**	657,000
Winnipeg Core Area Initiative - II		
Program 3	**20,000,000**	20,000,000
Program 5.7	**5,000,000**	5,000,000
The Canada - Manitoba Tourism Development Agreement	**1,250,000**	1,250,000
The Western Diversification Program	**2,914,816**	2,914,816
Equivalency contribution - Canada	**4,000,000**	4,000,000
Equivalency contribution - Province of Manitoba	**5,000,000**	5,000,000
Equivalency contribution - The City of Winnipeg	**6,736,946**	6,736,946
Winnipeg Core Initiative - Public Amenity	**931,000**	931,000
Canada - Manitoba Infrastructure Works Program	**2,020,011**	2,020,011
Province of Manitoba WDA		
Program 12 Riverbank Development	**363,268**	363,268
The City of Winnipeg WDA		
Program 12 Riverbank Development	**159,764**	159,764
The Canada - Manitoba Economic Development		
Partnership Program	**598,527**	598,527
The Forks Foundation Inc.	**1,427,143**	1,336,854
CentreVenture Development Corporation	**510,696**	334,847
The Winnipeg Foundation	**150,000**	142,494
Energy Development Initiative	**25,000**	-
	$ 51,970,176	$ 51,671,532
The funding has been allocated as follows:		
Deferred contributions	**$ 10,765,552**	$ 11,631,636
Amortization of deferred contributions recognized in income	**23,219,784**	22,055,056
Contributed surplus	**2,257,333**	2,257,333
Applied to operations	**15,727,507**	15,727,507
	$ 51,970,176	$ 51,671,532

During 2007, FRC received funding of $25,000 in support of various components of the Met Tower, $266,138 in support of various components of the Skate Board Park and $7,506 in support of various components of the Peace Meeting Site.

1. Description of Business (continued)

(c) North Portage Theatre Corporation

NPTC includes the accounts of 3898211 Manitoba Ltd. Funding of NPTC was provided as follows:

	2007	2006
Repayable loan - Manitoba Development Corporation	**$ 1,800,000**	$ 1,800,000
Contributions from shareholders		
North Portage Development Corporation	**1,800,000**	1,800,000
North Portage Development Corporation Development Agreement	**3,900,000**	3,900,000
	$ 7,500,000	$ 7,500,000

The repayable loan is non-interest bearing until demand at which time it will bear interest at 10% per annum. The loan payable to the Manitoba Development Corporation is secured by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the Imax Theatre at Portage Place and film rental revenue. Cumulative repayments to date have been $88,364. At March 31, 2007 no demand had been made.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The consolidated financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Short term investments

Short term investments are stated at cost, or at cost less amounts written off to reflect a decline in value which is other than temporary. The reported market value is based on year-end quoted market prices, which represent the fair value.

Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

2. Summary of Significant Accounting Policies (continued)

Capital assets

Capital assets are recorded at cost. Depreciation and is calculated at the following rates based on the estimated useful lives of the assets:

Office equipment	20% declining balance method
Computers	30% declining balance method
Parking equipment (NPDC)	30% declining balance method
Parking improvements and equipment (FNP)	5-10 years straight-line method
Rental buildings	10-20 years straight-line method
Plaza and pavilion furniture and equipment	20%-30% declining balance method
Leasehold improvements	10 years straight-line method
3D projector - capital lease	10 years straight-line method
Theatre equipment	5-10 years straight-line method
The Forks site:	
Building	40 years straight-line method
Parking structure	40 years straight-line method
Roads and services	20 years straight-line method
Parks and plaza	20 years straight-line method
Tenant allowances and pre-opening costs	5 years straight-line method
Furniture and equipment	20%-30% declining balance method
Equipment under capital lease	5 years straight-line method
North Portage properties and infrastructure enhancements:	
Site servicing costs and infrastructure enhancements	20-40 years straight-line method
Land carrying costs and development projects	10 years straight-line method
The Forks infrastructure enhancements:	
Land carrying costs	10 years straight-line method
Development projects	10 years straight-line method
Site servicing	20 years straight-line method
Infrastructure enhancements	10-20 years straight-line method

Donated land

Donated land was recorded at fair market value as approved by the Board of Directors of FRC in 1989.

Deferred charges

Deferred charges relate to a prepayment of rent for a 10 year lease of a building for redevelopment purposes. The deferred charges are being amortized over 10 years.

Deferred contributions

Contributions utilized to acquire capital assets are deferred and amortized to income on the same basis as the related capital asset.

2. Summary of Significant Accounting Policies (continued)

Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the term of the related leases of 75 to 99 years.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the NPDC Group of companies are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

Revenue recognition

Rental revenue and monthly parking is recognized in the period in which the rental agreement relates. Revenue from casual parking and theatre is recognized when the service is provided. Cost recoveries are recognized as revenue in the period the related costs are incurred. Event and sponsorship revenue are recognized in the period in which the event occurs.

3. Loans Receivable

	2007	2006
Loan receivable, bearing interest at 6.5% per annum, receivable in monthly installments of $1,148 including interest, due July 2012, secured by specific equipment	**$ 121,924**	$ 125,381
Loan receivable, bearing interest at 6.5% per annum, receivable in quarterly installments of $2,500 including interest, due July 2008, secured by specific equipment	**56,160**	75,760
Loan receivable, non-interest bearing, no specific terms of repayment, unsecured	**31,990**	-
	210,074	201,141
Amounts payable within one year	**(10,438)**	(9,783)
	$ 199,636	$ 191,358

