Winnipeg

# Detailed Financial Statements | 2010 |

Companion to 2010 Annual Financial Report




PHOTO: Dan Harper, courtesy Tourism Winnipeg

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# REPORT FROM THE ACTING 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 (the "City") should be read in conjunction with the audited consolidated financial statements (the "Statements") and their accompanying notes and schedules. The Statements, as well as the accompanying materials, 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 entities that are controlled by the City, as well as the City's investment in government businesses. A brief description of the major funds, entities and investments included in the Statements follows below.

## Funds, Entities, and Investment in Government Businesses

### Funds

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

The General Revenue Fund reports on tax-supported operations, which include services provided by the City to citizens such 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, 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, each accounting for its own operations and capital program.

There are four Special Operating Agency ("SOA") Funds operating within the City's organization. Animal Services (established in 2000), 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 flexibility 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, which can be categorized into three types. Capital Reserves finance current and anticipated future capital projects, thereby reducing or eliminating the need to issue debt. Special Purpose Reserves provide designated revenue to fund the Reserves' authorized costs. Stabilization Reserves assist in the funding of major unexpected expenses, or revenue shortfalls 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, Economic Development Winnipeg Inc., Winnipeg Enterprises Corporation, 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

## Actual Comparison

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2010, on a comparative basis. The Statements indicate the City increased its accumulated surplus during the year because annual revenues exceeded expenses.

During 2010, the City recorded consolidated revenues of $1.354 billion (2009 - $1.343 billion), which included government transfers and developer contributions-in-kind that related to the acquisition of tangible capital assets. Consolidated expenses totalled $1.185 billion (2009 - $1.150 billion). As a result, the City's accumulated surplus increased by $0.169 billion (2009 - $0.193 billion).

Consolidated Revenues
For the years ended December 31

| (in thousands of dollars) | 2010 | | 2009 | | Variance |
|---|---|---|---|---|---|
| Taxation | $ 550,994 | 41% | $ 534,571 | 40% | $ 16,423 |
| Sales of services and regulatory fees | 425,164 | 31% | 413,243 | 31% | 11,921 |
| Government transfers | | | | | |
| Operating | 144,910 | 11% | 134,710 | 10% | 10,200 |
| Capital | 106,976 | 8% | 122,113 | 9% | (15,137) |
| Investment, land sales and other revenues | 82,683 | 6% | 68,061 | 5% | 14,622 |
| Developer contributions-in-kind | 43,129 | 3% | 70,950 | 5% | (27,821) |
| | $1,353,856 | | $1,343,648 | | $ 10,208 |

Revenues improved in 2010 from 2009 by $10.2 million due to several factors. The major reason was taxation revenues. The major components of taxation revenues are property, business, electricity and natural gas taxes. The primary reasons for the increase is growth in the assessment tax roll and the $5.3 million settlement with Manitoba Hydro on the collection and remittance of tax assessed on electricity and natural gas consumption.

Sales of services and regulatory fees rose in 2010 from 2009 due to an increase of various revenue sources as follows: $1.2 million in emergency ambulance services due to increased call volumes; $2.4 million in leasing revenues primarily associated with the Canada Post building; $1.4 million in police fines; $1.6 million in building permits as a result of a jump in housing starts; $0.8 million in tax penalties because of outstanding taxes increasing over 2009; $1.5 million in transit fare revenue due to a 3% increase in the number of revenue-generating passengers and regular cash fares increasing by five cents; and $1.4 million associated with an improved price on the sale of recyclables.

Government transfers related to the acquisition of tangible capital assets declined in 2010 because of a one-time contribution of $17.5 million in 2009 from the Government of Canada towards the Southwest Rapid Transit Corridor. The Public Transit Reserve Fund reported $12.7 million less in revenue, mainly because one of the funding sources for this program was fully utilized prior to 2010. Meanwhile, the General Capital Fund reported a $13.9 million increase in additional funding from the Federal and Provincial governments. The Federal funding was used towards active transportation infrastructure, the park at the Millennium Library and recreation centres. Provincial funding under the Manitoba/Winnipeg Infrastructure Program was allocated to recreation, community revitalization and public safety initiatives.

Operating government transfer revenues rose in 2010 from 2009 mainly because of additional funding from the Province of Manitoba (the "Province"). In mid-2009, the Province implemented the new waste reduction and recycling support levy ("WRARS") in the amount of $10 per tonne on the operators of all Manitoba landfills. Under the WRARS program, 80% of the levy is returned to municipalities based on their recycling tonnage. The year-over-year increase in the grant given to the City was $4.9 million.

The Transit System Fund received an additional $3.7 million from the Province on the 50/50 funding formula that is calculated based on operating costs.

Investment income, land sales and other revenues increased by $14.6 million mainly due to the sale of the Winnipeg Square Parkade.

Consolidated Expenses
For the years ended December 31

| (in thousands of dollars) | 2010 | | 2009 | | Variance |
|---|---|---|---|---|---|
| Protection and community services | $ 390,421 | 33% | $ 362,341 | 31% | $ 28,080 |
| Utility operations | 301,637 | 25% | 278,848 | 24% | 22,789 |
| Public works | 264,543 | 22% | 270,877 | 24% | (6,334) |
| Property and development | 101,588 | 9% | 97,958 | 9% | 3,630 |
| Finance and administration | 66,405 | 6% | 61,575 | 5% | 4,830 |
| Civic corporations | 31,532 | 3% | 29,582 | 3% | 1,950 |
| General government | 28,512 | 2% | 49,252 | 4% | (20,740) |
| | $1,184,638 | | $1,150,433 | | $ 34,205 |

Consolidated expenses grew by $34.2 million or three percent from the previous year, due partially to a $28.1 million increase in protection and community services expenses. This expense category includes the Police Service, Fire Paramedic Service, Community Service department, and Museums, which together reported additional salaries and employee benefits of $14.6 million during the year. This expense category also includes $8.4 million in capital grants to the Assiniboine Park Conservancy Inc.

Expenses for utility operations rose by $22.8 million, which can be attributed to the Transit System - $10.1 million, and the Waterworks System - $8.5 million. The Transit System's salaries and benefits increased $4.8 million as a result of negotiated pay increases and expansion of services. Interest on debt climbed by $2.2 million because of $60.0 million borrowed for the Southwest Rapid Transit Corridor during 2010. Meanwhile fuel costs increased by $1.4 million along with amortization of tangible capital assets of $2.1 million. The Waterworks System also experienced increased amortization costs, and salaries and benefits, along with chemical costs associated with operations commencing at the Water Treatment Plant.

General government expenses declined from the previous year primarily because of the $16.0 million cash contribution in 2009 to the Canadian Museum for Human Rights and $6.1 million in lower employee benefits and environmental costs.

Consolidated Expenses By Object
For the years ended December 31

| (in thousands of dollars) | 2010 | | 2009 | | Variance |
|---|---|---|---|---|---|
| Salaries and benefits | $ 623,232 | 53% | $ 598,576 | 52% | $ 24,656 |
| Goods and services | 324,119 | 27% | 314,746 | 27% | 9,373 |
| Amortization | 165,857 | 14% | 155,382 | 14% | 10,475 |
| Interest | 46,233 | 4% | 49,588 | 4% | (3,355) |
| Other expenses | 25,197 | 2% | 32,141 | 3% | (6,944) |
| | $1,184,638 | | $1,150,433 | | $ 34,205 |

## Budget Comparison

This was the first year the financial statements included a consolidated budget, which provides a benchmark for performance measurement.

Consolidated Revenues
For the years ended December 31

| (in thousands of dollars) | Budget 2010 | | Actual 2010 | | Variance |
|---|---|---|---|---|---|
| Taxation | $ 549,330 | 40% | $ 550,994 | 41% | $ 1,664 |
| Sales of services and regulatory fees | 443,640 | 32% | 425,164 | 31% | (18,476) |
| Government transfers | | | | | |
| Operating | 142,092 | 10% | 144,910 | 11% | 2,818 |
| Capital | 130,871 | 9% | 106,976 | 8% | (23,895) |
| Investment, land sales and other revenues | 89,438 | 7% | 82,683 | 6% | (6,755) |
| Developer contributions-in-kind | 25,000 | 2% | 43,129 | 3% | 18,129 |
| | $1,380,371 | | $1,353,856 | | $ (26,515) |

The 2010 revenue from the sales of services and regulatory fees are under budget for two major reasons. The Waterworks System experienced a $5.8 million decrease and the Sewage Disposal System saw a $14.8 million drop as a result of consumption being less than expected.

The transfers from the senior levels of government were under budget due to the tax-supported capital spending - $10.5 million and the Federal Gas Tax Revenue Reserve Fund - $13.3 million, because projects were not completed as anticipated during the year.

The budget variance for investment, land sales and other revenues can be attributed to $13.1 million in land sales not being realized, offset by the General Capital Fund receiving $4.2 million in capital improvement funding from recreation facilities.

Developer contributions-in-kind exceeded budget primarily because of land developments exceeding expectations.

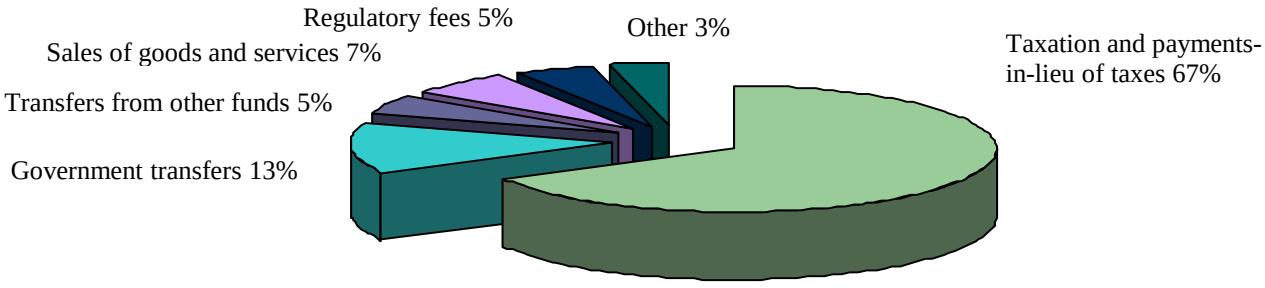
Consolidated Expenses

| For the years ended December 31 (in thousands of dollars) | Budget 2010 | | Actual 2010 | | Variance |
|---|---|---|---|---|---|
| Protection and community services | $ 386,050 | 32% | $ 390,421 | 33% | $ (4,371) |
| Utility operations | 310,509 | 26% | 301,637 | 25% | 8,872 |
| Public works | 261,291 | 22% | 264,543 | 22% | (3,252) |
| Property and development | 116,842 | 10% | 101,588 | 9% | 15,254 |
| Finance and administration | 73,486 | 6% | 66,405 | 6% | 7,081 |
| Civic corporations | 25,786 | 2% | 31,532 | 3% | (5,746) |
| General government | 30,405 | 2% | 28,512 | 2% | 1,893 |
| | $1,204,369 | | $1,184,638 | | $ 19,731 |

Property and development expenses were below budget due to lower land sales and the consequent lower associated costs.

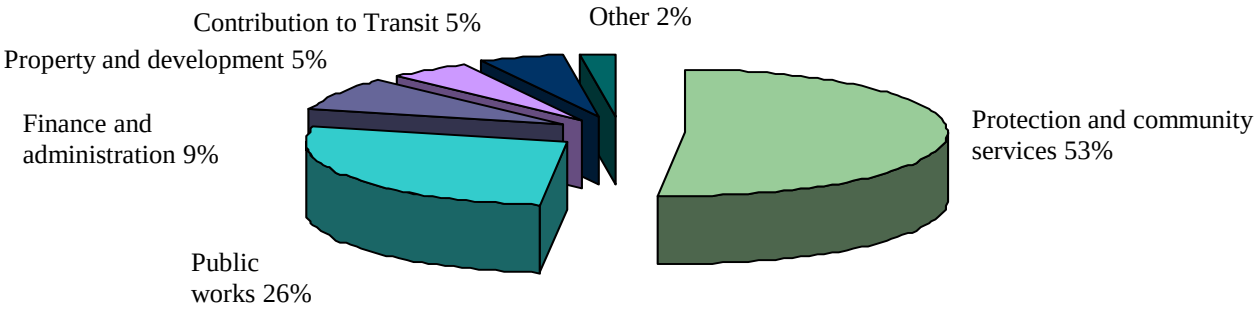
## General Revenue Fund

The General Revenue Fund (commonly referred to as the tax-supported fund) represents approximately 48% of the City's combined expenses. The 2010 budget for tax-supported operations was adopted by City Council on March 23, 2010. During the budget process, the City faced several challenges to produce a balanced budget, including maintaining service levels, a commitment to a competitive tax environment, and efficiencies in operations. The result was the thirteenth consecutive approved budget without an increase to property taxes. The budget focused on public safety and other strategic investments.




**General Revenue Fund 2010 Actual Revenues**

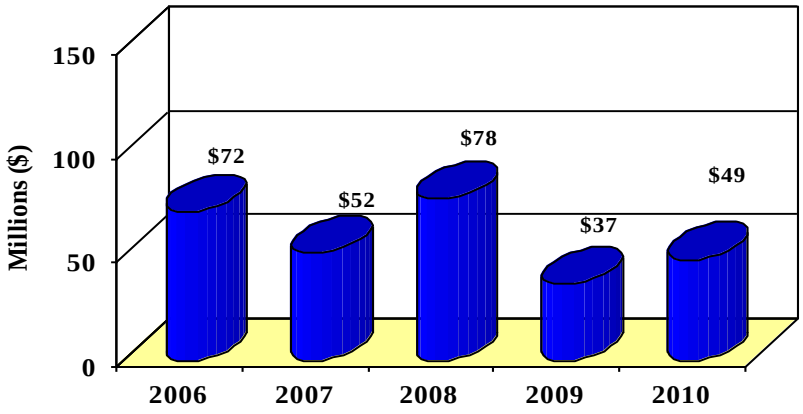
During 2010, the General Revenue Fund incurred revenues and expenses of $813.1 million (2009 - $794.8 million). Several unexpected events occurred that impacted the financial results of tax-supported operations at the City, including lower long-term disability payments, other employee benefit charges and assessment appeal costs, and higher street maintenance. To avoid a deficit in the General Revenue Fund, $3.8 million of net supplementary tax revenue was not transferred to the Fiscal Stabilization Reserve Fund, as approved by City Council on December 15, 2010.




**General Revenue Fund 2010 Actual Expenses**

## Financial Position

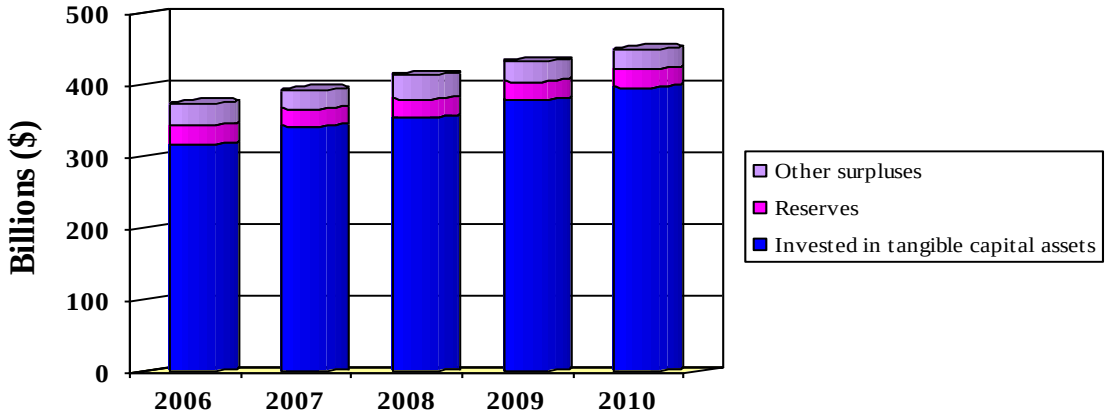
The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2010, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. The City's net financial assets is an important financial indicator on the Consolidated Statement of Financial Position.




**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, 2010, the City was in a net financial asset position of $48.6 million (2009 - $36.9 million). The change in net financial assets during the year resulted primarily from the excess of revenues over expenses of $169.2 million and amortization of tangible capital assets of $165.9 million, partially offset by the investment in tangible capital assets of $333.9 million.

Another important financial indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. The 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 2010, the accumulated surplus was invested in tangible capital assets.




**Accumulated Surplus**

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

## Cash and Cash Equivalents

During 2010, the City's cash position increased by $21.0 million. This increase resulted primarily from cash generated by activities exceeding the cash invested in tangible capital assets.

## Accounts Receivable

The largest component of accounts receivable is trade accounts and other receivables at 52% (2009 - 63%). Approximately 40% of trade accounts and other receivables results from services rendered in the Waterworks System and Sewage Disposal System. Management has determined credit risk to be low on the outstanding receivables in these two Funds and has provided an allowance for doubtful accounts of $418 thousand (2009 - $469 thousand).

As at December 31, 2010, property, payments-in-lieu and business tax receivables, net of the estimated allowance for uncollectible amounts, represented 14% (2009 - 16%) of total receivables. Taxation revenue is 41% (2009 - 40%) of total consolidated revenues.

Taxes Receivable
As at December 31

| (in thousands of dollars) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Taxes receivable | $ 34,387 | $ 30,036 | $ 29,893 | $ 38,038 | $ 41,350 |
| Allowance for tax arrears | (3,080) | (3,784) | (3,657) | (6,228) | (6,326) |
| | $ 31,307 | $ 26,252 | $ 26,236 | $ 31,810 | $ 35,024 |

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

## Investments

| As at December 31<br>(in thousands of dollars) | 2010 | 2009 |
|---|---|---|
| Marketable securities | | |
| Government of Canada | $ 6,494 | $ 9,385 |
| Provincial | 9,891 | 18,940 |
| Municipal | 36,775 | 41,159 |
| | 53,160 | 69,484 |
| Manitoba Hydro long-term receivable | 220,238 | 226,640 |
| Other | 2,918 | 2,991 |
| | $ 276,316 | $ 299,115 |
| Market value of marketable securities | $ 55,101 | $ 71,017 |

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 2009 to 2010 and $16 million annually thereafter in perpetuity. The accounting value of the investment is based on the discounted sum of future cash flows that have been guaranteed by the Province.

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 maintained by the City. City Council has approved an Investment Policy to provide the Public Service with a framework for managing its investment program. The Investment Policy provides guidance and parameters for developing a portfolio strategy; a performance measurement section, including benchmarks and objectives; an enhanced reporting framework; and additional categories of investments that can be made. Safety of principal remains the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

## Debt

| As at December 31<br>(in thousands of dollars) | 2010 | 2009 |
|---|---|---|
| Sinking fund debentures | $ 513,000 | $ 453,000 |
| Equity in sinking funds | (218,687) | (199,025) |
| | 294,313 | 253,975 |
| Serial and installment debt | 99,004 | 118,935 |
| Province of Manitoba and bank loans | 74,647 | 76,349 |
| Capital lease obligations | 28,438 | 30,233 |
| | $ 496,402 | $ 479,492 |

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 for which the City maintains two sinking funds. One of the sinking funds is managed by The Sinking Fund Trustees of the City of Winnipeg. The second fund was created as a result of revisions to The City of Winnipeg Charter and is managed by the City for sinking fund arrangements after December 31, 2002. Recently, the City has financed capital borrowing with 30-year sinking fund debentures. The City pays interest on the principal to the investors and contributes a set percentage of the principal into the sinking funds. The sinking fund contribution percentage is set at the time of debt issuance and is estimated to be sufficient to retire the debentures as they mature.

These annual payments are invested primarily in government and government-guaranteed bonds and 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.

During 2010, the City issued a $60.0 million sinking fund debenture for the Southwest Rapid Transit Corridor - Stage 1 project. The debt carries a 5.15% interest rate and will mature on June 3, 2041.

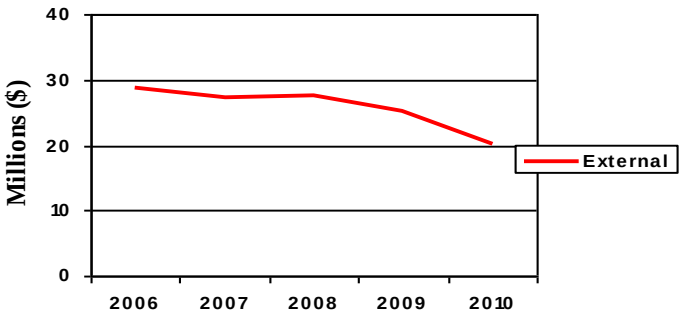
Debt Retired Over The Next Five Years
As at December 31

| (in thousands of dollars) | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ 90,000 | $ 85,000 | $ 88,000 | $ 250,000 |
| Other debt | 47,145 | 31,386 | 32,107 | 18,702 | 13,740 | 59,009 |
| | $ 47,145 | $ 31,386 | $ 122,107 | $ 103,702 | $ 101,740 | $ 309,009 |

The City has also incurred serial and installment debt having varying maturities up to 2019, and carrying a weighted average interest rate of 4.8% (2009 - 4.8%). Annual interest and principal payments are made on the debt to the investors. In addition, the City has guaranteed the payment of principal and interest on capital loans totalling $5.4 million (2009 - $4.9 million) for several third parties. The City does not anticipate incurring future payments relating to these guarantees.

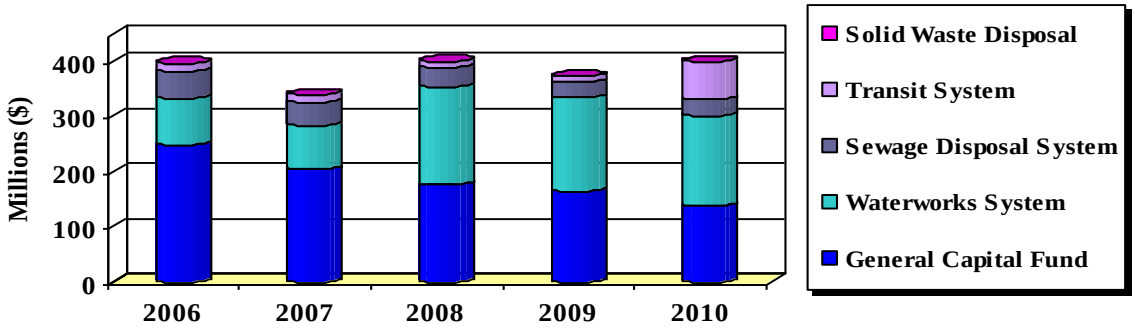
Early in 2011, Standard & Poor's ("S&P") affirmed the City's AA credit rating. The rationale for the rating was attributed to "healthy budgetary surpluses, robust liquidity for the ratings, and strong economic performance compared with that of peers." However, S&P noted these strengths are offset to some degree by substantial infrastructure deficiencies that the City will need to address, and the increase in debt levels resulting from Winnipeg's capital plan. 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 to obtain competitive and comparable borrowing terms to other cities.




**General Capital Fund (Tax-Supported) Interest**

Beginning in 1998, the City discontinued budgeting for new tax-supported debt in the General Capital Fund. Under its capital plan, all tax-supported projects are financed internally except for design, build, finance and maintain projects and local improvements. As a result, the level of tax-supported debt has decreased by $332.6 million since 1999.




**Net Sinking Fund Debentures, Serial and Installment Debt**

In addition, the 2005 to 2010 capital budgets for the utilities and their 2011 to 2015 capital forecasts anticipate $659.2 million of future debt to fund projects mandated by the Province. During 2003, the Clean Environment Commission ("CEC") at the request of the Minister of Conservation, conducted public hearings to receive and review comments on the City's wastewater collection and treatment improvement program. The CEC made several recommendations to upgrade and improve the wastewater collection and treatment systems, which were subsequently supported by the Minister of Conservation. In response, Manitoba Conservation issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers. The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan. With this direction, a wastewater upgrade program has been developed and provides for effluent disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations. Based on preliminary assessments, the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation of compliance requirements.

Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, (which had a balance of $38.5 million at December 31, 2010), the Canada Strategic Infrastructure Fund ("CSIF") and accumulated surplus.

Construction commenced on two major infrastructure projects using a design, build, finance and maintain model ("DBFM"). Plenary Roads Winnipeg ("PRW") was chosen as the preferred proponent to deliver a replacement facility to the Disraeli Bridges. Under a 30-year agreement, PRW is responsible to design, build, finance and maintain the new facility. Under the agreement, the City will make a one-time commissioning payment of $75.0 million when the new bridges are put into service. In addition, the City will make capital and maintenance payments. These payments will be fixed at capital - $9.8 million annually and maintenance - $1.6 million annually with an annual adjustment based on the Consumer Price Index.

Key features of the proposal include:

- During construction, traffic will not be interrupted at peak travel times;
- The existing bridges will be replaced by new structures;
- The roadway will be realigned, and exits and entrances redesigned to allow for smoother traffic and pedestrian flow; and
- A separate new active transportation bridge will be built utilizing the existing facility's river bridge piers.

DBF2 Ltd. was chosen as the preferred proponent to design, build, finance and maintain the Chief Peguis Trail Extension. Under the agreement, the City will be making $52.0 million in the form of upfront payments, which are comprised of $20.0 million in milestone payments during construction, a $30.0 million payment due upon opening of the project to the public and $2.0 million upon completion of specific items. The City is also responsible for annual capital payments of $4.5 million and annual maintenance payments of $1.4 million over 30 years. The maintenance payments will be adjusted annually based on the Consumer Price Index.

Key features of the proposal include:

- A grade separation at Rothesay;
- Active transportation pathways including a separate new active transportation bridge at Gateway; and
- Significant investment in sound attenuation and landscaping.

Some of the benefits of a DBFM delivery model for these two projects are the following:

- The majority of the construction risk has been transferred to the private sector, protecting taxpayers from potential construction cost overruns;
- Maintenance responsibility (including rehabilitative maintenance) over the 30-year period of the agreement has been largely transferred to the private sector. PRW/DBF2 face significant deductions from their monthly payments if they do not meet their performance obligations;
- The land and facilities are owned by the City at all times and must be operated to standards set by the City;
- The facilities must be well maintained and returned to the City in good condition at the end of the 30-year concession. The project agreement allows the City to hold back significant amounts to ensure the hand-back requirements are met; and
- Both projects have been independently assessed and the DBFM method was determined to have significant Value for Money in comparison to the traditional design, bid, build delivery model.

Additional debt and capital lease obligations under these agreements will impact the Consolidated Statement of Financial Position.

## Tangible Capital Assets

The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment, and ensuring fiscal responsibility. The 2010 capital budget and the 2011 to 2015 five-year forecast was adopted by City Council on December 15, 2009. The capital investment plan detailed $2.0 billion in spending over the next six years with $439.4 million authorized for 2010. Areas of major capital investment included in the six-year plan are $812.0 million for sewage disposal projects; $224.6 million for regional and local street renewal projects; $163.9 million for the transit system; $147.1 million for the water system; $78.6 million for land drainage and flood control; and $65.0 million for public safety infrastructure.

Also included in the capital investment plan is anticipated funding of $242.7 million under the Federal Gas Tax Agreement, $150.0 million from Provincial funding for road improvements, $101.5 million under the Manitoba/Winnipeg Infrastructure Program and $21.5 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 project - $18.4 million, and the recreation and leisure facilities - $3.1 million.

During 2010, the City spent $333.9 million on capital projects (2009 - $384.1 million), which included $170.0 million for tax-supported projects. Spending on tax-supported projects was primarily on roads and bridges, land drainage, and buildings.

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, is amortized on a straight-line basis over the assets' estimated useful lives, ranging from 5 to 100 years.

Roads and underground networks contributed to the City totalled $43.1 million (2009 - $71.0 million), and were capitalized at their fair value at the time of receipt. Interest costs of $3.5 million (2009 - $2.6 million) have also been capitalized.

In 2006, the City early-adopted Public Sector Accounting Handbook 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 these systems in the future through enhanced reporting and a robust asset management methodology. One definition of asset management is an integrated optimization process of managing infrastructure assets to minimize the total cost of owning them, while continuously delivering the service levels customers desire, at an acceptable level of risk. As with most municipalities, the City faces challenges including funding, growth, capital and operating budgets, potential loss of knowledge through retirements, deteriorating infrastructure and climate change. The City has identified comprehensive asset management as a key initiative to help address these challenges and set the stage for continued high performance and organizational sustainability. As well, the City has implemented processes that will result in better matching of approved capital budgets to the actual cash flows. Existing capital projects are reviewed semi-annually to determine whether any surplus capital funds are available for other capital project purposes, or will impact future capital program budgets.

Tangible Capital Assets
As at December 31
(in thousands of dollars)

| | 2010 | 2009 |
|---|---|---|
| General | | |
| Land | $ 191,940 | $ 189,507 |
| Buildings | 303,015 | 292,478 |
| Vehicles | 172,305 | 165,860 |
| Computer | 46,987 | 51,975 |
| Other | 94,236 | 83,833 |
| Infrastructure | | |
| Plants and facilities | 600,589 | 599,450 |
| Roads | 859,372 | 821,659 |
| Underground and other networks | 1,764,978 | 1,733,992 |
| Bridges and other structures | 304,247 | 307,643 |
| | 4,337,669 | 4,246,397 |
| Assets under construction | 110,326 | 44,957 |
| | $4,447,995 | $4,291,354 |

Tangible Capital Assets by Fund
As at December 31
(in thousands of dollars)

| | 2010 | | 2009 | |
|---|---|---|---|---|
| General Capital Fund | $2,474,503 | 56% | $2,411,176 | 56% |
| Waterworks System Fund | 852,345 | 19% | 833,393 | 20% |
| Sewage Disposal System Fund | 797,013 | 18% | 780,847 | 18% |
| Transit System Fund | 216,871 | 5% | 161,378 | 4% |
| Other Funds and Entities | 107,263 | 2% | 104,560 | 2% |
| | $4,447,995 | | $4,291,354 | |

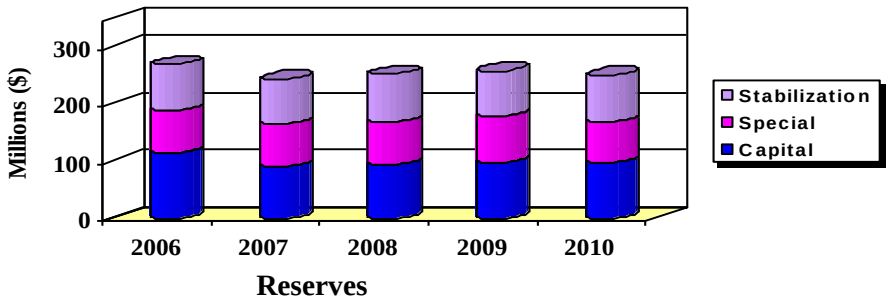
## Accumulated Surplus

Accumulated surplus is comprised of all the accumulated surpluses and deficits of the funds, reserves and controlled entities that are included in the Statements along with the City's unfunded liabilities such as vacation, retirement allowance, compensated absences and legal liabilities. Accumulated surplus primarily consists of the City's investment in tangible capital assets (2010 - 88%; 2009 - 87%). The investment in tangible capital assets represents the unamortized cost of the tangible capital asset which will be reported as an expense in future accounting periods, except for land. Land is non-depreciable property due to its infinite life. Investment in tangible capital assets is not readily accessible for use in funding future obligations.

## Reserves

Reserve balances have decreased overall by $7.7 million (2009 - $6.3 million increase) from the prior year. The City's Special Purpose Reserves declined by $10.0 million, the Capital Reserve balances decreased by $0.9 million, while the Stabilization Reserves rose by $3.2 million.

The Stabilization Reserves' accumulated surpluses are $187 thousand under their combined targeted level of 10% of the General Revenue Fund's adopted budget expenses. Individually, the Fiscal Stabilization Reserve is at 97% of the target level and the Mill Rate Stabilization Reserve has surpassed the 5% target.




## Financial Indicators

An analysis of the Consolidated Statement of Financial Position and the Consolidated Statement of Operations and Accumulated Surplus provides an overview of the City's financial condition. The financial condition of the City is assessed by its ability to meet its existing financial obligations to creditors, employees and others in a timely manner, while continuing to meet its service obligations to the public. Financial condition is measured in terms of a City's sustainability, flexibility and vulnerability.

| Indicators of Financial Condition<br>As at December 31 | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Sustainability indicators | | | | | |
| Assets-to-liabilities | **6.00** | 6.05 | 5.88 | 5.89 | 5.61 |
| Financial assets-to-liabilities | **1.05** | 1.04 | 1.09 | 1.06 | 1.09 |
| Flexibility indicators | | | | | |
| Public debt charges-to-revenues | **0.03** | 0.04 | 0.04 | 0.04 | 0.04 |
| Own-source revenues-to-taxable assessment | **0.02** | 0.03 | 0.03 | 0.03 | 0.03 |
| Vulnerability indicators | | | | | |
| Operating government transfers-to-operating revenues | **0.12** | 0.12 | 0.11 | 0.11 | 0.10 |
| Total government transfers-to-total revenues | **0.19** | 0.19 | 0.17 | 0.15 | 0.14 |

Sustainability is the degree to which the City can maintain its existing service and financial commitments without increasing the relative debt or tax burden on the economy. Sustainability indicators include the City's assets-to-liabilities ratio, which has exceeded one in the current year and the previous four years. This positive ratio indicates the City has not been financing its operations by issuing debt. The financial assets-to-liabilities ratio has also exceeded one, indicating that financial resources are on hand that can finance future operations. The City is facing challenges, including some of those discussed previously under Debt, that need to be addressed to provide for a continuing fiscally sustainable future.

Flexibility is the degree to which the City can issue more debt or increase taxes to meet its existing financial and service commitments. The City's public debt charges (interest expense)-to-revenues has remained constant over the past several years at 0.04 with a drop to 0.03 in 2010. This trend indicates the City has chosen other sources of revenues or received transfers from senior levels of government instead of borrowing to meet its financial and service commitments. Another flexibility indicator is the ratio of own-source revenues-to-taxable assessment. This ratio has remained constant over the last few years with a drop in 2010 due to the revaluation (general property reassessment) of property values. As well, this ratio reflects the City's policy of not raising property taxes, which has occurred over the previous thirteen years and indicates the City has not reduced its flexibility to access own-source revenues in the future.

Vulnerability is the degree to which the City is dependent on sources of funding outside its control or influence, or is exposed to risks that could impair its ability to meet financial and service commitments. The government transfers-to-total revenues ratio indicates the proportion of revenues that the City receives from the senior levels of government. Over the past several years this ratio has risen marginally mainly because of funding for tangible capital assets. If the ratio is recalculated to exclude funding related to tangible capital assets, the ratio has remained relatively constant. This indicates the City has not increased its dependence on other levels of government for operating revenue.

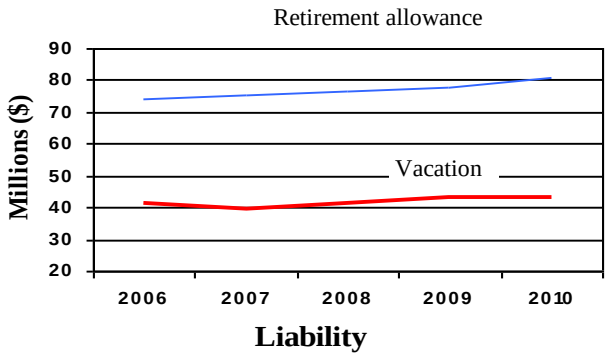
## Accounting Policies

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, sick leave and severance pay benefit plans for qualified employees. The cost of these employee benefits is actuarially determined each year. These calculations use management's best estimate of a number of assumptions, the long-term rate of investment return on plan assets, certain employee-related factors such as turnover, sick leave utilization, retirement age and mortality, inflation, 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, sick leave and severance pay benefits expense reported in future financial statements.

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. The Winnipeg Civic Employees' Pension Plan has similar characteristics to a defined contribution pension plan in that it is a multi-unit pension plan governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. This structure eliminates the City's exposure to future unfunded liabilities.




During 2009, the Board of Trustees of the Winnipeg Civic Employees' Benefits Program recommended to the City and the Signatory Unions that they approve a contribution rate increase to an average rate of 8% of pensionable earnings for both employees and employers. The rate increase was approved and came into effect the first period in 2010. This resulted from a strategic review of the Program, which indicated that the cost of the benefits under the Program was 24.4% of pensionable earnings while combined contributions from the employers and employees, including the 2010 increase, would be 16% of pensionable earnings, resulting in a continuing shortfall of 8.4% of pensionable earnings. In the short term, this funding shortfall is addressed through the Program's special-purpose reserves. The Board of Trustees of the Program is continuing to review the Program with a view to ensuring its long-term financial sustainability. The rate increase of 8% will not eliminate the shortfall and a joint committee of representatives of the City and the Signatory Unions has undertaken discussions regarding possible solutions.

The Winnipeg Police Pension Plan is a defined benefit plan to which the members and the City each contribute 8% of pensionable earnings, with the City being responsible for any unfunded liabilities. As at December 31, 2010, the market value of this pension fund's assets was $922.2 million (2009 - $854.7 million), which is $25.3 million (2009 - $1.2 million) greater than the accrued pension obligation.

The cost of benefits accrued under this Plan is 23.7% of pensionable earnings. The excess of this cost over the contributions paid is funded by this Plan's Contribution Stabilization Reserve. As at December 31, 2010, this reserve has a balance of $42.1 million (2009 - $54.5 million). To mitigate the impact of potential funding deficiencies on the Contribution Stabilization Reserve, future years of strong investment returns will be required to absorb the shortfall between the contribution rates and the cost of benefits and the balance of the effect of the 2008 financial market downturn on the pension fund. In 2010, this Plan experienced a rate of return, net of investment expenses, on Plan assets of 10.24% (2009 - 15.05%).

## 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.

### Environmental Matters

The City's water distribution and treatment system is governed by a license issued under the Drinking Water Safety Act and the sewage treatment plants are governed by licenses issued under the Environment Act. As well, The City of Winnipeg operates one landfill, the Brady Road Landfill Site, and maintains and monitors several former landfill sites. The City estimates costs associated with future landfill closure and post-closure care requirements in the determination of its environmental liability. In estimating future landfill closure costs, management has estimated the total cost to cover, landscape and maintain the site based upon remaining life and capacity. The liability is measured on a discounted basis using the long-term cost of borrowing at year-end.

## Business Risks

### Labour Negotiations

For the year ended December 31, 2010, 53% (2009 - 52%) of the City's expenses related to salaries and employee benefits. The City's annual average headcount was 9,942, the majority being represented by eight unions and associations. The City has labour agreements in place with its unions and associations as follows:

| Union/Association | Average Annual Headcount | Agreement Expiry Date |
|---|---|---|
| ATU | 1,349 | January 15, 2011 |
| CUPE | 4,685 | December 27, 2014 |
| MGEU | 283 | February 13, 2011 |
| UFFW | 916 | December 26, 2011 |
| WAPSO | 614 | October 11, 2011 |
| WFPSOA | 43 | August 27, 2011 |
| WPA | 1,809 | December 23, 2010 |
| WPSOA | 26 | December 19, 2010 |

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; MGEU - Manitoba Government and General Employees' Union The Paramedics of Winnipeg Local 911; 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.

# Organizational Initiatives

**Assiniboine Park**

On July 21, 2010, City Council approved the management agreement between the City and Assiniboine Park Conservancy Inc. ("APC"). The agreement deals with the acquisition of certain assets, operations, management, restoration and redevelopment of Assiniboine Park (the "Park"). APC is a not-for-profit organization that will operate independently from the City with a mandate to lead, manage, fundraise and redevelop the Park. Critical terms of the agreement include:

- All Park lands, built and natural infrastructure are public assets which will continue to be owned by the City;
- The Park will be maintained as a public park with free entry to green space;
- APC shall be given the authority to redevelop the Park attractions, to develop new facilities and programs for public enjoyment and to pursue commercial activities appropriate to the Park to support sustainability of operations; and
- APC will undertake a capital fundraising campaign to raise funds for the Park restoration and redevelopment.