4. Capital Assets

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
The Forks site (Note 5)	**$ 32,542,037**	**$ 15,397,376**	**$ 17,144,661**	$ 18,186,808
3D projector	**1,375,781**	**171,972**	**1,203,809**	1,341,387
Theatre equipment	**128,365**	**11,885**	**116,480**	73,639
Box office	**26,162**	**20,289**	**5,873**	7,405
Theatre facilities	**3,207,007**	**3,200,797**	**6,210**	-
Fixtures and signage	**72,261**	**72,261**	**-**	-
Rental buildings	**1,528,624**	**524,127**	**1,004,497**	2,245,811
Parking equipment	**291,106**	**18,703**	**272,403**	299,100
Office equipment	**300,326**	**203,058**	**97,268**	89,195
Plaza and pavilion furniture and equipment	**602,222**	**411,400**	**190,822**	188,418
Leasehold improvements	**297,598**	**176,494**	**121,104**	135,369
Computers	**461,742**	**401,976**	**59,766**	57,052
	$ 40,833,231	**$ 20,610,338**	**$ 20,222,893**	$ 22,624,184

5. The Forks Site

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land	**$ 120,694**	**$ -**	**$ 120,694**	$ 120,694
Building	**7,670,330**	**3,238,808**	**4,431,522**	4,547,026
Roads and services	**7,050,734**	**5,287,527**	**1,763,207**	2,095,602
Parks and plaza	**8,947,663**	**3,288,981**	**5,658,682**	6,097,456
Parking structure	**5,002,682**	**523,490**	**4,479,192**	4,629,904
Box office computers	**27,592**	**27,592**	**-**	-
Furniture and equipment	**745,005**	**529,680**	**215,325**	153,630
Equipment under capital lease	**283,275**	**28,327**	**254,948**	283,275
Tenant allowances and pre-opening costs	**2,694,062**	**2,472,971**	**-** **221,091**	259,221
	$ 32,542,037	**$ 15,397,376**	**$ 17,144,661**	$ 18,186,808

6. Investment in Properties and Infrastructure Enhancements

	2007	2006
North Portage Properties and infrastructure enhancements (Note 7)	**$ 45,056,251**	$ 52,017,859
The Forks infrastructure enhancements (Note 8)	**6,610,373**	6,374,490
The Forks donated land (Note 9)	**7,694,646**	7,930,782
	$ 59,361,270	$ 66,323,131

7. North Portage Properties and Infrastructure Enhancements

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Land assembly and demolition	**$ 28,557,536**	**$ -**	**$ 28,557,536**	$ 34,401,388
Site servicing	**6,306,438**	**4,028,350**	**2,278,088**	276,542
Development projects	**1,801,848**	**1,770,369**	**31,479**	50,940
Infrastructure enhancements	**31,993,622**	**17,804,474**	**14,189,148**	17,288,989
	$ 68,659,444	**$ 23,603,193**	**$ 45,056,251**	$ 52,017,859

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the Corporation's Unanimous Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to $34,401,388. During 2006, one of the claims was settled reducing the accrual from $2,000,000 to $1,500,000. These amounts are included in land assembly and demolition costs.

8. Infrastructure Enhancements

	2007			2006
	Cost	**Accumulated Amortization**	**Net Book Value**	Net Book Value
Clearing and relocation	**$ 2,257,333**	**$ -**	**$ 2,257,333**	$ 2,257,333
Land carrying costs	**1,771,316**	**1,769,440**	**1,876**	2,109
Site servicing	**5,389,619**	**3,885,791**	**1,503,828**	1,711,798
Development projects	**586,744**	**577,966**	**8,778**	10,804
Infrastructure enhancements	**6,117,573**	**3,279,015**	**2,838,558**	2,392,446
	$ 16,122,585	**$ 9,512,212**	**$ 6,610,373**	$ 6,374,490

9. Donated Land

FRC acquired title and possession to 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

From Canada	From Winnipeg	From Core Area Initiative	Total
49.6 acres	3.3 acres	3.0 acres	55.9 acres

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the Board of Directors on June 5, 1989.

During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land was transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg.

The remaining lands under the FRC's ownership total 49.95 acres.

10. Obligations Under Capital Lease

Under the terms of a capital lease signed by NPTC dated December 22, 2005, lease payments are payable to Imax Corporation for the use of the 3D projector. The obligation is denominated in US dollars and has an assumed interest rate of 5.75% per annum.

In fiscal 2006, FRC entered into a capital lease contract to purchase $283,275 in equipment. The obligation has an assumed interest rate of 5.87% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of $13,535 (2006 - $2,500) and in Theatre expenses in the amount of $56,730 (2006 - $15,486).

The payment terms are as follows:

	3D Projector	Forks Market equipment	Total
2008	$ 288,266	$ 65,195	$ 353,461
2009	316,577	65,195	381,772
2010	61,771	65,195	126,966
2011	61,771	48,721	110,492
2012	61,771	-	61,771
Thereafter	231,639	-	231,639
	1,021,795	244,306	1,266,101
Less amounts representing interest	(148,888)	(26,468)	(175,356)
	872,907	217,838	1,090,745
Less current principal portion of obligation	(243,947)	(53,771)	(297,718)
	$ 628,960	$ 164,067	$ 793,027

11. Share Capital

Authorized:
Unlimited Common shares

		2007	2006
Issued:			
3	Common shares	**$ 3**	$ 3

12. Depreciation and Amortization

Included in depreciation and amortization is the following:

	2007	2006
Depreciation of capital assets	**$ (3,597,608)**	$ (3,380,464)
Amortization of deferred contributions	**1,981,279**	1,903,901
	$ (1,616,329)	$ (1,476,563)

13. Financial Instruments

The company's financial instruments consist of cash, short term investments, accounts receivable, loans receivable, accounts payable and accrued liabilities and obligations under capital lease. Unless otherwise noted, it is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

14. Contingent Liability

A statement of claim for unspecified damages was filed against the Corporation for an alleged breach of contract. The Corporation has filed a statement of defence. No liability has been recorded as the outcome is undeterminable at this time.