**General Assessment**

The general assessment is the reassessment of all properties at the same time. Since 1990, the Province has required all jurisdictions in Manitoba to reassess property every four years. However, effective January 1, 2009, the Municipal Assessment Act was revised and general assessments are conducted every two years, with the first two-year general assessment conducted in 2010.

Conducting regular reassessments helps to ensure that property assessment reflects more recent market values. Winnipeg's real estate market has changed significantly in five years. The 2006 general assessment was based on 2003 market values, while 2010 is based on April 1, 2008 market values. The market value of properties, on average, has risen as follows:

- Residential properties (four-dwelling units and under) 78% city-wide;
- Multi-family housing (five-dwelling units and up) 106%;
- Condominiums and cooperative housing 77%;
- Office/retail properties 69%; and
- Industrial properties 57%.

The 2010 assessment roll was issued June 5, 2009, with property assessment notices mailed to owners of more than 200,000 properties in the City. The City's 2012 general assessment for property owners is currently underway. City officials expect that changing to a two-year assessment cycle will stabilize the significant fluctuation in market values that were experienced in the 2010 general assessment and better align property values with the actual taxation years for which they are being used.

## Controls and Procedures and Recent Accounting Pronouncements

The City's Audit Department plays a key role in providing independent assurance on the performance of civic services in support of open, transparent and accountable government. In 2010, the City Auditor delivered his first Report on Performance since the City Auditor's responsibilities were expanded to include the role of Chief Performance Officer. In his Report on Performance, the City Auditor noted that 79% of the audit recommendations made since 2005 have been implemented.

Over the past year, City Council also received reports on Business Resumption Planning and the Winnipeg Fleet Management Agency Performance. The Public Service considers all internal control recommendations seriously, balancing the cost of implementation and maintenance with the benefits to be derived, considering available resources and the extent of controls required to mitigate possible risks in areas of concern.

In 2010 and 2011, PSAB issued several pronouncements which may impact the City's future financial statements. The pronouncements are as follows:

- In February 2010, PSAB issued an accounting standard concerning Tax Revenue, Section PS 3510. The standard provides principles for the recognition, measurement and disclosure of tax revenue in government financial statements for fiscal years beginning on or after April 1, 2012.
- In March 2010, PSAB approved Section PS 3260, Liability for Contaminated Sites for fiscal years on or after April 1, 2014. The objective of this accounting standard addresses when these obligations meet the definition of a liability; recognition and measurement criteria; and any unique disclosure requirements.
- In March 2011, PSAB issued Section PS 3410, Government Transfers. The standard replaces the existing standard that was issued in 1990 when governments were applying the modified accrual basis of accounting. With the subsequent change to full accrual accounting, the government community identified a need for additional guidance and clarification to ensure consistent interpretation of Section PS 3410. The new standard applies to the fiscal period beginning January 1, 2013.
- In March 2011, PSAB approved two new standards, Section PS 3450, Financial Instruments and Section PS 2601, Foreign Currency Translation, and related financial statement presentation changes to Financial Statement Presentation, Section PS 1200. The new standards are expected to be issued in June 2011 and both standards must be adopted in the same fiscal period. The new standards are effective for fiscal years beginning on or after April 1, 2015.

Currently the potential impact of these Sections on the City's Statements is being reviewed.

## Looking Forward

Section 284(2) of The City of Winnipeg Charter requires City Council to adopt the capital budget for that year, and a capital forecast for the next five fiscal years, before December 31 of each fiscal year. On February 22, 2011, City Council adopted the 2011 annual capital budget and the 2012 to 2016 five-year forecast. The capital budget focuses on investment in priority streets and bridges, sewer systems, and community infrastructure and amenities. The six-year plan authorizes over $2.2 billion in City capital projects, with $370.1 million earmarked in 2011.

Some of the upcoming projects included in the 2011 capital budget are: total street projects of $111.5 million, including $42.9 million - regional and local streets renewal; $34.2 million - Chief Peguis Trail Extension (Henderson Highway to Lagimodiere Blvd.); $10.1 million - Osborne Street Bridge; $99.4 million - police headquarters; $18.4 million - transit buses; and $9.6 million - redevelopment of Assiniboine Park through the Assiniboine Park Conservancy Inc.

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 22, 2011, City Council approved the 2011 operating budget, which provides for the 14th consecutive year of property tax freezes or reductions. The budget plan also includes the implementation of an enhanced small business tax credit program worth $3.5 million to eliminate business taxes for the smallest businesses (38% of all businesses). It also provides for 32 additional police officers on the street towards City Council's commitment of 58, 20 additional firefighters for the new Sage Creek station and additional hours at the Millennium Library.

General Revenue Fund - Budget
For the years ended December 31

| (in thousands of dollars) | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| Revenues | | | | | |
| Property tax | $ 435,934 | $ 431,113 | $ 428,692 | $ 424,422 | $ 419,035 |
| Government transfers | 106,106 | 102,768 | 101,663 | 90,237 | 81,172 |
| Sale of goods and services | 58,146 | 76,142 | 73,772 | 66,810 | 63,312 |
| Business tax | 57,584 | 57,584 | 57,584 | 57,584 | 57,584 |
| Frontage levy and other taxation | 71,726 | 63,198 | 46,107 | 25,253 | 22,943 |
| Regulation fees | 36,540 | 35,385 | 37,272 | 30,349 | 26,948 |
| Transfer from other funds | 38,203 | 40,631 | 32,940 | 62,361 | 59,918 |
| Interest | 9,245 | 10,142 | 9,328 | 9,326 | 9,310 |
| Other | 33,840 | 723 | 1,372 | 1,280 | 1,020 |
| | 847,324 | 817,686 | 788,730 | 767,622 | 741,242 |
| Expenses | | | | | |
| Police service | 202,173 | 189,909 | 178,997 | 169,936 | 160,223 |
| Public works | 170,157 | 161,509 | 166,132 | 165,502 | 161,890 |
| Fire paramedic service | 143,013 | 137,648 | 129,452 | 123,613 | 113,899 |
| Community services | 100,479 | 103,479 | 98,869 | 97,150 | 97,228 |
| Corporate | 63,891 | 59,437 | 60,367 | 60,492 | 61,435 |
| Planning, property and development | 38,353 | 38,791 | 39,104 | 37,120 | 37,186 |
| Water and waste | 34,695 | 33,823 | 30,093 | 29,373 | 30,674 |
| Corporate support services | 30,899 | 33,079 | 30,541 | 27,053 | 26,049 |
| Assessment and taxation | 23,841 | 22,565 | 17,987 | 19,229 | 14,139 |
| City Clerk's | 10,316 | 11,913 | 12,475 | 12,133 | 11,847 |
| Street lighting | 10,685 | 10,854 | 10,520 | 10,533 | 10,492 |
| Corporate finance | 8,074 | 7,543 | 7,288 | 6,642 | 6,831 |
| Other departments | 10,748 | 7,136 | 6,905 | 8,846 | 9,349 |
| | 847,324 | 817,686 | 788,730 | 767,622 | 741,242 |
| | $ - | $ - | $ - | $ - | $ - |

Prior year figures have not been reclassified to conform with the 2011 figures.

## 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.



Moira L. Geer, CA
Acting Chief Financial Officer

# Consolidated Financial Statements




PHOTO: Brent Bellamy, courtesy Tourism Winnipeg

# 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 public sector accounting standards.

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 City Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee - the Mayor, the Deputy Mayor, and the chairpersons of City 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 Audit Committee is readily accessible to external and internal auditors.

KPMG 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 City Council and appears on the following pages. 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.



Moira L. Geer, CA
Acting Chief Financial Officer

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Chartered Accountants
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Canada

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Internet www.kpmg.ca

# INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of The City of Winnipeg ("the City"), which comprise the consolidated statement of financial position as at December 31, 2010 and the consolidated statements of operations and accumulated surplus, change in net financial assets and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.
KPMG Canada provides services to KPMG LLP

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of The City of Winnipeg as at December 31, 2010, and the results of its consolidated operations and its consolidated cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

*Other Matters*

The consolidated financial statements of The City of Winnipeg for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on these statements on April 23, 2010.

KPMG LLP

Chartered Accountants

May 6, 2011

Winnipeg, Canada

# THE CITY OF WINNIPEG
# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash and cash equivalents (Note 3) | **$ 422,125** | $ 401,145 |
| Accounts receivable (Note 4) | **215,949** | 161,535 |
| Land held for resale | **15,150** | 12,467 |
| Investments (Note 5) | **276,316** | 299,115 |
| Investment in government businesses (Note 6) | **23,563** | 23,266 |
| | **953,103** | 897,528 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities (Note 7) | **145,266** | 139,020 |
| Deferred revenue (Note 8) | **71,428** | 50,943 |
| Debt (Note 9) | **496,402** | 479,492 |
| Other liabilities (Note 10) | **45,531** | 46,882 |
| Retirement allowance, vacation, compensated absences and other (Note 11) | **145,873** | 144,288 |
| | **904,500** | 860,625 |
| ***NET FINANCIAL ASSETS*** | **48,603** | 36,903 |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 13) | **4,447,995** | 4,291,354 |
| Inventories | **16,043** | 15,333 |
| Prepaid expenses and deferred charges | **6,073** | 5,906 |
| | **4,470,111** | 4,312,593 |
| ***ACCUMULATED SURPLUS (Note 14)*** | **$ 4,518,714** | $ 4,349,496 |

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)*

| | Budget 2010 (Unaudited) | Actual 2010 | Actual 2009 |
|---|---|---|---|
| ***REVENUES*** | | | |
| Taxation (Note 16) | **$ 549,330** | **$ 550,994** | $ 534,571 |
| Sales of services and regulatory fees (Note 17) | **443,640** | **425,164** | 413,243 |
| Government transfers (Note 18) | **142,092** | **144,910** | 134,710 |
| Land sales and other revenue (Note 6) | **53,057** | **47,914** | 28,573 |
| Investment income | **36,381** | **34,769** | 39,488 |
| Total Revenues | **1,224,500** | **1,203,751** | 1,150,585 |
| ***EXPENSES*** | | | |
| Protection and community services | **386,050** | **390,421** | 362,341 |
| Utility operations | **310,509** | **301,637** | 278,848 |
| Public works | **261,291** | **264,543** | 270,877 |
| Property and development | **116,842** | **101,588** | 97,958 |
| Finance and administration | **73,486** | **66,405** | 61,575 |
| Civic corporations | **25,786** | **31,532** | 29,582 |
| General government | **30,405** | **28,512** | 49,252 |
| Total Expenses (Note 19) | **1,204,369** | **1,184,638** | 1,150,433 |
| Excess Revenues Over Expenses Before Other | **20,131** | **19,113** | 152 |
| ***OTHER*** | | | |
| Government transfers related to capital (Note 18) | **130,871** | **106,976** | 122,113 |
| Developer contributions-in-kind related to capital (Note 13) | **25,000** | **43,129** | 70,950 |
| | **155,871** | **150,105** | 193,063 |
| Excess Revenues Over Expenses | **$ 176,002** | **169,218** | 193,215 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **4,349,496** | 4,156,281 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 4,518,714** | $ 4,349,496 |

*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)*

| | 2010 | 2009 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Excess Revenues Over Expenses | **$ 169,218** | $ 193,215 |
| Non-cash charges to operations | | |
| Amortization | **165,857** | 155,382 |
| Other | **(17,956)** | 20,804 |
| | **317,119** | 369,401 |
| Net change in non-cash working capital balances related to operations | **(27,635)** | (29,497) |
| Cash provided by operating activities | **289,484** | 339,904 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(333,851)** | (384,110) |
| Proceeds on disposal of tangible capital assets | **28,178** | 6,018 |
| Cash used in capital activities | **(305,673)** | (378,092) |
| ***FINANCING*** | | |
| Increase in sinking fund investments | **(19,662)** | (27,386) |
| Sinking fund investments applied to debt redemption | **-** | 104,519 |
| Debenture and serial debt retired | **(19,931)** | (149,878) |
| Sinking fund and serial debenture issued | **60,000** | 48,480 |
| Other | **(3,405)** | 26,864 |
| Cash provided by financing activities | **17,002** | 2,599 |
| ***INVESTING*** | | |
| Decrease of investments | **20,167** | 12,141 |
| Cash provided by investing activities | **20,167** | 12,141 |
| Increase (decrease) in cash and cash equivalents | **20,980** | (23,448) |
| ***CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR*** | **401,145** | 424,593 |
| ***CASH AND CASH EQUIVALENTS, END OF YEAR*** | **$ 422,125** | $ 401,145 |

*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)*

| | Budget 2010 (Unaudited) | Actual 2010 | Actual 2009 |
|---|---|---|---|
| ***EXCESS REVENUES OVER EXPENSES*** | **$ 176,002** | **$ 169,218** | $ 193,215 |
| Amortization of tangible capital assets | **168,452** | **165,857** | 155,382 |
| Proceeds on disposal of tangible capital assets | **25,000** | **28,178** | 6,018 |
| (Gain) loss on sale of tangible capital assets | **(23,784)** | **(20,525)** | 1,875 |
| Change in inventories, prepaid expenses and deferred charges | **2,600** | **(877)** | (1,127) |
| Acquisition of tangible capital assets | **(439,548)** | **(333,851)** | (384,110) |
| Other | **-** | **3,700** | (12,200) |
| ***INCREASE (DECREASE) IN NET FINANCIAL ASSETS*** | **(91,278)** | **11,700** | (40,947) |
| ***NET FINANCIAL ASSETS, BEGINNING OF YEAR*** | **36,903** | **36,903** | 77,850 |
| ***NET FINANCIAL ASSETS, END OF YEAR*** | **$ (54,375)** | **$ 48,603** | $ 36,903 |

*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 public sector accounting standards. 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. |
| Economic Development 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) Employees' pension funds

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

*2. Significant Accounting Policies (continued)*

**iv) Group life insurance funds**

The group life insurance funds of the City are administered by the EBB for the payment of life insurance and accordingly are not included in the consolidated financial statements.

**b) Basis of accounting**

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

**c) School taxes**

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

**d) Cash equivalents**

Cash equivalents consist of Government of Canada treasury bills; crown corporation bonds; provincial government bonds; City of Winnipeg municipal bonds; schedule 1 bank bonds, bankers' acceptances and bearer deposit notes; schedule 2 bankers' acceptances and bearer deposit notes; and asset backed commercial paper. 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 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.

**g) Assessment appeal costs**

Assessment appeal costs are estimated at the beginning of the two-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 expenses 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 acquisition and construction 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 and accordingly contributions are expensed as incurred. The costs of other pensions and other retirement benefits have been accounted for based on actuarially determined amounts 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 is amortized on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Buildings | 10 to 50 years |
| Vehicles | |
| Transit buses | 18 years |
| Other vehicles | 5 to 10 years |
| Computer hardware and software | 5 to 10 years |
| Other | |
| Machinery and equipment | 10 years |
| Land improvements | 10 to 30 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 |

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.

**a) Contributions of tangible capital assets**

Developer contributed tangible capital assets are recorded at their fair value at the date of receipt. The contribution is recorded as revenue.

**b) 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.

**ii) 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 are the result of a direct financial return.

Government transfers are recognized in the consolidated 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, lawsuits 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*

| | 2010 | 2009 |
|---|---|---|
| Cash | **$ 2,275** | $ 622 |
| Cash equivalents | **419,850** | 400,523 |
| | **$ 422,125** | $ 401,145 |

The average effective interest rate for cash equivalents at December 31, 2010 is 1.3% (2009 - 0.6%).

Cash and cash equivalents are net of $147.7 million (2009 - $86.1 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $34.0 million (2009 - $42.2 million).

### 4. *Accounts Receivable*

| | 2010 | 2009 |
|---|---|---|
| Property, payments-in-lieu and business taxes receivable | **$ 34,387** | $ 30,036 |
| Allowance for property, payments-in-lieu and business tax arrears | **(3,080)** | (3,784) |
| | **31,307** | 26,252 |
| Trade accounts and other receivables | **112,110** | 102,345 |
| Province of Manitoba | **68,140** | 33,207 |
| Government of Canada | **11,971** | 6,836 |
| Allowance for doubtful accounts | **(7,579)** | (7,105) |
| | **184,642** | 135,283 |
| | **$ 215,949** | $ 161,535 |

### 5. *Investments*

| | 2010 | 2009 |
|---|---|---|
| Marketable securities | | |
| Government of Canada bonds and Federal guarantees | **$ 6,494** | $ 9,385 |
| Provincial bonds | **9,891** | 18,940 |
| Municipal bonds | **36,775** | 41,159 |
| | **53,160** | 69,484 |
| Manitoba Hydro long-term receivable | **220,238** | 226,640 |
| Other investments | **2,918** | 2,991 |
| | **$ 276,316** | $ 299,115 |

The aggregate market value of marketable securities at December 31, 2010 is $55.1 million (2009 - $71.0 million).

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included 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 per annum 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 (the "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 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. NPDC is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks. NPDC 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:

| | **2010** | 2009 |
|---|---|---|
| Financial position | | |
| Capital assets and investment in properties and infrastructure enhancements | **$ 77,494** | $ 78,154 |
| Investments | **13,669** | 16,965 |
| Other assets | **4,394** | 2,780 |
| | **$ 95,557** | $ 97,899 |
| Deferred contributions | **$ 18,996** | $ 21,014 |
| Long-term debt | **12,380** | 12,668 |
| Current and other liabilities | **6,256** | 6,888 |
| | **37,632** | 40,570 |
| Net assets | **57,925** | 57,329 |
| | **$ 95,557** | $ 97,899 |

| | **2010** | 2009 |
|---|---|---|
| Results of operations | | |
| Revenues | **$ 10,464** | $ 10,365 |
| Expenditures | **9,360** | 9,555 |
| | **1,104** | 810 |
| Amortization | **(944)** | (1,183) |
| Other adjustments | **(318)** | - |
| Unrealized and realized gains (losses) | **754** | (955) |
| Excess (deficiency) of revenues over expenditures for the year | **$ 596** | $ (1,328) |

*6. Investment in Government Businesses (continued)*

**b) Winnipeg Housing Rehabilitation Corporation**

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

The condensed supplementary financial information of WHRC is as follows:

| | **2010** | 2009 |
|---|---|---|
| Financial position | | |
| Capital assets | **$ 29,506** | $ 30,521 |
| Current and other assets | **5,844** | 6,037 |
| | **$ 35,350** | $ 36,558 |
| Long-term debt | **$ 27,059** | $ 28,221 |
| Current and other liabilities | **4,036** | 4,181 |
| | **31,095** | 32,402 |
| Replacement Reserves | **3,655** | 3,572 |
| WHRC Building and Acquisition Reserve | **977** | 320 |
| Net assets | **(377)** | 264 |
| | **4,255** | 4,156 |
| | **$ 35,350** | $ 36,558 |

| | **2010** | 2009 |
|---|---|---|
| Results of operations | | |
| Revenues | **$ 7,243** | $ 7,191 |
| Expenditures | **7,884** | 7,104 |
| (Deficiency) excess of revenues over expenditures for the year | **(641)** | 87 |
| Gain on sale of capital assets | **-** | 2 |
| Change to Replacement Reserves during the year | **83** | 85 |
| Change to WHRC Building and Acquisition Reserve during the year | **657** | 8 |
| | **$ 99** | $ 182 |

During the year, the City paid WHRC an operating grant of $200 thousand (2009 - $200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2009 - $2.0 million).

**Summary of investment in government businesses**

| | **2010** | 2009 |
|---|---|---|
| North Portage Development Corporation (1/3 share) | **$ 19,308** | $ 19,110 |
| Winnipeg Housing Rehabilitation Corporation | **4,255** | 4,156 |
| | **$ 23,563** | $ 23,266 |

## 6. *Investment in Government Businesses (continued)*

**Summary of results of operations**

| | **2010** | 2009 |
|---|---|---|
| North Portage Development Corporation (1/3 share) | **$ 198** | $ (441) |
| Winnipeg Housing Rehabilitation Corporation | **99** | 182 |
| | **$ 297** | $ (259) |

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*

| | **2010** | 2009 |
|---|---|---|
| Accrued liabilities | **$ 73,442** | $ 68,859 |
| Trade accounts payable | **58,702** | 56,871 |
| Accrued interest payable | **13,122** | 13,290 |
| | **$ 145,266** | $ 139,020 |

## 8. *Deferred Revenue*

| | **2010** | 2009 |
|---|---|---|
| Province of Manitoba | **$ 34,024** | $ 21,740 |
| Federal gas tax transfer | **26,770** | 13,494 |
| Other | **10,634** | 7,252 |
| Federal public transit transfer | **-** | 8,457 |
| | **$ 71,428** | $ 50,943 |

## 9. *Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2010** | Amount of Debt 2009 |
|---|---|---|---|---|---|---|
| 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 |
| 2008-2036 | July 17 | 5.200 | VZ | 72/2006B | **100,000** | 100,000 |
| 2010-2041 | June 3 | 5.150 | WB | 183/2008 | **60,000** | - |
| | | | | | **513,000** | 453,000 |
| Equity in The Sinking Funds (Notes 9a and b) | | | | | **(218,687)** | (199,025) |
| Net sinking fund debentures outstanding | | | | | **294,313** | 253,975 |

*9. Debt (continued)*

| | 2010 | 2009 |
|---|---|---|
| **Other debt outstanding** | | |
| Serial and installment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.82% (2009 - 4.84%) | **99,004** | 118,935 |
| The Province and bank loans with varying maturities up to 2025 and a weighted average interest rate of 3.69% (2009 - 3.75%) | **74,647** | 76,349 |
| Capital lease obligations (Note 9c) | **28,438** | 30,233 |
| | **$ 496,402** | $ 479,492 |

Debt segregated by fund/organization:

| | 2010 | 2009 |
|---|---|---|
| Waterworks System | **$ 167,462** | $ 170,047 |
| General Capital Fund | **166,074** | 195,489 |
| Special operating agencies and other | **70,342** | 72,845 |
| Transit System | **67,744** | 9,629 |
| Sewage Disposal System | **24,454** | 31,094 |
| Solid Waste Disposal | **326** | 388 |
| | **$ 496,402** | $ 479,492 |

Debt to be retired over the next five years:

| | 2011 | 2012 | 2013 | 2014 | 2015 | 2016+ |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ 90,000 | $ 85,000 | $ 88,000 | $ 250,000 |
| Other debt | 47,145 | 31,386 | 32,107 | 18,702 | 13,740 | 59,009 |
| | $ 47,145 | $ 31,386 | $ 122,107 | $ 103,702 | $ 101,740 | $ 309,009 |

a) As at December 31, 2010, sinking fund assets have a market value of $229.6 million (2009 - $209.2 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 $38.8 million (2009 - $17.0 million) and a market value of $39.4 million (2009 - $17.2 million).

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees of The City of Winnipeg on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed in a separate fund 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.

***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 |
|---|---|
| 2011 | $ 4,117 |
| 2012 | 3,018 |
| 2013 | 3,095 |
| 2014 | 3,098 |
| 2015 | 2,336 |
| Thereafter | 39,137 |
| Total future minimum lease payments | 54,801 |
| Amount representing interest at a weighted average rate of 8.42% | (26,363) |
| Capital lease liability | $ 28,438 |

d) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2010 is $46.2 million (2009 - $49.6 million).

e) Cash paid for interest during the year is $46.4 million (2009 - $50.9 million).

***10. Other Liabilities***

| | **2010** | 2009 |
|---|---|---|
| Environmental liabilities | **$ 19,500** | $ 18,500 |
| Developer deposits | **8,773** | 9,084 |
| Other liabilities | **17,258** | 19,298 |
| | **$ 45,531** | $ 46,882 |

Included in environmental liabilities is $18.1 million (2009 - $17.1 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 6.0% (2009 - 6.0%).

Landfill closure and post-closure care requirements have been defined in accordance with the Environment 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 Road Landfill Site, is 95% of its total capacity and its remaining life is approximately 95 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 Road 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, 2010, the reserve had a balance of $3.7 million (2009 - $3.4 million).

### *11. Retirement Allowance, Vacation, Compensated Absences and Other*

| | **2010** | 2009 |
|---|---|---|
| Retirement allowance - accrued obligation | **$ 89,975** | $ 85,198 |
| Unamortized net actuarial loss | **(9,146)** | (7,252) |
| Retirement allowance - accrued liability | **80,829** | 77,946 |
| Vacation | **42,986** | 43,170 |
| Compensated absences | **7,793** | 7,667 |
| Other | **14,265** | 15,505 |
| | **$ 145,873** | $ 144,288 |

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 11.8 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, 2008. The results of this valuation were extrapolated to December 31, 2010.

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

| | **2010** | 2009 |
|---|---|---|
| Retirement allowance - accrued liability | | |
| Balance, beginning of year | **$ 77,946** | $ 76,575 |
| Current service cost | **4,464** | 4,338 |
| Interest cost | **3,705** | 3,838 |
| Amortization of net actuarial loss | **1,128** | 1,016 |
| Benefit payments | **(6,414)** | (7,821) |
| Balance, end of year | **$ 80,829** | $ 77,946 |

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

Retirement allowance expense consists of the following:

| | **2010** | 2009 |
|---|---|---|
| Current service cost | **$ 4,464** | $ 4,338 |
| Interest cost | **3,705** | 3,838 |
| Amortization of net actuarial loss | **1,128** | 1,016 |
| | **$ 9,297** | $ 9,192 |

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

| | **2010** | 2009 |
|---|---|---|
| Discount rate on liability | **3.90%** | 4.40% |
| 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 represent 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 Pension Plan

The Winnipeg Civic Employees' Benefits Pension Plan is similar to a defined contribution pension plan because it is a multi-unit pension plan governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. The Plan provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. During 2010, members contributed 7.6% of their Canada Pension Plan earnings and 9.4% 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 plan was prepared on December 31, 2009, which indicated an excess of actuarial value of program assets over actuarial liabilities of $266.0 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, 2010 was $82.1 million (2009 - $85.3 million).

Total contributions by the City to the program in 2010 were $20.4 million (2009 - $12.4 million), which were expensed as incurred.

**b) Winnipeg Police Pension Plan**

The Winnipeg Police Pension Plan is a contributory defined benefit plan, providing pension benefits to police officers. Members are required to make contributions at the rate of 8% of pensionable earnings. The City is required to finance the cost of the plan's benefits other than cost-of-living adjustments and to contribute 1% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City's contribution rate at 8% of pensionable earnings. The plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve and thereafter are shared equally between the City and plan members. Funding deficiencies are resolved through reductions in the contribution stabilization reserve and the rate of cost-of-living adjustments to pensions.

An actuarial valuation of the plan was prepared as of December 31, 2009 and the results were extrapolated to December 31, 2010. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year (2009 - 6.25%); inflation rate of 2.00% per year (2009 - 2.00%); and general pay increases of 3.50% per year (2009 - 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

| | **2010** | 2009 |
|---|---|---|
| Plan assets: | | |
| Fair value, beginning of year | **$ 854,735** | $ 760,147 |
| Employer contributions | **9,454** | 9,026 |
| Employee contributions and transfers | **9,754** | 9,327 |
| Benefits and expenses paid | **(38,252)** | (36,718) |
| Net investment income | **86,542** | 112,953 |
| Fair value, end of year | **922,233** | 854,735 |
| Actuarial adjustment | **16,732** | 53,361 |
| Actuarial value, end of year | **$ 938,965** | $ 908,096 |
| Accrued pension obligation: | | |
| Beginning of year | **$ 853,562** | $ 855,245 |
| Current period benefit cost | **28,357** | 28,024 |
| Benefits and expenses paid | **(38,252)** | (36,718) |
| Interest on accrued pension obligation | **53,553** | 51,953 |
| Actuarial gain | **(323)** | (44,942) |
| End of year | **$ 896,897** | $ 853,562 |
| Funded status | **$ 42,068** | $ 54,534 |
| Less: contribution stabilization reserve | **(42,068)** | (54,534) |
| Actuarial surplus | **$ -** | $ - |

***12. Pension Costs and Obligations (continued)***

| | **2010** | 2009 |
|---|---|---|
| Expenses related to pensions | | |
| Current period benefit cost | **$ 28,357** | $ 28,024 |
| Amortization of actuarial gains | **(6,267)** | (8,237) |
| Less: employee contributions and transfers | **(9,754)** | (9,327) |
| Pension benefit expense | **12,336** | 10,460 |
| Interest on accrued benefit obligation | **53,553** | 51,953 |
| Expected return on plan assets | **(56,435)** | (53,387) |
| Pension interest expense | **(2,882)** | (1,434) |
| Total expenses related to pensions | **$ 9,454** | $ 9,026 |

The actuarial value of the Plan's assets is determined by averaging over five years differences between the pension fund's net investment income and expected investment income based on the expected rate of return.

Total contributions made by the City to the Plan in 2010 were $9.5 million (2009 - $9.0 million). Total employee contributions to the Plan in 2010 were $9.6 million (2009 - $9.2 million). Benefits paid from the Plan in 2010 were $37.5 million (2009 - $35.9 million).

The expected rate of return on Plan assets in 2010 was 6.25% (2009 - 6.00%). The actual rate of return, net of investment expenses, on Plan assets in 2010 was 10.24% (2009 - 15.05%).

As the City's contribution to the Plan each year are equal to its pension expense, no accrued pension asset or liability is reflected in the Consolidated Statement of Financial Position.

**c) Councillors' Pension Plan**

**i) Pension Plan Established Under By-Law Number 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 2010, the City paid out $0.3 million (2009 - $0.3 million). An actuarial determined pension obligation of $3.9 million (2009 - $3.9 million) has been reflected in the Consolidated Statement of Financial Position.

**ii) Pension Plan Established Under By-Law Number 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. An accrued pension asset or liability is not reflected in the Consolidated Statement of Financial Position.

## *12. Pension Costs and Obligations (continued)*

### d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Benefits 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 for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance. An actuarial valuation indicated that this post-retirement liability is fully funded.

An actuarial valuation of the plan was prepared as of December 31, 2007 and the results were extrapolated to December 31, 2010. The principal long-term assumptions on which the valuation was based were: discount rate of 4.65% per year (2009 - 5.15%); and general pay increases of 3.75% per year (2009 - 3.75%). The accrued group life insurance 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:

| | **2010** | 2009 |
|---|---|---|
| Group life insurance plan assets, at actuarial value | **$ 132,874** | $ 129,656 |
| Accrued post-retirement life insurance obligations | **$ 96,268** | $ 84,010 |

## *13. Tangible Capital Assets*

| | **Net Book Value** | |
|---|---|---|
| | **2010** | 2009 |
| General | | |
| Land | **$ 191,940** | $ 189,507 |
| Buildings | **303,015** | 292,478 |
| Vehicles | **172,305** | 165,860 |
| Computer | **46,987** | 51,975 |
| Other | **94,236** | 83,833 |
| Infrastructure | | |
| Plants and facilities | **600,589** | 599,450 |
| Roads | **859,372** | 821,659 |
| Underground and other networks | **1,764,978** | 1,733,992 |
| Bridges and other structures | **304,247** | 307,643 |
| | **4,337,669** | 4,246,397 |
| Assets under construction | **110,326** | 44,957 |
| | **$ 4,447,995** | $ 4,291,354 |

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

During the year, assets were written-down $0.7 million (2009 - $nil). Interest capitalized during 2010 was $3.5 million (2009 - $2.6 million). In addition, roads and underground networks contributed to the City totalled $43.1 million in 2010 (2009 - $71.0 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:

| | 2010 | 2009 |
|---|---|---|
| **Surplus** | | |
| Invested in tangible capital assets | **$ 3,983,440** | $ 3,803,787 |
| Unamortized gain on Winnipeg Hydro sale | **220,238** | 226,640 |
| Sewage Disposal System | **90,872** | 83,745 |
| Waterworks System | **66,948** | 84,949 |
| North Portage Development Corporation | **19,308** | 19,110 |
| CentreVenture Development Corporation | **9,651** | 9,481 |
| Equipment and Material Services | **8,757** | 11,442 |
| Solid Waste Disposal | **3,296** | 3,864 |
| Other | **37,854** | 18,039 |
| Unfunded expenses | | |
| Canadian Museum for Human Rights grant | **(11,059)** | (11,100) |
| Environmental liabilities | **(18,878)** | (17,858) |
| Retirement allowance, vacation, compensated absences and other | **(142,644)** | (141,270) |
| **Total Surplus** | **4,267,783** | 4,090,829 |
| **Reserves** | | |
| **Capital Reserves** | | |
| Environmental Projects Reserve | **38,544** | 31,539 |
| Sewer System Rehabilitation Reserve | **33,316** | 35,998 |
| Transit Bus Replacement Reserve | **8,063** | 11,808 |
| Rapid Transit Infrastructure Reserve | **7,602** | 7,046 |
| Other | **9,851** | 11,938 |
| | **97,376** | 98,329 |
| **Stabilization Reserves** | | |
| Mill Rate Stabilization Reserve | **41,910** | 41,912 |
| Fiscal Stabilization Reserve | **39,672** | 36,485 |
| | **81,582** | 78,397 |
| **Special Purpose Reserves** | | |
| Land Operating Reserve | **14,182** | 20,668 |
| Perpetual Maintenance Fund - Brookside Cemetery | **12,608** | 12,123 |
| Destination Marketing Reserve | **7,631** | 4,760 |
| General Purpose Reserve | **7,214** | 14,162 |
| Heritage Investment Reserve | **6,410** | 7,484 |
| Contribution in Lieu of Land Dedication Reserve | **4,495** | 5,497 |
| Insurance Reserve (Note 20) | **3,690** | 1,639 |
| Workers Compensation Reserve | **2,758** | 3,173 |
| Other | **12,985** | 12,435 |
| | **71,973** | 81,941 |
| **Total Reserves** | **250,931** | 258,667 |
| | **$ 4,518,714** | $ 4,349,496 |

### *14. Accumulated Surplus (continued)*

Invested in tangible capital assets represents equity in non-financial assets, which is either a portion or the entire accumulated surpluses of specific funds consolidated in these statements. For those funds, where a portion of their accumulated surplus is allocated to invested in tangible capital assets, the amount is determined based on tangible capital assets less debt.

### *15. Commitments and Contingencies*

The significant commitments and contingencies that existed at December 31, 2010 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 |
|---|---|
| 2011 | $ 3,948 |
| 2012 | 3,544 |
| 2013 | 3,019 |
| 2014 | 1,882 |
| 2015 and thereafter | 8,683 |
| | $ 21,076 |

b) As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2010 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2010 is $5.4 million (2009 - $4.9 million).

d) During 2010, the City entered into two significant 30-year contracts. The contracts are for the replacement of the Disraeli Bridges and the extension of Chief Peguis Trail. These contracts include a total of $127.0 million in upfront payments and upon the facilities being commissioned, annual fixed payments of $14.3 million and annual payments of $3.0 million to be adjusted by the Consumer Price Index.

### *16. Taxation*

| | 2010 | 2009 |
|---|---|---|
| Municipal and school property taxes | **$ 883,541** | $ 852,364 |
| Payments-in-lieu of property (municipal and school) and business taxes | **42,531** | 38,871 |
| | **926,072** | 891,235 |
| Payments to Province and school divisions | **(497,907)** | (474,445) |
| Net property taxes and payments-in-lieu of property taxes available for municipal purposes | **428,165** | 416,790 |
| Business tax and license-in-lieu of business taxes | **57,563** | 56,539 |
| Local improvement and frontage levies | **29,048** | 29,055 |
| Electricity and natural gas sales taxes | **23,227** | 17,989 |
| Amusement and accommodation taxes and mobile home license | **12,991** | 14,198 |
| | **$ 550,994** | $ 534,571 |

The property tax roll includes school taxes of $474.5 million (2009 - $451.4 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2010 totalled $23.5 million (2009 - $23.0 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. 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*

| | 2010 | 2009 |
|---|---|---|
| Water sales and sewage services | **$ 204,609** | $ 205,533 |
| Other sales of goods and services | **98,854** | 93,001 |
| Transit fares | **65,592** | 63,906 |
| Regulatory fees | **56,109** | 50,803 |
| | **$ 425,164** | $ 413,243 |

## *18. Government Transfers*

| | 2010 | 2009 |
|---|---|---|
| **Operating** | | |
| Province of Manitoba | | |
| Building Manitoba Fund | **$ 56,704** | $ 55,404 |
| Ambulance, libraries and other | **51,042** | 48,058 |
| Transit | **27,877** | 24,276 |
| Unconditional | **19,888** | 19,888 |
| Support | **11,545** | 10,632 |
| Support for provincial programs | **(23,650)** | (23,650) |
| | **143,406** | 134,608 |
| Government of Canada | | |
| Other | **1,504** | 102 |
| **Total Operating** | **144,910** | 134,710 |
| **Capital** | | |
| Province of Manitoba | **62,293** | 52,983 |
| Government of Canada | | |
| Federal gas tax revenue | **27,176** | 29,731 |
| Other capital funding | **9,050** | 18,240 |
| Public transit | **8,457** | 21,159 |
| | **44,683** | 69,130 |
| **Total Capital** | **106,976** | 122,113 |
| | **$ 251,886** | $ 256,823 |

In accordance with the recommendations of Public Sector Accounting Board, government transfers and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

## *19. Expenses by Object*

| | 2010 | 2009 |
|---|---|---|
| Salaries and benefits | **$ 623,232** | $ 598,576 |
| Goods and services | **324,119** | 314,746 |
| Amortization | **165,857** | 155,382 |
| Interest | **46,233** | 49,588 |
| Other expenses | **25,197** | 32,141 |
| | **$ 1,184,638** | $ 1,150,433 |

## *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, 2010 is $3.7 million (2009 - $1.6 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 City'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 Service and Fire Paramedic Service departments. The mandate of the Police Service 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 for providing fire suppression service; fire prevention programs; and 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; for handling hazardous materials incidents; for the mitigation of calamitous incidents; and for the evacuation of people when in charge at an incident.

**Community Services**

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

**Planning**

The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development, parks and riverbank planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes and building standards. It facilitates economic development by providing services for the approval of all land development plans, 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 consists 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, transfers from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

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

## *22. Funds Held in Trust*

Trust funds administered by the City for the benefit of external parties of $0.6 million (2009 - $0.6 million) are not included in the consolidated financial statements.