15. Commitments

Facilities:

(i) NPDC has leased land to 2700760 Manitoba Limited ("2700760") for the development of an office and computer facility, which, in turn, has been leased to ISM Information Systems Management Corporation ("ISM").

NPDC has the option, within 105 days after the 15th anniversary of the opening date of March 1, 1993, to sell the land to 2700760 for a price of $2.3 million.

2700760 has the option to purchase the land on the twelfth and fifteenth anniversaries of the opening date for a price which is the greater of $2.3 million and the fair market value at those times. In addition, ISM has the option to purchase the land and improvements from 2700760.

(ii) FRC has leased parking, storage and an office site at The Forks to December 2011. The lease, containing renewal options, calls for base monthly payments of $1,667 and provides for payment of utilities and property taxes. This lease has been assumed by FNP.

(iii) During the year, NPDC entered into a contract to purchase the "Downtown Motor Hotel" from 2819857 Manitoba Limited for the development of a downtown hostel. NPDC is committed to pay another $1,450,000 before June 19, 2007 to complete this purchase transaction.

Equipment Maintenance:

(i) Under the terms of an equipment maintenance agreement signed by NPTC dated December 22, 2005 for the 3D projector, a maintenance fee is payable to Imax Corporation. The commitment is denominated in U.S. dollars. The payment terms are as follows:

2008	$	62,800
2009		48,300
2010		48,300
2011		48,300
2012 and thereafter		241,500
	$	449,200

16. Subsequent Events

NPDC has entered into an agreement to monetize certain assets, by obtaining long-term financing supported by the cash flows from the North Portage land leases totalling $15,250,000. It is secured by a general assignment of lease and rent on the following: Citiscape Residence Corporation, Portage Place Centre Inc. and Spruceland Mall Limited Partnership, The Kiwanis Club of Winnipeg Seniors Building Inc. and Fred Douglas Place. NPDC has paid the underwriting and commitment fee totalling $419,000 on April 17, 2007.

17. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

The comparative figures were audited by another firm of chartered accountants.


NAME ON A GRAIN OF RICE
DANGER
Cutlass Cierra

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	2007	2006
ASSETS		
Investments, at market		
Cash and short-term deposits	**$ 443,531**	$ 468,486
Bonds	**964,445**	1,124,617
Canadian equities	**309,244**	-
	1,717,220	1,593,103
Due from The City of Winnipeg	**7,435**	4,027
Accrued interest	**2,623**	2,960
Total Assets	**1,727,278**	1,600,090
LIABILITIES		
Accounts payable and accrued liabilities	**8,204**	26,199
NET ASSETS AVAILABLE FOR BENEFITS	**$ 1,719,074**	$ 1,573,891

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	2007	2006
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	**$ 202,277**	$ 120,986
Plan members	**42,686**	41,068
	244,963	162,054
Investment income from		
Bonds	**36,791**	36,618
Gain on sale of bonds	**28,564**	-
Cash and short-term investments	**20,516**	11,941
Canadian equities	**1,494**	-
	87,365	48,559
Current period change in market value of investments	**(31,217)**	(58,544)
Total increase in assets	**301,111**	152,069
DECREASE IN ASSETS		
Administrative expenses		
Actuarial fees	**19,219**	9,935
Investment management and audit fees	**13,315**	12,716
	32,534	22,651
Refunds, transfers and pension payments		
Transfer to other plans	**67,660**	-
Pension payments	**36,297**	16,764
Refund of contributions	**19,437**	-
	123,394	16,764
Total decrease in assets	**155,928**	39,415
Increase in net assets	**145,183**	112,654
Net assets available for benefits at beginning of year	**1,573,891**	1,461,237
Net assets available for benefits at end of year	**$ 1,719,074**	$ 1,573,891

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
COUNCIL PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. Description of Plan

a) General

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

b) Contributions

Plan members contribute 6 1/2% of their Canada Pension Plan earnings plus 7 1/2% of any earnings in excess of their Canada Pension Plan earnings. The City makes contributions as required, based on the recommendation of the Plan's actuary. The City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded over time.

Any surplus disclosed in an actuarial valuation of the Plan may be used to reduce the City's required contributions to the Plan or used as a contingency reserve to offset possible future losses of the Plan.

c) Retirement pensions

The Plan allows for retirement at or after the age 55, or following completion of 30 years of service, or when the sum of a Plan member's age plus years of credited service equals 80, or if the Plan member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the Plan member's best 5-year average earnings, multiplied by the number of years of credited service. The pension formula after the age 65 is equal to the Plan member's years of credited service multiplied by the aggregate of 1.5% of the Plan member's best 5-year average Canada Pension Plan earnings plus 2% of the Plan member's best 5-year average non-Canada Pension Plan earnings.

d) Deemed retirement

Any Plan member who is not retired on December 1 of the taxation year in which the Plan member attains age 71 shall be deemed to have retired on that day.

e) Survivor's benefits

The Plan provides for benefits on death before or after retirement.

f) Termination benefits

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits are payable to the Plan member when the Plan member ceases to be an elected official with the City.

1. Description of Plan (continued)

g) Re-election

If a Plan member who is receiving a pension from the Plan is re-elected, the Plan member's pension will be suspended prior to the Plan member becoming an elected official with the City and their years of credited service will be added to the Plan member's years of credited service after re-election.

h) Administration

The Plan is administered by the Council Pension Benefits Board which is comprised of three representatives appointed by the Council, only one of whom may be a Councillor, and the Chief Financial Officer of the City or his or her designate.

2. Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

The financial statements of the Plan are prepared in accordance with Canadian generally accepted accounting principles.

b) Investments

Investments are stated at market value. Equity investments are valued using published closing market prices. Fixed income investments are valued using published mid-market quotations. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

Cash and short-term deposits are comprised of cash and investments that are readily convertible to cash with maturities of less than 90 days. The effective interest rate during the year was 4.5% (2006 - 3.2%).

3. Contributions Receivable

City contributions to the Plan are due within four weeks of the required date. The City is charged interest on all balances outstanding past the due date.

4. Obligation for Pension Benefits

The actuarial present value of accrued pension benefits was determined using the projected benefit method prorated on service and using assumptions recommended by the actuary and approved by the Council Pension Benefits Board. An actuarial funding valuation of the Plan was prepared, effective December 31, 2006, by Mercer, a firm of consulting actuaries. The results of this valuation were extrapolated to December 31, 2007.

4. Obligation for Pension Benefits (continued)

The extrapolated actuarial present value of benefits, as at December 31, and the principal components of changes in the actuarial present value during the year, were as follows:

	2007	2006
Actuarial present value of accrued pension benefits at beginning of year	**$ 2,234,501**	$ 1,432,668
Interest accrued on benefits	**95,979**	78,386
Benefits accrued (service costs)	**183,119**	143,443
Benefits paid	**(36,297)**	(16,764)
Actuarial (gain) loss	**(802,284)**	596,768
Actuarial present value of accrued pension benefits at the end of year	**$ 1,675,018**	$ 2,234,501

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 5.3% (2006 - 4.0%) per annum, a rate of return on assets of 5.3% (2006 - 4.0%) per annum and a general rate of salary increase of 2.7% (2006 - 2.9%) per annum.

The actuarial value of net assets available for benefits has been determined at fair market value.

The actuarial value of net assets at December 31, was as follows:

	2007	2006
Actuarial value of net assets available for benefits	**$ 1,719,074**	$ 1,573,891

The next full actuarial valuation of the Plan will be effective December 31, 2009 and will be completed in 2010.

5. Interest Rate, Credit and Market Risks

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position, and income. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's interest bearing assets is affected by short-term changes in nominal interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

The Plan has approximately 56% (2006 - 70%) of its assets invested in fixed income securities as at December 31, 2007. The effective interest rate on the securities is 3% (2006 - 3%). The returns of fixed income securities are particularly sensitive to changes in nominal interest rates.

All investments in bonds held by the Plan at December 31, 2007 have a term to maturity in excess of five years.

5. Interest Rate, Credit and Market Risks (continued)

b) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2007, the Plan's maximum credit risk exposure relates to bonds, accrued interest and short-term deposits totalling $1,410,599. The Plan's concentration of credit risk as at December 31, 2007 related to bonds is categorized amongst the following types of issuer:

Type of Issuer	Market Value
Government of Canada and Government of Canada guaranteed	$ 964,445

The Plan limits credit risk by investing in bonds of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

c) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2007	2006
ASSETS		
Current		
Cash	**$ 628**	$ 322
Accounts receivable (Note 3)	**608**	671
Prepaid claims (Note 4)	**100**	100
	$ 1,336	$ 1,093
LIABILITIES		
Current		
Accounts payable (Note 5)	**$ 740**	$ 504
EQUITY		
Dental Services Plan	**441**	435
Vision Care Plan	**155**	154
	596	589
	$ 1,336	$ 1,093

See accompanying notes to the financial statements

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

STATEMENT OF CHANGES IN TRUST ACCOUNTS

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

	2007	2006
DENTAL SERVICES PLAN		
Opening balance	**$ 435**	$ 431
Add:		
Contributions - The City of Winnipeg	**7,333**	7,306
Interest earned	**19**	13
	7,787	7,750
Deduct:		
Dental claims	**7,012**	6,981
Administration fees	**334**	334
	7,346	7,315
Ending balance	**$ 441**	$ 435
VISION CARE PLAN		
Opening balance	**$ 154**	$ 154
Add:		
Contributions - The City of Winnipeg	**986**	1,026
Interest earned	**3**	1
	1,143	1,181
Deduct:		
Vision claims	**929**	965
Administration fees	**59**	62
	988	1,027
Ending balance	**$ 155**	$ 154

See accompanying notes to the financial statements

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

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

1. Significant Accounting Policies

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

a) Basis of accounting

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

b) Allocation of interest

The funds of the Dental Services and Vision Care Plans (the Plans) are deposited in a single bank account. Interest earned is apportioned on the basis of the ratio of the contributions received from The City of Winnipeg by the Plans.

2. Status of the Trustees of the Dental Services and Vision Care Plans for The City of Winnipeg Employees

City Council, on October 15, 1980, authorized the appointment of the City Treasurer, the Medical Health Officer and the Director of Personnel as trustees of the Dental Services Plan for The City of Winnipeg Employees.

City Council, on June 9, 1989, authorized the appointment of the aforementioned officers as trustees of the Vision Care Plan for The City of Winnipeg Employees.

The revenue for both plans consists of contributions from The City of Winnipeg equal to dental and vision claims paid by the Trustees and bank interest earned. The disbursements are limited to eligible dental and vision claims processed and administration fees of the servicing organization.

3. Accounts Receivable

The accounts receivable is due from The City of Winnipeg for unpaid claims and administration charges as follows:

	2007	2006
Dental Services Plan	**$ 535**	$ 592
Vision Care Plan	**73**	79
	$ 608	$ 671

4. Prepaid Claims

The prepaid claims represents the amount held by Manitoba Blue Cross for incurred but unreported claims.

5. Accounts Payable

The accounts payable include amounts due to the servicing organization for claims and administration, along with amounts due to The City of Winnipeg as follows:

	2007	2006
Dental Services Plan - Claims	**$ 511**	$ 280
Prepaid claims - Due to City of Winnipeg	**100**	100
Vision Care Plan - Claims	**68**	74
Due to City of Winnipeg	**33**	18
Dental Care Plan - administration	**24**	27
Vision Care Plan - administration	**4**	5
	$ 740	$ 504

THE CITY OF WINNIPEG
TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

FIVE-YEAR REVIEW

As at December 31

("$" amounts in thousands of dollars, except as noted)

		2007	2006	2005	2004	2003
Population (Statistics Canada)		**653,400**	649,300	647,400	646,700	642,700
Consolidated debt (1)	**$**	**646,148**	670,330	613,667	702,675	707,302
Net tax-supported debt (2)	**$**	**237,624**	287,338	322,617	332,936	347,518
Debt per capita:						
Consolidated (dollars)	**$**	**989**	1,032	948	1,087	1,101
Net tax-supported (dollars)	**$**	**364**	443	498	515	541
Non-portioned taxable assessments (millions) (3)	**$**	**31,475**	30,923	25,772	25,512	25,274
Debt as a % of non-portioned taxable assessments						
Consolidated		**2.1%**	2.2%	2.4%	2.8%	2.8%
Net tax-supported		**0.8%**	0.9%	1.3%	1.3%	1.4%
Consolidated revenues (4)	**$**	**1,220,814**	1,105,533	1,039,124	968,883	961,429
Consolidated debt as a % of consolidated revenues		**52.9%**	60.6%	59.1%	72.5%	73.6%

Notes:

(1) Consolidated debt is gross debt outstanding for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and Winnipeg Enterprises Corporation.

(2) Net tax-supported debt is gross debt less accumulated sinking funds, less City-owned utilities (except Transit System) net of sinking funds, less special operating agencies and Winnipeg Enterprises Corporation.

(3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.

(4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations, investment in government businesses and special operating agencies, but excludes revenues collected on behalf of school authorities. The 2003 - 2004 figures have not been restated to reflect the change in accounting policies concerning tangible capital assets, revenue from contributed assets and government transfers related to tangible capital assets acquisitions, and to record the City's investment in government businesses.

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

As at December 31, 2007

		General Municipal Purposes	City-owned Utilities			Special Operating Agencies	
By-Law Number	Minister of Finance/Council Approval	General	Transit System	Waterworks System	Sewage Disposal System	Fleet Management	Total
6520/94	December 2/94	$ 7,000,000	$ -	$ -	$ -	$ -	$ 7,000,000
6774/96	April 16/96	14,801,000	1,144,000	-	-	-	15,945,000
6973/97	March 17/97	27,254,138	463,325	-	-	-	27,717,463
6976/97	March 17/97	18,213,000	650,000	-	-	-	18,863,000
7125/98	January 22/98	-	1,062,000	-	-	-	1,062,000
7751/01	March 9/01	14,699,820	770,000	-	-	-	15,469,820
183/2004	January 13/05	-	-	-	16,084,000	-	16,084,000
72/2006	March 22/06	5,452,000	6,808,000	55,300,000	-	-	67,560,000
	March 21/07	-	-	-	-	14,100,000	14,100,000
	November 21/07	-	-	-	-	20,500,000	20,500,000
32/2007	February 21/07	1,696,000	3,417,000	61,500,000	7,638,000	-	74,251,000
		$ 89,115,958	$ 14,314,325	$ 116,800,000	$ 23,722,000	$ 34,600,000	$ 278,552,283

City Council has the authority under the City of Winnipeg Charter to approve the borrowing authority for Special Operating Agencies. Therefore, the City is not required to obtain approval from the Minister of Finance and to create a by-law.

Outstanding Capital Borrowing Authorization at December 31, 2006	$ 201,333,976
Add:	
By-law 32/2007	74,251,000
Fleet Management Agency Authorization March 21, 2007	21,500,000
Fleet Management Agency Authorization November 21, 2007	20,500,000
Deduct:	
Debenture By-laws rescinded	(25,532,693)
Royal Bank Loan Facility	(13,500,000)
Outstanding Capital Borrowing Authorization at December 31, 2007	$ 278,552,283

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT ISSUES

As at December 31, 2007

Term	Month	Interest Rate	By-Law Number	Payable at	Cities	Amount of Debt	
The City of Winnipeg							
Sinking Fund Debt							
1999-2009	Feb. 2	5.350	7368/99	Bank of Montreal	Any branch in Canada	$ 50,000,000	
1989-2009	Dec. 14	10.000	5286/89	Royal Bank	Any branch in Canada	85,500,000	$ 135,500,000
1993-2013	Feb. 11	9.375	6090/93	Royal Bank	Any branch in Canada		90,000,000
1994-2014	Jan. 20	8.000	6300/94	Royal Bank	Any branch in Canada		85,000,000
1995-2015	May 12	9.125	6620/95	Bank of Montreal	Any branch in Canada		88,000,000
1997-2017	Nov. 17	6.250	7000/97	Bank of Montreal	Any branch in Canada		30,000,000
2006-2036	July 17	5.200	183/2004 and 72/2006	Royal Bank	Any branch in Canada		60,000,000
							488,500,000
Serial Debt							
2003-2013	Jan. 17	4.899	8138/02	Royal Bank	Any branch in Canada	64,143,000	
2004-2014	Mar. 24	3.940	86/2003	Royal Bank	Any branch in Canada	34,396,000	98,539,000
Total Debt							$ 587,039,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2007