## *23. 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 | **$ 189,507** | **$ 532,320** | **$ 302,366** | **$ 132,138** | **$ 140,411** |
| Add: | | | | | |
| Additions during the year | **8,296** | **31,019** | **28,231** | **6,388** | **22,382** |
| Less: | | | | | |
| Disposals during the year | **2,163** | **7,172** | **17,053** | **4,681** | **3,563** |
| Other | **(3,700)** | **-** | **-** | **-** | **-** |
| Balance, end of year | **191,940** | **556,167** | **313,544** | **133,845** | **159,230** |
| **Accumulated amortization** | | | | | |
| Balance, beginning of year | **-** | **239,842** | **136,506** | **80,163** | **56,578** |
| Add: | | | | | |
| Amortization | **-** | **18,810** | **20,541** | **11,376** | **11,163** |
| Less: | | | | | |
| Accumulated amortization on disposals | **-** | **5,500** | **15,808** | **4,681** | **2,747** |
| Balance, end of year | **-** | **253,152** | **141,239** | **86,858** | **64,994** |
| **Net Book Value of Tangible Capital Assets** | **$ 191,940** | **$ 303,015** | **$ 172,305** | **$ 46,987** | **$ 94,236** |

**Schedule 1**

| Infrastructure | | | | | Totals | |
|---|---|---|---|---|---|---|
| **Plants and Facilities** | **Roads** | **Underground and Other Networks** | **Bridges and Other Structures** | **Assets Under Construction** | **2010** | 2009 |
| **$ 788,494** | **$ 1,622,539** | **$ 2,574,935** | **$ 503,753** | **$ 44,957** | **$ 6,831,420** | $ 6,486,115 |
| **16,642** | **81,155** | **68,106** | **6,263** | **65,369** | **333,851** | 384,110 |
| **-** | **14,897** | **4,886** | **-** | **-** | **54,415** | 51,005 |
| **-** | **-** | **-** | **-** | **-** | **(3,700)** | 12,200 |
| **805,136** | **1,688,797** | **2,638,155** | **510,016** | **110,326** | **7,107,156** | 6,831,420 |
| **189,044** | **800,880** | **840,943** | **196,110** | **-** | **2,540,066** | 2,427,796 |
| **15,503** | **43,329** | **35,476** | **9,659** | **-** | **165,857** | 155,382 |
| **-** | **14,784** | **3,242** | **-** | **-** | **46,762** | 43,112 |
| **204,547** | **829,425** | **873,177** | **205,769** | **-** | **2,659,161** | 2,540,066 |
| **$ 600,589** | **$ 859,372** | **$ 1,764,978** | **$ 304,247** | **$ 110,326** | **$ 4,447,995** | $ 4,291,354 |

# THE CITY OF WINNIPEG
# CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

*For the year ended December 31, 2010*
*(in thousands of dollars)*

| | General Revenue Fund | | | |
|---|---|---|---|---|
| | **Protection** | **Community Services** | **Planning** | **Public Works and Water** |
| ***REVENUES*** | | | | |
| Taxation | **$ 214,964** | **$ 68,961** | **$ 1,166** | **$ 165,259** |
| Sales of services and regulatory fees | **45,559** | **17,786** | **20,617** | **4,520** |
| Government transfers (Note 18) | **55,280** | **12,131** | **3,627** | **17,796** |
| Transfer from other funds | **3,926** | **1,394** | **14,230** | **17,725** |
| Other | **8,041** | **2,606** | **1,419** | **5,144** |
| | **327,770** | **102,878** | **41,059** | **210,444** |
| ***EXPENSES*** *(Note 19)* | | | | |
| Salaries and benefits | **279,700** | **44,998** | **20,841** | **60,458** |
| Goods and services | **32,489** | **11,831** | **2,787** | **101,018** |
| Interest | **1,575** | **657** | **2,375** | **29,040** |
| Transfer to other funds | **8,557** | **36,704** | **10,213** | **6,780** |
| Other | **5,449** | **8,688** | **4,843** | **13,148** |
| | **327,770** | **102,878** | **41,059** | **210,444** |
| ***NET SURPLUS*** | **$ -** | **$ -** | **$ -** | **$ -** |

*For the year ended December 31, 2009*
*(in thousands of dollars)*

| | General Revenue Fund | | | |
|---|---|---|---|---|
| | **Protection** | **Community Services** | **Planning** | **Public Works and Water** |
| ***REVENUES*** | | | | |
| Taxation | $ 204,598 | $ 64,319 | $ 7,334 | $ 167,054 |
| Sales of services and regulatory fees | 42,295 | 17,399 | 15,917 | 3,917 |
| Government transfers (Note 18) | 53,068 | 12,407 | 4,389 | 20,321 |
| Transfer from other funds | 3,363 | 1,443 | 8,771 | 20,358 |
| Other | 7,962 | 2,617 | 1,221 | 5,733 |
| | 311,286 | 98,185 | 37,632 | 217,383 |
| ***EXPENSES*** *(Note 19)* | | | | |
| Salaries and benefits | 265,975 | 44,159 | 19,701 | 59,711 |
| Goods and services | 30,651 | 11,847 | 3,105 | 100,952 |
| Interest | 1,494 | 363 | 2,413 | 36,296 |
| Transfer to other funds | 7,575 | 35,520 | 8,564 | 4,984 |
| Other | 5,591 | 6,296 | 3,849 | 15,440 |
| | 311,286 | 98,185 | 37,632 | 217,383 |
| ***NET SURPLUS*** | $ - | $ - | $ - | $ - |

**Schedule 2**

| Finance and Administration | Transit System Fund | Water and Waste Funds | Other Funds and Corporations | Eliminations | Consolidated |
|---|---|---|---|---|---|
| **$ 94,184** | **$ -** | **$ -** | **$ 13,584** | **$ (7,124)** | **$ 550,994** |
| **11,107** | **68,217** | **225,697** | **76,598** | **(44,937)** | **425,164** |
| **14,522** | **36,795** | **12,676** | **109,046** | **(9,987)** | **251,886** |
| **3,366** | **68,813** | **30,353** | **306,315** | **(446,122)** | **-** |
| **7,729** | **2,173** | **19,252** | **80,107** | **(659)** | **125,812** |
| **130,908** | **175,998** | **287,978** | **585,650** | **(508,829)** | **1,353,856** |
| **37,179** | **82,365** | **56,996** | **39,727** | **968** | **623,232** |
| **14,827** | **38,305** | **78,604** | **90,609** | **(46,351)** | **324,119** |
| **5,365** | **5,238** | **19,274** | **51,402** | **(68,693)** | **46,233** |
| **50,388** | **12,349** | **62,108** | **156,031** | **(343,130)** | **-** |
| **23,149** | **13,040** | **34,329** | **139,265** | **(50,857)** | **191,054** |
| **130,908** | **151,297** | **251,311** | **477,034** | **(508,063)** | **1,184,638** |
| **$ -** | **$ 24,701** | **$ 36,667** | **$ 108,616** | **$ (766)** | **$ 169,218** |

| Finance and Administration | Transit System Fund | Water and Waste Funds | Other Funds and Corporations | Eliminations | Consolidated |
|---|---|---|---|---|---|
| $ 89,909 | $ - | $ - | $ 17,583 | $ (16,226) | $ 534,571 |
| 10,484 | 65,931 | 224,380 | 75,035 | (42,115) | 413,243 |
| 14,630 | 49,340 | 3,787 | 108,826 | (9,945) | 256,823 |
| 3,070 | 78,879 | 31,839 | 298,683 | (446,406) | - |
| 12,187 | 1,295 | 39,220 | 75,316 | (6,540) | 139,011 |
| 130,280 | 195,445 | 299,226 | 575,443 | (521,232) | 1,343,648 |
| 34,326 | 77,583 | 52,783 | 37,336 | 7,002 | 598,576 |
| 12,155 | 36,963 | 71,017 | 90,103 | (42,047) | 314,746 |
| 4,805 | 3,054 | 20,768 | 55,607 | (75,212) | 49,588 |
| 59,011 | 11,481 | 50,289 | 150,693 | (328,117) | - |
| 19,983 | 10,816 | 34,311 | 144,039 | (52,802) | 187,523 |
| 130,280 | 139,897 | 229,168 | 477,778 | (491,176) | 1,150,433 |
| $ - | $ 55,548 | $ 70,058 | $ 97,665 | $ (30,056) | $ 193,215 |

# THE CITY OF WINNIPEG
# CONSOLIDATED FINANCIAL STATEMENTS

## FIVE-YEAR REVIEW

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

| | | | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|---|
| 1. | Population (as restated per Statistics Canada) | | **684,100** | 674,400 | 665,600 | 658,800 | 653,500 |
| | Unemployment rate (per Statistics Canada) | | | | | | |
| | - Winnipeg | | **5.7%** | 5.4% | 4.3% | 4.7% | 4.6% |
| | - National average | | **8.0%** | 8.3% | 6.1% | 6.0% | 6.3% |
| 2. | Average annual headcount | | **9,942** | 9,827 | 9,623 | 9,552 | 9,536 |
| 3. | Number of taxable properties | | **215,224** | 213,574 | 211,048 | 209,127 | 206,658 |
| | Payments-in-lieu of taxes | | | | | | |
| | Number of properties | | **1,238** | 903 | 908 | 945 | 922 |
| 4. | Assessment (see note) - Residential | **$** | **43,431,201** | 24,048,221 | 23,666,110 | 23,223,839 | 22,800,354 |
| | - Commercial and industrial | | **12,033,087** | 8,242,789 | 8,161,490 | 8,095,206 | 7,959,866 |
| | - Farm and golf | | **183,279** | 128,611 | 131,414 | 156,357 | 162,390 |
| | | **$** | **55,647,567** | 32,419,621 | 31,959,014 | 31,475,402 | 30,922,610 |
| | Assessment per capita (in dollars) | **$** | **81,344** | 48,072 | 48,015 | 47,777 | 47,318 |
| | Commercial and industrial as a percentage of assessment | | **21.62%** | 25.43% | 25.54% | 25.72% | 25.74% |
| 5. | Tax arrears | **$** | **34,387** | 30,036 | 29,893 | 38,038 | 41,350 |
| 6. | Tax arrears - per capita (in dollars) | **$** | **50.27** | 44.54 | 44.91 | 57.74 | 63.27 |
| 7. | Municipal mill rate | | **15.295** | 25.448 | 25.448 | 25.448 | 25.448 |
| | - Percentage change adjusted for portioning and reassessment | | **0.00%** | 0.00% | 0.00% | 0.00% | 0.00% |
| 8. | Winnipeg consumer price index (per Statistics Canada) (annual average) | | | | | | |
| | - 2002 base year 100 | | **114.8** | 113.9 | 113.3 | 110.8 | 108.5 |
| | - Percentage increase | | **0.8%** | 0.5% | 2.3% | 2.1% | 1.9% |
| 9. | Consolidated revenues | | | | | | |
| | - Taxation | **$** | **550,994** | 534,571 | 521,684 | 515,197 | 518,661 |
| | - User charges | | **425,164** | 413,243 | 412,984 | 381,273 | 356,761 |
| | - Government transfers | | **251,886** | 256,823 | 213,310 | 188,563 | 152,300 |
| | - Interest and other revenue | | **125,812** | 139,011 | 123,280 | 135,781 | 77,811 |
| | | **$** | **1,353,856** | 1,343,648 | 1,271,258 | 1,220,814 | 1,105,533 |
| 10. | Consolidated expenses by function | | | | | | |
| | - Municipal operations | **$** | **851,469** | 842,003 | 773,303 | 765,732 | 729,753 |
| | - Public utilities | | **301,637** | 278,848 | 258,788 | 242,797 | 231,306 |
| | - Civic corporations | | **31,532** | 29,582 | 29,383 | 25,000 | 24,174 |
| | | **$** | **1,184,638** | 1,150,433 | 1,061,474 | 1,033,529 | 985,233 |
| 11. | Growth in accumulated surplus | **$** | **169,218** | 193,215 | 209,784 | 187,285 | 120,300 |

(Note: In 2006, the City conducted a general reassessment which moved from a 1999 level of value to a 2003 level of value.)
(Note: In 2010, the City conducted a general reassessment which moved from a 2003 level of value to a 2008 level of value.)

# THE CITY OF WINNIPEG
# CONSOLIDATED FINANCIAL STATEMENTS

## FIVE-YEAR REVIEW - continued

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

| | | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| 12. Consolidated expenses by object | | | | | | |
| Salaries and benefits | **$** | **623,232** | 598,576 | 565,071 | 539,405 | 530,881 |
| Goods and services | | **324,119** | 314,746 | 291,061 | 291,032 | 271,530 |
| Amortization | | **165,857** | 155,382 | 141,099 | 133,635 | 125,681 |
| Interest | | **46,233** | 49,588 | 50,952 | 46,950 | 45,665 |
| Other expenses | | **25,197** | 32,141 | 13,291 | 22,507 | 11,476 |
| | **$** | **1,184,638** | 1,150,433 | 1,061,474 | 1,033,529 | 985,233 |
| 13. Payments to school authorities | **$** | **497,907** | 474,445 | 465,001 | 452,937 | 437,317 |
| 14. Debt | | | | | | |
| Tax-supported | **$** | **274,838** | 294,449 | 378,872 | 379,836 | 411,043 |
| Transit | | **81,408** | 22,088 | 24,914 | 25,464 | 26,813 |
| City-owned utilities | | **290,605** | 288,899 | 304,834 | 206,261 | 207,581 |
| Other | | **68,238** | 73,081 | 44,472 | 34,587 | 24,893 |
| Total gross debt | | **715,089** | 678,517 | 753,092 | 646,148 | 670,330 |
| Less: Sinking Funds | | **218,687** | 199,025 | 276,158 | 248,686 | 222,723 |
| Total net long-term debt | **$** | **496,402** | 479,492 | 476,934 | 397,462 | 447,607 |
| Percentage of total assessment | | **0.89%** | 1.48% | 1.49% | 1.26% | 1.45% |
| 15. Acquisition of tangible capital assets | **$** | **333,851** | 384,110 | 330,344 | 352,149 | 263,066 |
| 16. Net financial assets | **$** | **48,603** | 36,903 | 77,850 | 52,440 | 71,767 |
| 17. Accumulated surplus | | | | | | |
| Surpluses | | | | | | |
| Invested in tangible capital assets | **$** | **3,983,440** | 3,803,787 | 3,568,485 | 3,434,876 | 3,181,870 |
| Unamortized gain on Winnipeg Hydro sale | | **220,238** | 226,640 | 232,679 | 238,376 | 243,751 |
| Other surpluses | | **236,686** | 230,630 | 253,225 | 187,543 | 215,383 |
| Unfunded liabilities | | **(172,581)** | (170,228) | (150,518) | (157,724) | (152,059) |
| | | **4,267,783** | 4,090,829 | 3,903,871 | 3,703,071 | 3,488,945 |
| Reserves | | | | | | |
| Capital | | **97,376** | 98,329 | 94,156 | 89,887 | 114,359 |
| Special Purpose | | **71,973** | 81,941 | 73,574 | 74,920 | 74,679 |
| Stabilization | | **81,582** | 78,397 | 84,680 | 78,619 | 81,229 |
| | | **250,931** | 258,667 | 252,410 | 243,426 | 270,267 |
| | **$** | **4,518,714** | 4,349,496 | 4,156,281 | 3,946,497 | 3,759,212 |
| 18. Government specific indicators | | | | | | |
| Assets-to-liabilities | | **6.00** | 6.05 | 5.88 | 5.89 | 5.61 |
| Financial assets-to-liabilities | | **1.05** | 1.04 | 1.09 | 1.06 | 1.09 |
| Public debt charges-to-revenues | | **0.03** | 0.04 | 0.04 | 0.04 | 0.04 |
| Own-source revenues-to-taxable assessment | | **0.02** | 0.03 | 0.03 | 0.03 | 0.03 |
| Government transfers-to-revenues | | **0.19** | 0.19 | 0.17 | 0.15 | 0.14 |




PHOTO: Kevin Wolk, courtesy Tourism Winnipeg

# Funds 2010 Detailed Financial Statements



Photo: Travel Manitoba



# 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, 2010, the General Revenue Fund reported a net surplus of $nil (2009 - $9.0 million). Factors that contributed to the General Revenue Fund's position were as follows:

- Corporate expenses are $4.5 million below budget due to lower long-term disability payments, other employee benefit charges and provisions and interest on debt;
- Assessment appeal costs are $3.0 million below budget;
- The City Clerks department's expenses are $1.2 million below budget mainly due to savings from the 2010 municipal election and other expenses;
- Building Manitoba Fund - General Assistance grant is $2.1 million lower than budget due to allocations of grant revenue to specific expenses;
- The Public Works department's expenses, net of recoveries, are over budget by $2.9 million, primarily due to streets maintenance costs;
- Other departmental revenues and expenses provided $3.1 million to the bottom line;
- Electricity and natural gas revenues relating to the claim against Manitoba Hydro had a $10.6 million negative impact on the bottom line; and
- City Council approved that net supplementary taxes of $3.8 million remain in the General Revenue Fund, in order to eliminate a deficit, rather than be transferred to the Fiscal Stabilization Reserve Fund.

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

## FIVE-YEAR REVIEW

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| *Planning, Property and Development* | | | | | |
| Construction | | | | | |
| -Permits issued | **9,543** | 9,480 | 9,120 | 8,742 | 8,987 |
| -Value | **$ 1,152,406** | $ 1,110,844 | $ 1,053,811 | $ 843,591 | $ 849,758 |
| Housing starts (2007 restated) | **2,737** | 1,811 | 2,646 | 3,127 | 3,289 |
| *Community Services* | | | | | |
| Libraries Provincial Grant | **$ 2,010** | $ 2,010 | $ 2,010 | $ 1,910 | $ 1,910 |
| Library circulation | **5,448,774** | 5,728,077 | 5,465,522 | 5,431,786 | 5,532,720 |
| *Taxes Receivable* | | | | | |
| Property, payments-in-lieu and business taxes | **$ 34,387** | $ 30,036 | $ 29,893 | $ 38,038 | $ 41,350 |
| Allowance for tax arrears | **(3,080)** | (3,784) | (3,657) | (6,228) | (6,326) |
| | **$ 31,307** | $ 26,252 | $ 26,236 | $ 31,810 | $ 35,024 |
| *Tax Revenues* | | | | | |
| Municipal realty taxes | **$ 405,785** | $ 398,730 | $ 395,410 | $ 389,913 | $ 374,268 |
| Payments-in-lieu of taxes | **$ 30,519** | $ 31,058 | $ 30,087 | $ 30,421 | $ 31,575 |
| Business and licenses-in-lieu of business taxes | **$ 56,417** | $ 56,504 | $ 56,508 | $ 56,057 | $ 61,029 |
| *Statement of Operations* | | | | | |
| Revenues | **$ 813,059** | $ 794,766 | $ 780,628 | $ 756,292 | $ 724,616 |
| Expenses | **813,059** | 785,773 | 767,808 | 754,710 | 723,933 |
| | **-** | 8,993 | 12,820 | 1,582 | 683 |
| Contribution to: | | | | | |
| General Purpose Reserve | **-** | (8,993) | - | - | - |
| Mill Rate Stabilization Reserve | **-** | - | (12,820) | (1,582) | (683) |
| Surplus | **$ -** | $ - | $ - | $ - | $ - |
| Debt and finance charges | **$ 81,526** | $ 89,082 | $ 90,840 | $ 98,712 | $ 103,850 |
| % of total expenses | **10.03%** | 11.21% | 11.64% | 13.05% | 14.33% |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash and cash equivalents (Note 3) | **$ 563,988** | $ 481,223 |
| Accounts receivable (Note 4) | **72,684** | 69,928 |
| Materials and supplies | **7,808** | 6,857 |
| Prepaid expenses | **1,325** | 1,213 |
| | **645,805** | 559,221 |
| Investments (Note 5) | **37,272** | 51,792 |
| Contributed surplus and other assets (Note 6) | **45,699** | 43,982 |
| | **$ 728,776** | $ 654,995 |
| ***LIABILITIES*** | | |
| Current | | |
| Notes payable (Note 7) | **$ 154,472** | $ 89,037 |
| Due to other funds (Note 8) | **436,276** | 434,391 |
| Accounts payable and accrued liabilities (Note 9) | **84,250** | 82,765 |
| Deferred revenue (Note 10) | **38,633** | 36,410 |
| Performance and other deposits | **15,145** | 12,392 |
| | **$ 728,776** | $ 654,995 |

Commitments and contingent liabilities (Note 11)

*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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Taxation (Note 12) | **$ 521,732** | **$ 514,015** | $ 502,156 |
| Government transfers | **102,768** | **103,356** | 104,815 |
| Sale of goods and services (Note 13) | **56,126** | **56,150** | 51,055 |
| Regulation fees | **40,731** | **43,439** | 38,957 |
| Contributions and transfers | **40,631** | **40,641** | 37,005 |
| Payments-in-lieu of taxes (Note 12) | **30,519** | **30,519** | 31,058 |
| Sale of Winnipeg Hydro and other | **20,737** | **20,750** | 21,776 |
| Interest | **4,442** | **4,189** | 7,944 |
| Total Revenues | **817,686** | **813,059** | 794,766 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Protection and community services | **432,128** | **431,749** | 410,464 |
| Public works | **206,187** | **210,444** | 217,383 |
| Finance and administration | **81,143** | **74,905** | 68,601 |
| Contribution to Transit System | **43,202** | **43,200** | 42,069 |
| Property and development | **38,791** | **41,059** | 37,632 |
| Employee benefits and payroll tax | **13,013** | **12,163** | 12,285 |
| Debt and finance charges | **5,906** | **5,095** | 5,823 |
| Grants and payments to other authorities | **560** | **560** | 1,729 |
| Other | **(3,244)** | **(6,116)** | (10,213) |
| Total Expenses | **817,686** | **813,059** | 785,773 |
| Surplus for the year before contribution | **-** | **-** | 8,993 |
| Contribution: | | | |
| General Purpose Reserve | **-** | **-** | (8,993) |
| 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, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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) Cash equivalents**

Cash equivalents consist of Government of Canada treasury bills; crown corporation bonds; provincial government bonds; City of Winnipeg municipal bonds; schedule 1 bank bonds, bankers' acceptances, and bearer deposit notes; schedule 2 bankers' acceptances, and bearer deposit notes; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

**d) Materials and supplies**

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

**e) Investments**

Bonds 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.