Description	Debenture Debt		
	Gross	Sinking Fund	Net
Tax-Supported			
General	$ 335,952,057	$ 144,746,596	$ 191,205,461
Unallocated Sinking Fund Surplus	-	1,090,542	(1,090,542)
Total Tax-Supported	335,952,057	145,837,138	190,114,919
Other Funds			
Civic Accommodations	22,887,525	9,062,150	13,825,375
Transit System	25,464,240	12,776,724	12,687,516
Total Tax-Supported and Other Funds	384,303,822	167,676,012	216,627,810
City-Owned Utilities			
Solid Waste Disposal	2,935,000	2,146,864	788,136
Waterworks System	104,500,000	25,089,649	79,410,351
Sewage Disposal System	95,300,178	53,773,215	41,526,963
Total City-Owned Utilities	202,735,178	81,009,728	121,725,450
	$ 587,039,000	$ 248,685,740	$ 338,353,260

Description	2008 Fixed Annual Charges		
	Interest	Principal	Total
Tax-Supported	$ 24,583,199	$ 18,931,805	$ 43,515,004
Other Funds			
Civic Accommodations	1,530,452	1,195,206	2,725,658
Transit System	2,092,052	1,199,976	3,292,028
Total Tax-Supported and Other Funds	28,205,703	21,326,987	49,532,690
City-Owned Utilities			
Solid Waste Disposal	284,750	88,762	373,512
Waterworks System	7,060,000	2,329,795	9,389,795
Sewage Disposal System	8,040,020	3,903,327	11,943,347
Total City-Owned Utilities	15,384,770	6,321,884	21,706,654
	$ 43,590,473	$ 27,648,871	$ 71,239,344

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT CHANGES DURING 2007

Gross Debt as at January 1, 2007			$ 619,355,000
Debt Retired During 2007			
Tax-Supported Debt:			
Streets and Bridge System	$ 14,883,016		
Land Drainage	4,351,239		
Culture and Recreation	1,060,948		
Parks and Recreation	1,325,172		
Libraries	244,263		
Protection	540,328		
Fire	29,931		
Police	665,823		
Health and Social Development	335,134		
Special Projects	923,938		
Convention Centre	21,394		
Overhead Walkways	15,637		
Core Area Programs	1,358,903		
Land Acquisition	14,573		
North Portage Development	132,690		
Infrastructure - Streets and Bridge	1,362,900		
Infrastructure - Land Drainage	968,715		
Infrastructure - Parks and Recreation	212,685	$ 28,447,289	
Utilities Debt:			
Transit	1,349,197		
Sewage Disposal System	1,241,064		
Civic Accommodations	1,278,450	3,868,711	(32,316,000)
Gross Debt as at December 31, 2007			$ 587,039,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT - MATURITY BY YEARS

As at December 31, 2007

Maturity Year	Sinking Fund Debt	Serial and Installment Debt	Total	%
2008	$ -	$ 13,706,000	$ 13,706,000	2.4
2009	135,500,000 (1)	14,378,000	149,878,000	25.5
2010	-	15,083,000	15,083,000	2.6
2011	-	15,824,000	15,824,000	2.7
2012	-	16,600,000	16,600,000	2.8
2013	90,000,000	17,415,000	107,415,000	18.3
2014	85,000,000	5,533,000	90,533,000	15.4
2015	88,000,000	-	88,000,000	15.0
2017	30,000,000	-	30,000,000	5.1
2036	60,000,000	-	60,000,000	10.2
Gross Debt	$ 488,500,000	$ 98,539,000	587,039,000	100.0
Less: Sinking Fund Reserve			248,685,740	
Net Debt			$ 338,353,260	

(1) Of the $135,500,000 sinking fund debt that matures in 2009, there will be a maturity shortfall of $30,980,600, which will need to be refinanced.

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES

As at December 31, 2007

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Civic Accommodations	Total
2008	$ 11,206,214	$ 549,759	$ -	$ 1,302,465	$ -	$ 647,562	$ 13,706,000
2009	121,676,868	3,576,597	1,500,000	12,366,967	1,935,000	8,822,568	149,878,000
2010	12,333,583	604,744	-	1,434,673	-	710,000	15,083,000
2011	12,940,282	634,326	-	1,505,849	-	743,543	15,824,000
2012	13,575,688	665,299	-	1,580,430	-	778,583	16,600,000
2013	52,444,076	5,697,819	5,000,000	41,658,804	-	2,614,301	107,415,000
2014	26,925,877	6,735,696	13,000,000	35,450,990	-	8,420,437	90,533,000
2015	54,849,469	7,000,000	25,000,000	-	1,000,000	150,531	88,000,000
2016	-	-	-	-	-	-	-
2017	30,000,000	-	-	-	-	-	30,000,000
2036	-	-	60,000,000	-	-	-	60,000,000
	$ 335,952,057	$ 25,464,240	$ 104,500,000	$ 95,300,178	$ 2,935,000	$ 22,887,525	$ 587,039,000

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT

For the years ending December 31

	Tax-Supported			Utilities (Includes Transit System)			
Year	**Principal**	**Interest**	**Sub-total**	**Principal**	**Interest**	**Sub-total**	**Total**
2008	$ 18,931,805	$ 24,583,199	$ 43,515,004	$ 8,717,066	$ 19,007,274	$ 27,724,340	$ 71,239,344
2009	19,481,960	24,076,245	43,558,205	8,838,910	18,895,219	27,734,129	71,292,334
2010	16,734,894	14,546,960	31,281,854	8,193,107	16,514,296	24,707,403	55,989,257
2011	17,341,594	13,927,065	31,268,659	8,327,407	16,377,167	24,704,574	55,973,233
2012	17,977,000	13,253,665	31,230,665	8,468,000	16,228,167	24,696,167	55,926,832
2013	18,644,389	12,532,951	31,177,340	8,615,611	16,068,582	24,684,193	55,861,533
2014	7,686,219	8,725,314	16,411,533	4,969,949	11,157,563	16,127,512	32,539,045
2015	2,565,990	6,880,014	9,446,004	1,986,558	6,144,986	8,131,544	17,577,548
2016	907,200	1,875,000	2,782,200	984,000	3,120,000	4,104,000	6,886,200
2017	907,200	1,875,000	2,782,200	984,000	3,120,000	4,104,000	6,886,200
2018	-	-	-	984,000	3,120,000	4,104,000	4,104,000
2019-2036	-	-	-	17,712,000	56,160,000	73,872,000	73,872,000
	$ 121,178,251	$ 122,275,413	$ 243,453,664	$ 78,780,608	$ 185,913,254	$ 264,693,862	$ 508,147,526

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
STREETS AND BRIDGE SYSTEM **(street improvements, street lighting, bridges and underpasses)**								
7368/99	$ 25,364,600	Feb. 2, 1999-2009	CAN	5.000	5.350	$ 1,357,006	$ 767,091	$ 7,658,175
5286/89	28,210,000	Dec. 14, 1989-2009	CAN	5.000	10.000	2,821,000	853,143	24,056,851
8138/02	24,230,973	Jan. 17, 2003-2013	CAN	Serial	5.350	1,062,010	3,540,035	-
6090/93	14,067,475	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	8,706,907
6300/94	11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	6,456,667
86/2003	15,319,503	Mar. 24, 2004-2014	CAN	Serial	4.600	575,293	1,930,749	-
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	11,243,187
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	7,920,814
	162,035,666					11,413,967	9,174,999	66,042,601
LAND DRAINAGE **(storm water relief sewers, drainage sewers and flood control)**								
7368/99	1,535,000	Feb. 2, 1999-2009	CAN	5.000	5.350	82,123	46,422	463,453
5286/89	7,950,000	Dec. 14, 1989-2009	CAN	5.000	10.000	795,000	240,429	6,779,580
8138/02	6,558,942	Jan. 17, 2003-2013	CAN	Serial	5.350	287,469	958,231	-
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	804,621
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	1,472,808
86/2003	3,890,506	Mar. 24, 2004-2014	CAN	Serial	4.600	146,100	490,330	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	1,118,409
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	1,874,975
	31,011,260					2,154,291	2,070,390	12,513,846

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
CULTURE AND RECREATION **(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)**								
5286/89	10,967,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,096,700	331,670	9,352,410
8138/02	6,741,263	Jan. 17, 2003-2013	CAN	Serial	5.350	295,460	984,868	-
86/2003	1,034,367	Mar. 24, 2004-2014	CAN	Serial	4.600	38,844	130,364	-
	18,742,630					1,431,004	1,446,902	9,352,410
PARKS AND RECREATION								
7368/99	2,739,900	Feb. 2, 1999-2009	CAN	5.000	5.350	146,585	82,862	827,241
6090/93	5,360,525	Feb. 11, 1993-2013	CAN	5.000	9.375	502,549	162,116	3,317,837
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	3,168,915
86/2003	497,274	Mar. 24, 2004-2014	CAN	Serial	4.600	18,673	62,673	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	422,229
	15,096,358					1,197,263	504,187	7,736,222
LIBRARIES								
7368/99	376,500	Feb. 2, 1999-2009	CAN	5.000	5.350	20,143	11,386	113,674
6090/93	100,000	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	61,894
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	40,976
86/2003	200,514	Mar. 24, 2004-2014	CAN	Serial	4.600	7,529	25,272	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	302	4,967
	760,054					43,803	42,193	221,511

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
PROTECTION **(firehalls, police garage and public safety building)**								
5286/89	940,000	Dec. 14, 1989-2009	CAN	5.000	10.000	94,000	28,428	801,611
8138/02	3,091,450	Jan. 17, 2003-2013	CAN	Serial	5.350	135,494	451,647	-
86/2003	918,901	Mar. 24, 2004-2014	CAN	Serial	4.600	34,508	115,811	-
	4,950,351					264,002	595,886	801,611
FIRE								
7368/99	403,500	Feb. 2, 1999-2009	CAN	5.000	5.350	21,587	12,203	121,826
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	804,621
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	7,737
86/2003	247,354	Mar. 24, 2004-2014	CAN	Serial	4.600	9,289	31,175	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	60	993
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	688,766
	3,766,645					266,537	137,602	1,623,943
POLICE								
7368/99	2,066,000	Feb. 2, 1999-2009	CAN	5.000	5.350	110,531	62,481	623,774
6090/93	1,600,000	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	990,302
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	188,316
86/2003	48,124	Mar. 24, 2004-2014	CAN	Serial	4.600	1,806	6,065	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	49,674
	4,149,802					298,316	130,110	1,852,066

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
HEALTH AND SOCIAL DEVELOPMENT **(urban renewal, community health centres and hospital capital grants)**								
5286/89	1,030,000	Dec. 14, 1989-2009	CAN	5.000	10.000	103,000	31,150	878,360
8138/02	1,639,865	Jan. 17, 2003-2013	CAN	Serial	5.350	71,873	239,577	-
6090/93	150,000	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	92,841
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	7,138
86/2003	888,382	Mar. 24, 2004-2014	CAN	Serial	4.600	33,361	111,965	-
	3,720,970					223,315	387,613	978,339
SPECIAL PROJECTS								
5286/89	4,800,000	Dec. 14, 1989-2009	CAN	5.000	10.000	480,000	145,164	4,093,332
8138/02	2,585,937	Jan. 17, 2003-2013	CAN	Serial	5.350	113,338	377,794	-
6090/93	14,098,000	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,688	426,360	8,725,800
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	1,271,976
86/2003	1,032,806	Mar. 24, 2004-2014	CAN	Serial	4.600	38,784	130,167	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	331,325
	25,451,067					2,196,060	1,168,227	14,422,433
CONVENTION CENTRE								
5286/89	500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	50,000	15,121	426,389
8138/02	154,119	Jan. 17, 2003-2013	CAN	Serial	5.350	6,755	22,516	-
6090/93	225,000	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	139,261
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	1,539,892
	3,979,119					360,724	138,194	2,105,542