*1. Significant Accounting Policies (continued)*

**f) Assessment appeal costs**

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

**g) 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.

**h) 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.

**i) 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 any time. Local improvement taxes which have been paid by the property owners are recognized as revenue in the year paid.

**j) 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 boards and divisions and are not included as revenues and expenses in the General Revenue Fund's Statement of Operations.

**k) 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.

**l) Debenture issue expenses**

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

**m) 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 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)*

### n) 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. *Cash and Cash Equivalents*

| | **2010** | 2009 |
|---|---|---|
| Bank overdraft, net of other cash items | **$ (1,287)** | $ (3,250) |
| Cash equivalents | **565,275** | 484,473 |
| | **$ 563,988** | $ 481,223 |

Cash equivalents have an effective average interest rate of 1.3% (2009 - 0.6%).

## 4. *Accounts Receivable*

| | **2010** | 2009 |
|---|---|---|
| Property, payments-in-lieu and business taxes | **$ 34,387** | $ 30,036 |
| Allowance for tax arrears | **(3,080)** | (3,784) |
| | **31,307** | 26,252 |
| Trade accounts and other receivables | **23,601** | 20,566 |
| Province of Manitoba | **14,283** | 18,923 |
| Government of Canada | **5,573** | 5,662 |
| Accrued interest receivable | **3,088** | 2,272 |
| The Convention Centre Corporation | **36** | 80 |
| The Sinking Fund Trustees of The City of Winnipeg | **4** | 4 |
| Allowance for doubtful accounts | **(5,208)** | (3,831) |
| | **41,377** | 43,676 |
| | **$ 72,684** | $ 69,928 |

## 5. *Investments*

| | 2010 | 2009 |
|---|---|---|
| Marketable securities | | |
| Government of Canada bonds | **$ 4,999** | $ 4,999 |
| Provincial bonds | **4,092** | 14,130 |
| Municipal bonds | **28,181** | 32,663 |
| | **$ 37,272** | $ 51,792 |

The aggregate market value of marketable securities at December 31, 2010 is $38.3 (2009 - $52.9 million).

## 6. *Contributed Surplus and Other Assets*

| | 2010 | 2009 |
|---|---|---|
| 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 $208 thousand, including interest and principal | **3,044** | 3,068 |
| Deferred election costs | **1,750** | - |
| Deferred charges, other | **-** | 9 |
| | **$ 45,699** | $ 43,982 |

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was $184 thousand (2009 - $185 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was $nil (2009 - $nil).

## 7. *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 0.5% (2009 - 0.4%). These notes are callable by the issuers.

| | 2010 | 2009 |
|---|---|---|
| Winnipeg Civic Employees' Benefits Program (Pension Fund) | **$ 61,418** | $ 60,975 |
| Winnipeg Police Pension Plan | **30,420** | 14,404 |
| The Sinking Fund Trustees of The City of Winnipeg | **29,209** | 6,482 |
| The Civic Employees' Group Life Insurance Plan | **26,456** | 3,954 |
| Workers Compensation Reserve | **2,758** | 1,183 |
| Insurance Reserve | **2,527** | (238) |
| Perpetual Maintenance Reserve Funds: | | |
| - Brookside Cemetery | **1,263** | 1,334 |
| - St. Vital Cemetery | **100** | 51 |
| - Transcona Cemetery | **95** | 62 |
| Sinking Fund | **194** | 327 |
| Brady Landfill Site Rehabilitation Reserve | **32** | 503 |
| | **$ 154,472** | $ 89,037 |

### *8. Due to Other Funds*

The City 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.

| | **2010** | 2009 |
|---|---|---|
| Capital Reserves | **$ 100,203** | $ 116,686 |
| Stabilization Reserves | **81,582** | 78,397 |
| Sewage Disposal System | **70,903** | 59,681 |
| Special Purpose Reserves | **70,468** | 60,876 |
| Waterworks System | **56,855** | 70,027 |
| Equity in Capital Assets | **37,856** | 35,065 |
| Transit System | **32,709** | 3,797 |
| General Revenue Enterprises | **8,000** | 5,292 |
| Equipment and Material Services | **7,609** | 10,294 |
| Building Services | **1,129** | 777 |
| Solid Waste Disposal | **805** | 4,045 |
| Trusts | **587** | 568 |
| Civic Accommodations | **(215)** | (556) |
| Winnipeg Enterprises Corporation | **(768)** | (1,168) |
| Animal Services - Special Operating Agency | **(903)** | (866) |
| Golf Services - Special Operating Agency | **(4,874)** | (3,847) |
| Winnipeg Parking Authority - Special Operating Agency | **(8,037)** | (7,814) |
| Fleet Management - Special Operating Agency | **(8,792)** | 1,824 |
| ` General Capital | **(8,841)** | 1,313 |
| | **$ 436,276** | $ 434,391 |

### *9. Accounts Payable and Accrued Liabilities*

| | **2010** | 2009 |
|---|---|---|
| Trade accounts payable | **$ 37,641** | $ 37,060 |
| Provincial education support and school division special levies payable | **21,820** | 19,435 |
| Other accrued liabilities | **10,747** | 11,629 |
| Wages and employee benefits payable | **8,305** | 6,940 |
| Accrued interest on long-term debt | **4,293** | 4,533 |
| Provision for assessment appeals | **1,444** | 3,168 |
| | **$ 84,250** | $ 82,765 |

### *10. Deferred Revenue*

| | **2010** | 2009 |
|---|---|---|
| Deferred gain on sale of assets to: | | |
| Golf Services - Special Operating Agency | **$ 22,038** | $ 22,201 |
| Winnipeg Parking Authority - Special Operating Agency | **9,006** | 9,233 |
| Province of Manitoba, Federal Government and other | **6,481** | 3,856 |
| Registration fees | **1,047** | 1,049 |
| Rentals | **61** | 71 |
| | **$ 38,633** | $ 36,410 |

## *11. Commitments and Contingent Liabilities*

The following significant commitments and contingencies existed at December 31, 2010:

### 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:

| | |
|---|---|
| 2011 | $ 70 |

### b) Loan guarantees

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

| | **2010** | 2009 |
|---|---|---|
| CentreVenture Development Corporation | **$ 2,600** | $ 214 |
| Dakota Community Centre Inc. | **1,903** | 2,030 |
| Southdale Recreation Association Inc. | **1,313** | - |
| Gateway Recreation Centre Inc. | **995** | 1,241 |
| Winnipeg Enterprises Corporation | **992** | 1,275 |
| Winnipeg Housing Rehabilitation Corporation | **510** | 97 |
| Garden City Community Centre Inc. | **370** | 451 |
| St. Norbert Community Centre | **205** | 255 |
| Maples Recreation Association Inc. | **183** | 215 |
| Glenwood Community Centre Inc. | **144** | 170 |
| Manitoba Opera Association Inc. | **87** | 106 |
| Winnipeg Soccer Federation | **76** | 142 |
| Granite Curling Club | **54** | 61 |
| Charleswood Broncos Football Club | **35** | 4 |
| Springer's Gymnastics Club Inc. | **11** | 32 |
| St. Norbert Children's Centre Inc. | **-** | 20 |
| | **$ 9,478** | $ 6,313 |

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, 2010, an accrual has not been made to the financial statements.

### c) Lawsuits

The City is not a defendant in any significant lawsuits as at December 31, 2010. 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.

## *12. Taxation*

The property tax roll recorded in the General Revenue Fund for the year totalled $880.2 million (2009 - $850.2 million). This included school taxes of $474.5 million (2009 - $451.4 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were $54.0 million (2009 - $54.1 million). Included were payments-in-lieu of school taxes assessed in 2010 of $23.5 million (2009 - $23.0 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:

| | **2010** | 2009 |
|---|---|---|
| Sewage Disposal System | **$ 7,901** | $ 10,586 |
| Waterworks System | **2,183** | 3,065 |
| Winnipeg Parking Authority - Special Operating Agency | **591** | 680 |
| Transit System | **457** | 545 |
| Golf Services - Special Operating Agency | **268** | 263 |
| Solid Waste Disposal | **29** | 33 |
| | **$ 11,429** | $ 15,172 |

## *13. 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:

| | **2010** | 2009 |
|---|---|---|
| Waterworks System | **$ 921** | $ 612 |
| Sewage Disposal System | **898** | 467 |
| Transit System | **777** | 777 |
| Civic Accommodations | **306** | 306 |
| Building Services | **252** | 252 |
| Solid Waste Disposal | **133** | 79 |
| Animal Services - Special Operating Agency | **70** | 70 |
| Winnipeg Parking Authority - Special Operating Agency | **36** | 36 |
| Golf Services - Special Operating Agency | **15** | 14 |
| | **$ 3,408** | $ 2,613 |

## *14. Contributions and Appropriations to/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: Animal Services - Special Operating Agency net transfer $1.1 million (2009 - $1.0 million); Concession Equipment Reserve $nil (2009 - $12 thousand); Insect Control Urgent Expenditures Reserve $112 thousand (2009 - $nil); and Recreation Programming Reserve $330 thousand (2009 - $447 thousand).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserves in the amount of $221 thousand (2009 - $123 thousand), a transfer to the Permit Reserve of $1.8 million (2009 - $nil) and the Housing Rehabilitation Investment Reserve of $1.4 million (2009 - $1.2 million).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes $236 thousand (2009 - $256 thousand) from the Stabilization Reserves, $232 thousand (2009 - $172 thousand) from the Special Purpose Reserves, $231 thousand (2009 - $238 thousand) from the Capital Reserves, $97 thousand (2009 - $86 thousand) from the Equity in Capital Assets Fund and $18 thousand (2009 - $9 thousand) from the Sinking Fund.

Included in government affairs, pension contribution and other expenses is a transfer from the Civic Accommodations Fund of $89 thousand (2009 - $nil) and a transfer from the Building Services Fund of $4 thousand (2009 - $nil).

Included in various expense categories are a transfer to the Civic Accommodations Fund of $33.0 million (2009 - $33.0 million) for facilities costs, a transfer to the Computer Replacement Reserve of $324 thousand (2009 - $256 thousand), a transfer to the Building Services Fund of $27.4 million (2009 - $26.1 million) a contribution to the Commitment Reserve of $664 thousand (2009 - $1.1 million), a transfer to the Insurance Reserve of $752 thousand (2009 - $932 thousand), a transfer to the General Capital Fund of $2.2 million (2009 - $57 thousand); and a transfer to the Library Reserve $130 thousand (2009 - $214 thousand).

## *15. Pension Costs and Obligations*

### a) Winnipeg Civic Employees' Benefits Pension and Winnipeg Police Pension Plans

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans. The City allocates its benefit costs to various departments. During the year $30.0 million (2009 - $25.3 million) of benefit costs were allocated to the General Revenue Fund.

### b) Councillors' Pension Plan Established Under By-Law No. 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. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2010 has been estimated to be $3.9 million (2009 - $3.9 million). In 2010, the City paid out $0.3 million (2009 - $0.3 million).

### *15. Pension Costs and Obligations (continued)*

#### c) Councillors' Pension Plan Established Under By-Law No. 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 City Council were required to become members of the Plan on January 1, 2001.

In 2010, the City paid out $0.2 million (2009 - $0.2 million).

### *16. 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, 2010 at $74.4 million (2009 - $70.1 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, 2010 is estimated at $5.5 million (2009 - $5.3 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, 2010 is estimated at $33.0 million (2009 - $33.2 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, 2010 is estimated at $7.0 million (2009 - $8.1 million).

e) Employees of the City who are members of the Winnipeg Civic Employees' Benefits Pension and the Winnipeg Police Pension Plans 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 for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance. An actuarial valuation indicated that this post-retirement liability is fully funded.

### *17. 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.

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 1**

## REVENUES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Taxation** | | | |
| Municipal realty tax | **$ 401,761** | **$ 405,785** | $ 398,730 |
| Business and licenses-in-lieu of business taxes | **56,417** | **56,417** | 56,504 |
| Frontage levy | **26,600** | **26,611** | 20,089 |
| Electricity and natural gas sales taxes | **29,173** | **17,927** | 17,989 |
| Entertainment tax | **5,850** | **5,340** | 6,312 |
| Local improvement tax | **1,320** | **1,337** | 1,466 |
| Licenses-in-lieu of realty tax | **355** | **359** | 356 |
| Billboard tax | **206** | **202** | 129 |
| Local improvement tax commuted | **50** | **37** | 581 |
| | **521,732** | **514,015** | 502,156 |
| **Government transfers** | | | |
| Provincial | | | |
| Building Manitoba Fund | **57,506** | **56,704** | 55,404 |
| Unconditional | **19,888** | **19,888** | 19,888 |
| Video lottery terminal | **8,820** | **8,820** | 8,820 |
| Casino | **7,887** | **8,787** | 7,887 |
| Support | **7,929** | **8,524** | 7,829 |
| Ambulance | **9,233** | **6,449** | 6,734 |
| Emergency medical services | **4,500** | **5,750** | 4,500 |
| Assessment | **3,000** | **3,000** | 3,000 |
| Other | **1,430** | **2,864** | 6,815 |
| Libraries | **2,010** | **2,010** | 2,010 |
| Policing | **2,000** | **2,000** | 2,000 |
| Larviciding | **1,200** | **1,200** | 1,200 |
| Dutch elm disease control | **1,000** | **1,000** | 1,000 |
| Waste reduction support | **-** | **-** | 1,362 |
| Services transferred to the Province | **(23,650)** | **(23,650)** | (23,646) |
| | **102,753** | **103,346** | 104,803 |
| Federal government | **15** | **10** | 12 |
| | **102,768** | **103,356** | 104,815 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 1**

## REVENUES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Sale of goods and services** | **56,126** | **56,150** | 51,055 |
| **Regulation fees** | | | |
| Fines | **17,657** | **16,711** | 15,198 |
| Permits and fees | **14,296** | **16,592** | 14,230 |
| Tax penalties | **5,700** | **6,525** | 5,763 |
| Licenses | **3,078** | **3,611** | 3,766 |
| | **40,731** | **43,439** | 38,957 |
| **Contributions and transfers** | | | |
| Sewage Disposal System | **13,441** | **13,441** | 13,463 |
| Land Operating Reserve | **10,044** | **10,044** | 3,700 |
| General Purpose Reserve | **5,283** | **5,283** | - |
| Solid Waste Disposal | **3,853** | **4,449** | 301 |
| Civic Accommodations (Note 14) | **4,309** | **3,539** | 4,226 |
| Workers Compensation Reserve | **1,000** | **1,000** | - |
| Computer Replacement Reserve | **-** | **800** | - |
| Transit System | **785** | **785** | 773 |
| Waterworks System | **619** | **619** | 612 |
| Winnipeg Parking Authority - Special Operating Agency | **172** | **174** | 125 |
| Permit Reserve | **-** | **116** | 391 |
| Concession Equipment Replacement Reserve | **83** | **79** | - |
| Golf Services - Special Operating Agency | **79** | **79** | 78 |
| Assiniboine Park Enterprises Reserve | **75** | **75** | 75 |
| Building Services Fund (Note 14) | **66** | **66** | 132 |
| Destination Marketing Reserve | **-** | **60** | 60 |
| General Revenue Enterprises Fund | **22** | **22** | 22 |
| Fleet Management - Special Operating Agency | **-** | **10** | - |
| General Revenue Fund | **800** | **-** | - |
| Mill Rate Stabilization Reserve | **-** | **-** | 7,917 |
| Snow Clearing Reserve | **-** | **-** | 4,370 |
| Idea Bank Reserve | **-** | **-** | 390 |
| Insect Control Urgent Expenditures Reserve | **-** | **-** | 321 |
| General Capital Fund | **-** | **-** | 49 |
| | **40,631** | **40,641** | 37,005 |
| **Payments-in-lieu of taxes** | **30,519** | **30,519** | 31,058 |
| **Sale of Winnipeg Hydro and other** | | | |
| Manitoba Hydro | **20,000** | **20,000** | 20,000 |
| Accounts payable write-offs, commissions, etc. | **737** | **750** | 1,776 |
| | **20,737** | **20,750** | 21,776 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 1**

## REVENUES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Interest** | | | |
| Interest earned | **3,186** | **2,523** | 6,098 |
| Interest capitalized | **820** | **1,230** | 1,376 |
| Debt charges recovered | **436** | **436** | 470 |
| | **4,442** | **4,189** | 7,944 |
| **Total Revenues** | **$ 817,686** | **$ 813,059** | $ 794,766 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Protection and community services** | | | |
| Police services | **$ 189,909** | **$ 191,542** | $ 181,837 |
| Fire paramedic service | **137,648** | **136,228** | 129,449 |
| Community services | **103,479** | **102,878** | 98,185 |
| Museums | **1,092** | **1,101** | 993 |
| | **432,128** | **431,749** | 410,464 |
| **Public works** | | | |
| Public works | **161,510** | **165,201** | 174,724 |
| Water and waste | **33,823** | **34,664** | 32,152 |
| Street lighting | **10,854** | **10,579** | 10,507 |
| | **206,187** | **210,444** | 217,383 |
| **Finance and administration** | | | |
| Corporate support services | **31,252** | **30,864** | 30,649 |
| Assessment and taxation | **22,565** | **18,714** | 13,630 |
| City clerks | **10,703** | **9,531** | 11,789 |
| Corporate finance | **7,543** | **7,213** | 6,944 |
| Council | **2,801** | **2,751** | 2,696 |
| Legal services | **2,429** | **2,190** | - |
| Mayor's office | **1,746** | **1,692** | 895 |
| Chief administrative offices | **1,257** | **1,129** | 1,251 |
| Audit | **847** | **821** | 747 |
| | **81,143** | **74,905** | 68,601 |
| **Contribution to Transit System** | **43,202** | **43,200** | 42,069 |
| **Property and development** | | | |
| Planning, property and development | **38,791** | **41,059** | 37,632 |
| **Employee benefits and payroll tax** | | | |
| Provincial payroll tax | **8,323** | **8,445** | 8,199 |
| Employee benefits | **4,690** | **3,718** | 4,086 |
| | **13,013** | **12,163** | 12,285 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Debt and finance charges** | | | |
| Transfer to General Capital Fund | **81,855** | **80,776** | 87,967 |
| Other interest and finance charges | **1,115** | **2,244** | 878 |
| Transfer to Equity in Capital Assets Fund | **-** | **(1,494)** | 237 |
| Transfer to departments | **(77,064)** | **(76,431)** | (83,259) |
| | **5,906** | **5,095** | 5,823 |
| **Grants and payments to other authorities** | | | |
| The Convention Centre Corporation | **510** | **510** | 544 |
| Grants | **50** | **50** | 1,050 |
| Children's Museum and Winnipeg Public Library Board | **-** | **-** | 135 |
| | **560** | **560** | 1,729 |
| **Other** | | | |
| Insurance and damage claims | **3,726** | **3,726** | 3,726 |
| Government affairs, pension contribution and other | **(6,970)** | **(9,842)** | (13,939) |
| | **(3,244)** | **(6,116)** | (10,213) |
| **Contribution to** | | | |
| General Purpose Reserve | **-** | **-** | 8,993 |
| **Total Expenses** | **$ 817,686** | **$ 813,059** | $ 794,766 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 3**

## EXPENSES BY OBJECT

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Salaries and employee benefits | **$ 441,296** | **$ 443,176** | $ 423,872 |
| Services | **122,977** | **125,888** | 121,398 |
| Transfers | **107,236** | **112,642** | 115,654 |
| Debt and finance charges - departmental and corporate | **82,357** | **81,927** | 89,437 |
| Materials, parts and supplies | **33,797** | **31,490** | 31,801 |
| Grants and payments to other authorities - departmental and corporate | **22,180** | **21,701** | 21,146 |
| Municipal tax, amortization, and other | **10,804** | **9,939** | 1,795 |
| Provincial payroll tax | **8,323** | **8,445** | 8,199 |
| Assets - purchases and renovations | **8,786** | **5,574** | 5,511 |
| Recoveries | **(20,070)** | **(27,723)** | (24,047) |
| | **$ 817,686** | **$ 813,059** | $ 794,766 |