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
OVERHEAD WALKWAYS								
86/2003	129,230	Mar. 24, 2004-2014	CAN	Serial	4.600	4,853	16,287	-
CORE AREA PROGRAM								
5286/89	12,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,200,000	362,911	10,233,329
8138/02	6,934,372	Jan. 17, 2003-2013	CAN	Serial	5.350	303,924	1,013,080	-
86/2003	3,275,215	Mar. 24, 2004-2014	CAN	Serial	4.600	122,994	412,782	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	116,734
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	382,648
	23,444,587					1,710,862	1,826,120	10,732,711
NORTH PORTAGE DEVELOPMENT								
8138/02	955,880	Jan. 17, 2003-2013	CAN	Serial	5.350	41,895	139,650	-
LAND ACQUISITION								
86/2003	120,438	Mar. 24, 2004-2014	CAN	Serial	4.600	4,523	15,179	-
INFRASTRUCTURE								
7368/99	2,100,000	Feb. 2, 1999-2009	CAN	5.000	5.350	112,350	63,509	634,040
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	12,418,488
	27,100,000					2,393,600	819,574	13,052,528

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
INFRASTRUCTURE - STREETS AND BRIDGE								
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	612,237
COMMUNITY IMPROVEMENT PROGRAM								
7368/99	1,250,000	Feb. 2, 1999-2009	CAN	5.000	5.350	66,875	37,803	377,405
WINNIPEG DEVELOPMENT AGREEMENT								
7368/99	2,000,000	Feb. 2, 1999-2009	CAN	5.000	5.350	107,000	60,485	603,848
SPECIAL PROJECTS - PARKS AND RECREATION								
7368/99	1,215,000	Feb. 2, 1999-2009	CAN	5.000	5.350	65,003	36,745	366,837
SPECIAL PROJECTS - COMMUNITY SERVICES								
7368/99	428,500	Feb. 2, 1999-2009	CAN	5.000	5.350	22,925	12,959	129,375
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
7368/99	2,367,000	Feb. 2, 1999-2009	CAN	5.000	5.350	126,635	71,584	714,654
SPECIAL PROJECTS - ASSESSMENT								
7368/99	1,582,500	Feb. 2, 1999-2009	CAN	5.000	5.350	84,664	47,859	477,794

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
SPECIAL PROJECTS - CORPORATE FINANCE								
7368/99	90,000	Feb. 2, 1999-2009	CAN	5.000	5.350	4,815	2,722	27,173
SPECIAL PROJECTS - BUSINESS LIAISON								
7368/99	5,000	Feb. 2, 1999-2009	CAN	5.000	5.350	267	151	1,510
Tax-Supported Total	**335,952,057**					**24,583,199**	**18,931,805**	**144,746,596**

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
TRANSIT SYSTEM								
5286/89	3,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	300,000	90,728	2,558,332
8138/02	2,499,032	Jan. 17, 2003-2013	CAN	Serial	5.350	109,529	365,097	-
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	3,094,695
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	3,646,520
86/2003	1,465,208	Mar. 24, 2004-2014	CAN	Serial	4.600	55,023	184,663	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	3,477,177
	25,464,240					2,092,052	1,199,976	12,776,724
WATERWORKS SYSTEM								
5286/89	1,500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	150,000	45,364	1,279,166
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	3,094,695
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,153	7,293,040
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	12,418,488
183/2004, 72/2006	60,000,000	July17, 2006-2036	CAN	5.000	5.200	3,120,000	984,000	1,004,260
	104,500,000					7,060,000	2,329,795	25,089,649

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
SEWAGE DISPOSAL SYSTEM								
5286/89	11,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,100,000	332,668	9,380,551
8138/02	6,496,588	Jan. 17, 2003-2013	CAN	Serial	5.350	284,736	949,122	-
6090/93	40,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	24,757,555
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	19,635,109
86/2003	2,803,590	Mar. 24, 2004-2014	CAN	Serial	4.600	105,284	353,343	-
	95,300,178					8,040,020	3,903,327	53,773,215
SOLID WASTE DISPOSAL								
5286/89	1,935,000	Dec. 14, 1989-2009	CAN	5.000	10.000	193,500	58,519	1,650,124
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	496,740
	2,935,000					284,750	88,762	2,146,864

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates % Sinking Fund	Interest Rates % Debt	Annual Charges 2008 Interest	Annual Charges 2008 Principal	Sinking Fund Reserve at Dec. 31, 2007
CIVIC ACCOMMODATIONS								
7368/99	6,476,500	Feb. 2, 1999-2009	CAN	5.000	5.350	346,493	195,866	1,955,409
5286/89	1,668,000	Dec. 14, 1989-2009	CAN	5.000	10.000	166,800	50,445	1,422,433
8138/02	2,254,579	Jan. 17, 2003-2013	CAN	Serial	5.350	98,815	329,384	-
6090/93	1,799,000	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,406	1,113,471
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	4,496,062
86/2003	2,524,588	Mar. 24, 2004-2014	CAN	Serial	4.600	94,806	318,179	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,552	74,775
	22,887,525					1,530,452	1,195,206	9,062,150
Utility Total	**251,086,943**					**19,007,274**	**8,717,066**	**102,848,602**
Unallocated Sinking Fund Surplus								**1,090,542**
Grand Total	**$ 587,039,000**					**$ 43,590,473**	**$ 27,648,871**	**$ 248,685,740**

Note: With passing of the City of Winnipeg Charter in 2003, the City is no longer required to pass a by-law when it issues debentures.



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