# 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 2010 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 2010 with 2009 comparative figures are as follows:

| | **2010** | 2009 |
|---|---|---|
| **Provincial education support program levy** | | |
| Other property | **$ 90,526,480** | $ 75,900,709 |
| **Special levies (by school division)** | | |
| Winnipeg | **132,032,571** | 132,032,571 |
| Louis Riel | **69,967,992** | 67,800,324 |
| Pembina Trails | **69,830,065** | 68,620,044 |
| River East - Transcona | **57,499,237** | 55,430,666 |
| St. James - Assiniboia | **41,504,786** | 39,921,070 |
| Seven Oaks | **33,076,282** | 31,714,963 |
| Seine River | **3,438,829** | 3,007,028 |
| Interlake | **30,564** | 17,255 |
| | **407,380,326** | 398,543,921 |
| | **$ 497,906,806** | $ 474,444,630 |
| **Allocated as follows:** | | |
| Realty taxes | **$ 474,451,871** | $ 451,443,210 |
| Payments-in-lieu of taxes | **23,454,935** | 23,001,420 |
| | **$ 497,906,806** | $ 474,444,630 |

# THE CITY OF WINNIPEG
# GENERAL REVENUE FUND

**Schedule 5**

## 2010 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

*As at April 16, 2010*
*(unaudited)*

| | Portion | Taxable | Exempt Subject to Payments-in-Lieu | Exempt | Total |
|---|---|---|---|---|---|
| Residential 1 | 45.0% | $ 16,256,747,210 | $ 58,660,831 | $ 31,653,975 | $ 16,347,062,016 |
| Residential 2 | 45.0% | 1,862,001,298 | 219,278,340 | 2,709,675 | 2,083,989,313 |
| Residential 3 | 45.0% | 1,147,353,194 | - | 163,620 | 1,147,516,814 |
| Farm | 26.0% | 22,862,881 | 2,567,521 | 19,550,349 | 44,980,751 |
| Institutional | 65.0% | 547,327,882 | 70,789,550 | 1,354,813,396 | 1,972,930,828 |
| Pipelines | 50.0% | 12,678,000 | - | - | 12,678,000 |
| Railways | 25.0% | 43,148,314 | - | - | 43,148,314 |
| Designated recreational facilities | 10.0% | 8,372,060 | 174,900 | 1,351,600 | 9,898,560 |
| Other | 65.0% | 6,250,225,620 | 589,056,569 | 900,530,420 | 7,739,812,609 |
| Legislative building | 65.0% | - | 8,731,993 | - | 8,731,993 |
| | | $ 26,150,716,459 | $ 949,259,704 | $ 2,310,773,035 | $ 29,410,749,198 |


ASSINIBOINE
RIVERWALK

# 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)*

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Internal service operations and other programs: | | | | | |
| Revenues | **$ 6,155** | $ 4,526 | $ 4,061 | $ 3,649 | $ 3,282 |
| Expenditures | **3,882** | 4,107 | 6,014 | 4,058 | 3,322 |
| Surplus/(Deficit) | **$ 2,273** | $ 419 | $ (1,953) | $ (409) | $ (40) |

# THE CITY OF WINNIPEG
# GENERAL REVENUE ENTERPRISES FUND

## STATEMENT OF FINANCIAL POSITION

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

| | **2010** | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Due from General Revenue Fund (Note 3) | **$ 8,000** | $ 5,292 |
| Accounts receivable | **6** | 6 |
| | **$ 8,006** | $ 5,298 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities | **$ -** | $ 1 |
| Deferred revenue | **2,688** | 2,252 |
| | **2,688** | 2,253 |
| ***RETAINED EQUITY*** | **5,318** | 3,045 |
| | **$ 8,006** | $ 5,298 |

*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)*

| | **2010** | 2009 |
|---|---|---|
| ***REVENUES*** | | |
| Permits and fees | **$ 3,593** | $ 3,665 |
| Transfer from Land Operating Reserve | **2,514** | 804 |
| Sales of goods and services | **48** | 57 |
| Total Revenues | **6,155** | 4,526 |
| ***EXPENDITURES*** | | |
| Street cuts operations (Note 4) | **2,987** | 3,564 |
| Real estate enterprises | **822** | 339 |
| Riverbank management operations | **73** | 121 |
| Libraries programs | **-** | 76 |
| Printing and duplicating operations | **-** | 7 |
| Total Expenditures (Note 4) | **3,882** | 4,107 |
| ***SURPLUS FROM OPERATIONS*** | **2,273** | 419 |
| ***RETAINED EQUITY, BEGINNING OF YEAR*** | **3,045** | 2,626 |
| ***RETAINED EQUITY, END OF YEAR*** | **$ 5,318** | $ 3,045 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# GENERAL REVENUE ENTERPRISES FUND

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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 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) 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. Expenditures by Object***

| | **2010** | 2009 |
|---|---|---|
| Goods and services | **$ 3,128** | $ 4,026 |
| Grants | **582** | 59 |
| Other | **150** | - |
| Transfer to General Revenue Fund | **22** | 22 |
| | **$ 3,882** | $ 4,107 |

Included in street cuts operations expenditures is a transfer to the General Revenue Fund of $22 thousand (2009 - $22 thousand).

# 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, City Council is required under The City of Winnipeg Charter to approve a budget for the General Capital Fund. The 2010 budget for the General Capital Fund of $253.4 million was a 53.40% increase from the 2009 budget of $165.2 million. Capital expenditures in 2010 relating to 2010 and previous years capital budgets, decreased from $189.2 million in 2009 to $170.0 million in 2010.

Of the $170.0 million of total capital expenditures, $87.4 million was for Roads and Bridges, $26.5 million related to Buildings, $22.6 million was for Water and Waste infrastructure, and $3.8 million related to Information Technology.

Included in the additions to major Roads and Bridges, Buildings and Water and Waste infrastructure projects during the year were the following:

| | | | |
|---|---|---|---|
| - Developer contributions-in-kind | $ | 31.6 | million |
| - Local Streets Renewal program | $ | 22.1 | million |
| - Regional Streets Renewal program | $ | 21.7 | million |
| - Jubilee Overpass | $ | 5.9 | million |
| - North End Recreation and Leisure Facility | $ | 3.8 | million |
| - Sinclair Park Community Centre | $ | 3.0 | million |
| - Valour Road/Isaac Brock Community Centre | $ | 2.3 | million |

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## FIVE-YEAR REVIEW

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Tangible Capital Assets** | **$ 2,474,503** | $ 2,411,176 | $ 2,312,744 | $ 2,261,115 | $ 2,200,807 |
| % change in tangible capital assets | **2.63%** | 4.26% | 2.28% | 2.74% | 2.19% |
| **Debt** | | | | | |
| Internal financing | **$ 464,065** | $ 432,458 | $ 401,750 | $ 387,388 | $ 366,792 |
| External financing (net of Sinking Fund) | **137,636** | 165,256 | 176,920 | 205,032 | 250,178 |
| Other long-term debt | **43,338** | 48,833 | 38,286 | 29,996 | 36,428 |
| Total long-term debt | **$ 645,039** | $ 646,547 | $ 616,956 | $ 622,416 | $ 653,398 |
| % change in total debt | **-0.23%** | 4.80% | -0.88% | -4.74% | -1.53% |
| Internal Debt as a % of Total Debt | **71.94%** | 66.89% | 65.12% | 62.24% | 56.14% |
| External Debt as a % of Total Debt | **28.06%** | 33.11% | 34.88% | 37.76% | 43.86% |
| **Interest Expense** | | | | | |
| Internal | **$ 28,055** | $ 28,385 | $ 27,937 | $ 26,514 | $ 24,499 |
| External | **20,184** | 25,085 | 27,600 | 27,203 | 28,714 |
| Interest Expense | **$ 48,239** | $ 53,470 | $ 55,537 | $ 53,717 | $ 53,213 |
| % change in external interest expense | **-19.54%** | -9.11% | 1.46% | -5.26% | -12.15% |
| **Summary of Cash Flows** | | | | | |
| Operating activities | **$ 155,785** | $ 188,369 | $ 171,202 | $ 146,098 | $ 137,402 |
| Long-term debt (retired) issued, net | **$ 13,791** | $ 35,022 | $ 2,508 | $ (9,129) | $ 11,502 |
| Payments to The Sinking Fund Trustees, net | **$ (4,704)** | $ (8,272) | $ (8,272) | $ (8,272) | $ (8,274) |
| Due from to General Revenue Fund | **$ 10,154** | $ (21,478) | $ (18,886) | $ 29,288 | $ 513 |
| Capital acquisitions | **$ (169,951)** | $ (189,153) | $ (150,758) | $ (149,471) | $ (135,902) |
| Other | **$ (5,075)** | $ (4,488) | $ 4,206 | $ (8,514) | $ (5,241) |

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## STATEMENT OF FINANCIAL POSITION

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

| | **2010** | 2009 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Accounts receivable (Note 3) | **$ 40,207** | $ 15,453 |
| Due from General Revenue Fund (Note 4) | **-** | 1,313 |
| | **40,207** | 16,766 |
| ***LIABILITIES*** | | |
| Due to General Revenue Fund (Note 4) | **8,841** | - |
| Accounts payable and accrued liabilities (Note 5) | **3,493** | 2,396 |
| Deferred revenue | **34,024** | 21,740 |
| Debt (Note 6) | **645,039** | 646,547 |
| Deferred liabilities | **2,256** | 523 |
| Developer deposits | **8,773** | 9,084 |
| | **702,426** | 680,290 |
| ***NET FINANCIAL LIABILITIES*** | **(662,219)** | (663,524) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 7) | **2,474,503** | 2,411,176 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **$ 1,812,284** | $ 1,747,652 |

*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)*

| | 2010 | 2009 |
|---|---|---|
| ***REVENUES*** | | |
| Transfer from General Revenue Fund | | |
| Debt and finance | **$ 80,776** | $ 87,967 |
| Other | **2,174** | 57 |
| Province of Manitoba capital transfer | **49,596** | 44,299 |
| Developer contributions-in-kind | **31,635** | 38,938 |
| Transfer from Federal Gas Tax Revenue Reserve | **26,686** | 25,355 |
| Transfer from Civic Accommodations Fund | **10,385** | 9,860 |
| Government of Canada capital transfer | **9,025** | 388 |
| Other | **7,281** | 1,637 |
| Transfer from Building Services Fund | **6,066** | 6,160 |
| Interest income | **5,100** | 7,706 |
| Transfer from Sewage Disposal System | **3,312** | 216 |
| Developer deposit | **3,050** | 3,760 |
| Transfer from Equipment and Material Services Fund | **2,732** | - |
| Transfer from Sewer System Rehabilitation Reserve | **2,714** | 4,792 |
| Transfer from General Purpose Reserve | **1,700** | - |
| Transfer from Contributions in Lieu of Land Dedication Reserve | **403** | 61 |
| Transfer From Land Operating Reserve | **299** | 464 |
| Transfer from Commitment Reserve | **-** | 361 |
| | **242,934** | 232,021 |
| ***EXPENSES*** | | |
| Amortization | **100,302** | 98,177 |
| Interest - Equity in Capital Assets Fund | **28,055** | 28,385 |
| Interest - External debt | **20,184** | 25,085 |
| Grants | **11,156** | 1,920 |
| Infrastructure maintenance | **9,506** | 11,924 |
| Transfer to Equity in Capital Assets Fund | **7,000** | 2,000 |
| Loss on disposal of assets | **805** | 135 |
| Transfer to Land Operating Reserve | **653** | 833 |
| Other | **629** | 4,149 |
| Transfer to Waterworks System | **12** | 74 |
| Transfer to General Revenue Fund | **-** | 49 |
| Transfer to General Purpose Reserve | **-** | 12 |
| | **178,302** | 172,743 |
| ***NET SURPLUS FOR THE YEAR*** | **64,632** | 59,278 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | **1,747,652** | 1,688,374 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | **$ 1,812,284** | $ 1,747,652 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GENERAL CAPITAL FUND

## STATEMENT OF CASH FLOWS

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

| | **2010** | 2009 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 64,632** | $ 59,278 |
| Non-cash charges to operations | | |
| Amortization | **100,302** | 98,177 |
| Net assets transferred from Sewage Disposal System (Schedule 1) | **(3)** | (262) |
| Loss on disposal of assets | **805** | 135 |
| Working capital from operations | **165,736** | 157,328 |
| Net change in working capital | **(23,657)** | 12,596 |
| Net change in deferred liabilities, deferred revenue and developer deposits | **13,706** | 18,445 |
| | **155,785** | 188,369 |
| ***FINANCING*** | | |
| Debenture debt issued | **-** | 47,730 |
| Debenture debt retired | **(17,816)** | (130,500) |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | **(5,100)** | (7,706) |
| Payments from The Sinking Fund Trustees for outstanding long-term debt retired | **-** | 87,084 |
| Payments to The Sinking Fund Trustees for outstanding long-term debt | **(4,704)** | (8,272) |
| Net increase in Equity in Capital Assets Fund debt | **31,607** | 30,708 |
| Due to/from General Revenue Fund | **10,154** | (21,478) |
| Other | **(5,495)** | 10,547 |
| | **8,646** | 8,113 |
| ***INVESTING*** | | |
| Net purchase of capital assets (Schedule 1) | **(169,951)** | (189,153) |
| Net capital asset settlements and other (Schedule 1) | **3,700** | (12,200) |
| Net proceeds on disposal of tangible capital assets | **1,820** | 4,871 |
| | **(164,431)** | (196,482) |
| 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, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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) 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.

### g) 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*

| | **2010** | 2009 |
|---|---|---|
| Province of Manitoba | **$ 27,735** | $ 13,174 |
| Government of Canada | **10,440** | - |
| Local improvements - Fairfield Park | **1,705** | 1,865 |
| Other | **327** | 414 |
| | **$ 40,207** | $ 15,453 |

## *4. Due (to) 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 (to) from" 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*

| | **2010** | 2009 |
|---|---|---|
| Contractors' holdbacks | **$ 3,376** | $ 2,272 |
| Trade accounts payable | **117** | 124 |
| | **$ 3,493** | $ 2,396 |

## *6. Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2010** | Amount of Debt 2009 |
|---|---|---|---|---|---|---|
| 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 |
| | | | | | **155,500** | 155,500 |
| Equity in Sinking Fund (Note 6b) | | | | | **(108,764)** | (98,960) |
| Net sinking fund debentures outstanding | | | | | **46,736** | 56,540 |

**Other long-term debt outstanding**

| | | |
|---|---|---|
| Serial and instalment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.81% (2009 - 5.27%) | **90,900** | 108,716 |
| Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2029 and a weighted average interest rate of 7.10% (2009 - 7.18%) | **464,065** | 432,458 |
| Capital lease obligations with varying maturities up to 2038 and a weighted average interest rate of 8.42% (2009 - 8.42%) (Note 6c) | **28,438** | 30,233 |
| Other long-term debt | **14,900** | 18,600 |
| | **$ 645,039** | $ 646,547 |

***6. Debt (continued)***

Debt to be retired over the next five years:

| | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ 40,000 | $ 30,500 | $ 55,000 | $ 30,000 |
| Serial and instalment debt | 18,457 | 19,127 | 19,861 | 9,619 | 4,773 | 19,063 |
| Equity in Capital Assets Fund | 30,942 | 31,769 | 32,991 | 31,745 | 31,673 | 304,945 |
| Capital lease obligations | 1,950 | 1,019 | 1,172 | 1,262 | 593 | 22,442 |
| | $ 51,349 | $ 51,915 | $ 94,024 | $ 73,126 | $ 92,039 | $ 376,450 |

a) 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.

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City in a separate fund. 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) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

| | |
|---|---|
| 2011 | $ 4,117 |
| 2012 | 3,018 |
| 2013 | 3,095 |
| 2014 | 3,098 |
| 2015 | 2,336 |
| thereafter | 39,137 |
| Total future minimum lease payments | 54,801 |
| Amount representing interest at a weighted average interest rate of 8.42% | (26,363) |
| Balance of the capital lease obligations | $ 28,438 |

### *7. Tangible Capital Assets*

| | **2010** | 2009 |
|---|---|---|
| Land | **$ 169,590** | $ 172,181 |
| Buildings | **277,646** | 268,257 |
| Vehicles | **945** | 2,414 |
| Computer | **32,973** | 38,201 |
| Other | **45,996** | 38,858 |
| Plants and facilities | **14,739** | 14,619 |
| Roads | **859,372** | 821,659 |
| Underground and other networks | **744,197** | 737,081 |
| Bridges and other structures | **304,247** | 307,643 |
| Assets under construction | **24,798** | 10,263 |
| | **$ 2,474,503** | $ 2,411,176 |

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

During the year, there were no write-downs of tangible capital assets (2009 - $nil). Administration fees and interim financing charges capitalized during 2010 were $1.9 million (2009 - $1.9 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled $31.6 million in 2010 (2009 - $38.9 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.

# 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 | $ 172,181 | $ 468,481 | $ 29,793 | $ 96,573 | $ 63,815 |
| Add: Additions during the year | 2,399 | 26,489 | - | 3,848 | 12,699 |
| Add: Transferred from Sewage Disposal System | 3 | - | - | - | - |
| Less: Disposals during the year | 1,293 | 3,936 | 6,535 | 4,602 | 2,207 |
| Settlements and other | (3,700) | - | - | - | - |
| Balance, end of year | 169,590 | 491,034 | 23,258 | 95,819 | 74,307 |
| **Accumulated amortization** | | | | | |
| Balance, beginning of year | - | 200,224 | 27,379 | 58,372 | 24,957 |
| Add: Amortization | - | 16,689 | 1,022 | 9,076 | 5,561 |
| Add: Transferred from Sewage Disposal System | - | - | - | - | - |
| Less: Accumulated amortization on disposals | - | 3,525 | 6,088 | 4,602 | 2,207 |
| Balance, end of year | - | 213,388 | 22,313 | 62,846 | 28,311 |
| **Net Book Value of Tangible Capital Assets** | $ 169,590 | $ 277,646 | $ 945 | $ 32,973 | $ 45,996 |

| Infrastructure | | | | | Totals | |
|---|---|---|---|---|---|---|
| Plants and Facilities | Roads | Underground and Other Networks | Bridges and Other Structures | Assets Under Construction | **2010** | 2009 |
| $ 20,309 | $ 1,622,539 | $ 1,072,837 | $ 503,753 | $ 10,263 | **$ 4,060,544** | $ 3,892,405 |
| 448 | 81,155 | 22,115 | 6,263 | 14,535 | **169,951** | 189,153 |
| - | - | - | - | - | **3** | 799 |
| - | 14,897 | 361 | - | - | **33,831** | 34,013 |
| - | - | - | - | - | **(3,700)** | 12,200 |
| 20,757 | 1,688,797 | 1,094,591 | 510,016 | 24,798 | **4,192,967** | 4,060,544 |
| 5,690 | 800,880 | 335,756 | 196,110 | - | **1,649,368** | 1,579,661 |
| 328 | 43,329 | 14,638 | 9,659 | - | **100,302** | 98,177 |
| - | - | - | - | - | **-** | 537 |
| - | 14,784 | - | - | - | **31,206** | 29,007 |
| 6,018 | 829,425 | 350,394 | 205,769 | - | **1,718,464** | 1,649,368 |
| $ 14,739 | $ 859,372 | $ 744,197 | $ 304,247 | $ 24,798 | **$ 2,474,503** | $ 2,411,176 |



# THE CITY OF WINNIPEG
# STABILIZATION RESERVES

The City of Winnipeg has two reserves whose purpose is to stabilize the effect of specific revenues 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 Future Tax Levies Reserve 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, City 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 - 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 City 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 - 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.

# THE CITY OF WINNIPEG
# STABILIZATION RESERVES (continued)

**Stabilization Reserves - 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

*December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| General Revenue Fund's adopted budget expense | **$ 817,686** | $ 788,730 | $ 767,622 | $ 741,242 | $ 720,959 |
| **Fiscal Stabilization Reserve Fund** | | | | | |
| Equity | **$ 39,672** | $ 36,485 | $ 34,748 | $ 41,557 | $ 49,259 |
| Level (1) | **4.9%** | 4.6% | 4.5% | 5.6% | 6.8% |
| (Under)/over target level | **$ (1,212)** | $ (2,952) | $ (3,633) | $ 4,495 | $ 13,211 |
| **Mill Rate Stabilization Reserve Fund** | | | | | |
| Equity | **$ 41,910** | $ 41,912 | $ 49,932 | $ 37,062 | $ 31,970 |
| Level (1) | **5.1%** | 5.3% | 6.5% | 5.0% | 4.4% |
| Over/(under) target | **$ 1,026** | $ 2,476 | $ 11,551 | $ - | $ (4,078) |
| **Combined Stabilization Reserves** | | | | | |
| Equity | **$ 81,582** | $ 78,397 | $ 84,680 | $ 78,619 | $ 81,229 |
| Level (1) | **10.0%** | 9.9% | 11.0% | 10.6% | 11.3% |
| (Under)/over target | **$ (187)** | $ (476) | $ 7,918 | $ 4,495 | $ 9,133 |

(1) Level represents the Reserve's equity as a percentage of the General Revenue Fund's adopted budget expense.

# 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 2010** | Totals 2009 |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 3) | **$ 39,672** | **$ 41,910** | **$ 81,582** | $ 78,397 |
| ***EQUITY*** | | | | |
| Unallocated | **$ 39,672** | **$ 41,910** | **$ 81,582** | $ 78,397 |

*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 2010** | Totals 2009 |
|---|---|---|---|---|
| Balance, beginning of year | **$ 36,485** | **$ 41,912** | **$ 78,397** | $ 84,680 |
| Add: | | | | |
| Net realty taxes added to the assessment roll | **1,811** | **-** | **1,811** | 421 |
| Interest earned | **649** | **837** | **1,486** | 1,421 |
| Transfer from Mill Rate Stabilization Reserve | **837** | **-** | **837** | 822 |
| Transfer from Commitment Reserve | **-** | **124** | **124** | 48 |
| | **3,297** | **961** | **4,258** | 2,712 |
| Deduct: | | | | |
| Transfer to Fiscal Stabilization Reserve | **-** | **837** | **837** | 822 |
| Transfer to General Revenue Fund - investment management fee | **110** | **126** | **236** | 256 |
| Transfer to General Revenue Fund | **-** | **-** | **-** | 7,917 |
| | **110** | **963** | **1,073** | 8,995 |
| Balance, end of year | **$ 39,672** | **$ 41,910** | **$ 81,582** | $ 78,397 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# STABILIZATION RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(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 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*

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 Future Tax Levies Reserve 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, City 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 (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 - 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 City 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 - 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 - 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, 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).



PHOTO: Travel Manitoba

# 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. From 1974 through to 2008, the City used a frontage levy to fund water main renewals.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected on property taxes would be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

The Director of Water and Waste is the Fund Manager.

**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. These Reserves were established for the renewal and rehabilitation of combined sewers and wastewater sewers, respectively, with funding 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 was 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.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

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 Fund to more accurately reflect the nature of the projects reported in this Reserve.

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, CSO mitigation infrastructure and biosolids.

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 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 fine, replacement fee, room rental, non-resident and photocopy fee revenues be realized in the reserve. The Director of Community Services is the Fund Manager.

**Transit Bus Replacement Reserve Fund**

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

**Concession Equipment Replacement Reserve Fund**

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

Over the years, the provision, maintenance, and replacement of concession equipment has been turned over to either contractors and/or tenants making the reserve redundant. There is no longer a regular need to replace or buy new equipment, nor would the cost be significant enough to warrant the keeping of this Reserve. Based on the Community Services Department recommendation, City Council approved the dissolution of the Concession Equipment Replacement Reserve effective January 1, 2010.

The Director of Community Services was 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 Reserve was 2003.

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.

**Federal Gas Tax Revenue Reserve Fund (continued)**

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.

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 Public Works is the Fund Manager.

**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, and the agreement is in effect until March 31, 2010.

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, 2011. 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. The fund has been fully depleted as of December 31, 2010.

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

The Director of Transit is the Fund Manager.

**Rapid Transit Infrastructure Reserve Fund**

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve Fund be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

The Director of Transit is the Fund Manager.

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## FIVE-YEAR REVIEW

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Water Main Renewal Reserve Fund** | | | | | |
| Frontage levy revenue | **$ -** | $ - | $ 7,063 | $ 7,002 | $ 6,912 |
| Water main renewals funded | **$ 11,244** | $ 9,437 | $ 7,769 | $ 6,470 | $ 7,836 |
| Kilometres of water mains | **2,543** | 2,519 | 2,485 | 2,464 | 2,447 |
| Water main repairs | **328** | 433 | 514 | 691 | 727 |
| **Sewer System Rehabilitation Reserve Fund** | | | | | |
| Frontage levy revenue | **$ 1,100** | $ 7,500 | $ 20,352 | $ 19,096 * | $ 423 |
| Sewer renewals funded | **$ 15,854** | $ 16,874 | $ 13,765 | $ 17,376 * | $ 568 |
| Kilometres of sewers | **2,521** | 2,511 | 2,484 | 2,473 | 2,463 |
| Kilometres of sewers renewed | **0.73** | 9.40 | 12.13 | 15.59 | 5.90 |
| **Environmental Projects Reserve Fund** | | | | | |
| Transfer from Sewage Disposal System | **$ 11,993** | $ 9,737 | $ 7,367 | $ 8,006 | $ 8,501 |
| Transfer to Sewage Disposal System - capital projects | **$ 5,088** | $ 5,462 | $ 18,646 | $ 19,294 | $ 15,839 |
| **Brady Landfill Site Rehabilitation Reserve Fund** | | | | | |
| Transfer from Solid Waste Disposal | **$ 171** | $ 175 | $ 175 | $ 174 | $ 175 |
| **Golf Course Reserve Fund** | | | | | |
| Equity | **$ 1,145** | $ 1,087 | $ 1,037 | $ 1,951 | $ 1,860 |
| **Library Reserve Fund** | | | | | |
| Transfer from General Revenue Fund | **$ 130** | $ 214 | $ - | $ 279 | $ 281 |
| **Transit Bus Replacement Reserve Fund** | | | | | |
| Transfer from/(to) Transit System, net | **$ (3,767)** | $ (5,102) | $ 4,732 | $ 4,197 | $ 6,530 |
| Number of buses financed | **35** | 63 | 33 | 12 | - |
| **Concession Equipment Replacement Reserve Fund** | | | | | |
| Transfer from General Revenue Fund | **$ -** | $ 12 | $ 15 | $ 19 | $ 13 |
| Purchase of equipment | **$ -** | $ 3 | $ - | $ 11 | $ 8 |

* 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)

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Computer Replacement Reserve Fund** | | | | | |
| Allocation of equity: | | | | | |
| Corporate Support Services ** | **$ 285** | $ 289 | $ 191 | $ 226 | $ 79 |
| Community Services | **273** | 274 | 228 | 336 | 365 |
| Planning, Property and Development *** | **188** | 211 | 200 | 217 | 140 |
| Public Works *** | **132** | 114 | 226 | 291 | 264 |
| Audit | **10** | 10 | 10 | 9 | 8 |
| Corporate Finance | **2** | 801 | 929 | 971 | 878 |
| Chief Administrative Offices | **1** | 1 | 1 | 3 | 9 |
| Mayor's Office | **-** | 6 | 5 | 4 | 3 |
| EPC Secretariat | **-** | - | 7 | 10 | 10 |
| | **$ 891** | $ 1,706 | $ 1,797 | $ 2,067 | $ 1,756 |
| **Aqueduct Rehabilitation Reserve Fund** | | | | | |
| Transfer to Waterworks System - capital projects | **$ 3** | $ 10 | $ 84 | $ 38 | $ 68 |
| **Federal Gas Tax Revenue Reserve Fund** | | | | | |
| Government of Canada funding | **$ 40,452** | $ 36,030 | $ 20,533 | $ 16,427 | $ 23,308 |
| Transfer to General Capital Fund | **$ 26,686** | $ 25,355 | $ 17,460 | $ 16,865 | $ 16,776 |
| Transfer to Sewage Disposal System - capital projects | **$ -** | $ - | $ - | $ 1,726 | $ 1,883 |
| Transfer to Transit System - capital projects | **$ 490** | $ 4,376 | $ 2,056 | $ 1,344 | $ - |
| **Public Transit Reserve Fund** | | | | | |
| Government of Canada funding | **$ -** | $ - | $ - | $ 24,790 | $ 14,328 |
| Transfer to Transit System - capital projects | **$ 10,627** | $ 21,159 | $ 6,150 | $ 2,682 | $ 670 |
| **Rapid Transit Infrastructure Reserve Fund** | | | | | |
| Transfer from/(to) Transit System, net | **$ 537** | $ 4,250 | $ 2,750 | $ - | $ - |

** In 2008, the Corporate Information Technology and Corporate Services departments were amalgamated and renamed the Corporate Support Services department.

*** Prior to 2007, the Building Services Fund was under the auspices of the Public Works department, this subsequently changed to the Planning, Property and Development department.

# 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 | Environmental Projects Reserve | Sub-total |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 3) | **$ 2,404** | **$ 33,316** | **$ 38,544** | **$ 74,264** |
| Call loans - General Revenue Fund (Note 4) | - | - | - | - |
| Accounts receivable | - | - | - | - |
| | **2,404** | **33,316** | **38,544** | **74,264** |
| Investments (Note 5) | - | - | - | - |
| Due from Golf Services - Special Operating Agency (Note 6) | - | - | - | - |
| | **$ 2,404** | **$ 33,316** | **$ 38,544** | **$ 74,264** |
| ***LIABILITIES*** | | | | |
| Deferred revenue | **$ -** | **$ -** | **$ -** | **$ -** |
| Debt (Note 7) | - | - | - | - |
| | - | - | - | - |
| ***EQUITY*** | | | | |
| Allocated | **1,930** | **33,316** | **38,544** | **73,790** |
| Unallocated | **474** | **-** | **-** | **474** |
| | **2,404** | **33,316** | **38,544** | **74,264** |
| | **$ 2,404** | **$ 33,316** | **$ 38,544** | **$ 74,264** |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## STATEMENT OF FINANCIAL POSITION

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

| | Sub-total Brought Forward | Brady Landfill Reserve | Golf Course Reserve | Library Reserve |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 3) | **$ 74,264** | **$ 917** | **$ 188** | **$ 656** |
| Call loans - General Revenue Fund (Note 4) | **-** | **32** | **-** | **-** |
| Accounts receivable | **-** | **17** | **-** | **-** |
| | **74,264** | **966** | **188** | **656** |
| Investments (Note 5) | **-** | **2,711** | **-** | **-** |
| Due from Golf Services - Special Operating Agency (Note 6) | **-** | **-** | **1,072** | **-** |
| | **$ 74,264** | **$ 3,677** | **$ 1,260** | **$ 656** |
| ***LIABILITIES*** | | | | |
| Deferred revenue | **$ -** | **$ -** | **$ -** | **$ -** |
| Debt (Note 7) | **-** | **-** | **115** | **-** |
| | **-** | **-** | **115** | **-** |
| ***EQUITY*** | | | | |
| Allocated | **73,790** | **3,677** | **-** | **-** |
| Unallocated | **474** | **-** | **1,145** | **656** |
| | **74,264** | **3,677** | **1,145** | **656** |
| | **$ 74,264** | **$ 3,677** | **$ 1,260** | **$ 656** |

*See accompanying notes to the financial statements*

| Transit Bus Replacement Reserve | Concession Equipment Reserve | Computer Replacement Reserve | Aqueduct Rehabilitation Reserve | Sub-total |
|---|---|---|---|---|
| $ 8,063 | $ - | $ 891 | $ 298 | $ 85,277 |
| - | - | - | - | 32 |
| - | - | - | - | 17 |
| 8,063 | - | 891 | 298 | 85,326 |
| - | - | - | - | 2,711 |
| - | - | - | - | 1,072 |
| $ 8,063 | $ - | $ 891 | $ 298 | $ 89,109 |
| $ - | $ - | $ - | $ - | $ - |
| - | - | - | - | 115 |
| - | - | - | - | 115 |
| 7,548 | - | 891 | 298 | 86,204 |
| 515 | - | - | - | 2,790 |
| 8,063 | - | 891 | 298 | 88,994 |
| $ 8,063 | $ - | $ 891 | $ 298 | $ 89,109 |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## STATEMENT OF FINANCIAL POSITION

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

| | Sub-total Brought Forward | Federal Gas Tax Reserve | Public Transit Reserve | Transit Infrastructure Reserve |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 3) | **$ 85,277** | **$ 7,324** | **$ -** | **$ 7,602** |
| Call loans - General Revenue Fund (Note 4) | **32** | **-** | **-** | **-** |
| Accounts receivable | **17** | **20,226** | **-** | **-** |
| | **85,326** | **27,550** | **-** | **7,602** |
| Investments (Note 5) | **2,711** | **-** | **-** | **-** |
| Due from Golf Services - Special Operating Agency (Note 6) | **1,072** | **-** | **-** | **-** |
| | **$ 89,109** | **$ 27,550** | **$ -** | **$ 7,602** |
| ***LIABILITIES*** | | | | |
| Deferred revenue | **$ -** | **$ 26,770** | **$ -** | **$ -** |
| Debt (Note 7) | **115** | **-** | **-** | **-** |
| | **115** | **26,770** | **-** | **-** |
| ***EQUITY*** | | | | |
| Allocated | **86,204** | **780** | **-** | **-** |
| Unallocated | **2,790** | **-** | **-** | **7,602** |
| | **88,994** | **780** | **-** | **7,602** |
| | **$ 89,109** | **$ 27,550** | **$ -** | **$ 7,602** |

*See accompanying notes to the financial statements*

| **Totals 2010** | Totals 2009 |
|---|---|
| **$ 100,203** | $ 116,686 |
| **32** | 503 |
| **20,243** | 5 |
| **120,478** | 117,194 |
| **2,711** | 2,152 |
| **1,072** | 934 |
| **$ 124,261** | $ 120,280 |
| **$ 26,770** | $ 21,951 |
| **115** | - |
| **26,885** | 21,951 |
| **86,984** | 82,273 |
| **10,392** | 16,056 |
| **97,376** | 98,329 |
| **$ 124,261** | $ 120,280 |

# 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 | Environmental Projects Reserve | Brady Landfill Reserve |
|---|---|---|---|---|
| Balance, beginning of year | **$ 1,633** | **$ 35,998** | **$ 31,539** | **$ 3,404** |
| Add: | | | | |
| Government of Canada transfers | **-** | **-** | **-** | **-** |
| Transfer from Sewage Disposal System | **-** | **12,000** | **11,993** | **-** |
| Transfer from Waterworks System | **12,000** | **-** | **-** | **-** |
| Transfer from Transit System | **-** | **-** | **-** | **-** |
| Frontage levy | **-** | **1,100** | **-** | **-** |
| Interest earned | **27** | **145** | **188** | **111** |
| Transfer from General Revenue Fund | **-** | **-** | **-** | **-** |
| Transfer from Solid Waste Disposal | **-** | **-** | **-** | **171** |
| Transfer from Building Services | **-** | **-** | **-** | **-** |
| Other | **-** | **-** | **-** | **-** |
| | **12,027** | **13,245** | **12,181** | **282** |
| Deduct: | | | | |
| Transfer to General Capital Fund | **-** | **2,714** | **-** | **-** |
| Transfer to Transit System | **-** | **-** | **-** | **-** |
| Transfer to Sewage Disposal System | **-** | **13,140** | **5,088** | **-** |
| Transfer to Waterworks System | **11,244** | **-** | **-** | **-** |
| Transfer to General Revenue Fund | **-** | **-** | **-** | **-** |
| Purchase of equipment | **-** | **-** | **-** | **-** |
| Transfer to General Revenue Fund - investment management fee | **12** | **73** | **88** | **9** |
| Other | **-** | **-** | **-** | **-** |
| | **11,256** | **15,927** | **5,176** | **9** |
| Balance, end of year | **$ 2,404** | **$ 33,316** | **$ 38,544** | **$ 3,677** |

*See accompanying notes to the financial statements*

| Golf Course Reserve | Library Reserve | Transit Bus Replacement Reserve | Concession Equipment Reserve | Computer Replacement Reserve | Aqueduct Rehabilitation Reserve | Sub-total |
|---|---|---|---|---|---|---|
| $ 1,087 | $ 837 | $ 11,808 | $ 79 | $ 1,706 | $ 300 | $ 88,391 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | 23,993 |
| - | - | - | - | - | - | 12,000 |
| - | - | 6,966 | - | - | - | 6,966 |
| - | - | - | - | - | - | 1,100 |
| 58 | 4 | 43 | - | 8 | 2 | 586 |
| - | 130 | - | - | 324 | - | 454 |
| - | - | - | - | - | - | 171 |
| - | - | - | - | 11 | - | 11 |
| - | 2 | - | - | - | - | 2 |
| 58 | 136 | 7,009 | - | 343 | 2 | 45,283 |
| - | - | - | - | - | - | 2,714 |
| - | - | 10,733 | - | - | - | 10,733 |
| - | - | - | - | - | - | 18,228 |
| - | - | - | - | - | 3 | 11,247 |
| - | - | - | 79 | 800 | - | 879 |
| - | 130 | - | - | 321 | - | 451 |
| - | 2 | 21 | - | 4 | 1 | 210 |
| - | 185 | - | - | 33 | - | 218 |
| - | 317 | 10,754 | 79 | 1,158 | 4 | 44,680 |
| $ 1,145 | $ 656 | $ 8,063 | $ - | $ 891 | $ 298 | $ 88,994 |

# 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 | Federal Gas Tax Reserve | Public Transit Reserve | Transit Infrastructure Reserve |
|---|---|---|---|---|
| Balance, beginning of year | **$ 88,391** | **$ 727** | **$ 2,165** | **$ 7,046** |
| Add: | | | | |
| Government of Canada transfers | **-** | **27,176** | **8,457** | **-** |
| Transfer from Sewage Disposal System | **23,993** | **-** | **-** | **-** |
| Transfer from Waterworks System | **12,000** | **-** | **-** | **-** |
| Transfer from Transit System | **6,966** | **-** | **-** | **4,250** |
| Frontage levy | **1,100** | **-** | **-** | **-** |
| Interest earned | **586** | **59** | **5** | **44** |
| Transfer from General Revenue Fund | **454** | **-** | **-** | **-** |
| Transfer from Solid Waste Disposal | **171** | **-** | **-** | **-** |
| Transfer from Building Services | **11** | **-** | **-** | **-** |
| Other | **2** | **-** | **-** | **-** |
| | **45,283** | **27,235** | **8,462** | **4,294** |
| Deduct: | | | | |
| Transfer to General Capital Fund | **2,714** | **26,686** | **-** | **-** |
| Transfer to Transit System | **10,733** | **490** | **10,627** | **3,713** |
| Transfer to Sewage Disposal System | **18,228** | **-** | **-** | **-** |
| Transfer to Waterworks System | **11,247** | **-** | **-** | **-** |
| Transfer to General Revenue Fund | **879** | **-** | **-** | **-** |
| Purchase of equipment | **451** | **-** | **-** | **-** |
| Transfer to General Revenue Fund - investment management fee | **210** | **-** | **-** | **21** |
| Other | **218** | **6** | **-** | **4** |
| | **44,680** | **27,182** | **10,627** | **3,738** |
| Balance, end of year | **$ 88,994** | **$ 780** | **$ -** | **$ 7,602** |

*See accompanying notes to the financial statements*

| **Totals 2010** | Totals 2009 |
|---|---|
| **$ 98,329** | $ 94,156 |
| | |
| **35,633** | 50,890 |
| **23,993** | 18,737 |
| **12,000** | 10,000 |
| **11,216** | 10,376 |
| **1,100** | 7,500 |
| **694** | 555 |
| **454** | 482 |
| **171** | 175 |
| **11** | 11 |
| **2** | 233 |
| **85,274** | 98,959 |
| | |
| **29,400** | 30,147 |
| **25,563** | 36,763 |
| **18,228** | 17,544 |
| **11,247** | 9,447 |
| **879** | - |
| **451** | 302 |
| **231** | 238 |
| **228** | 345 |
| **86,227** | 94,786 |
| **$ 97,376** | $ 98,329 |

# THE CITY OF WINNIPEG
# CAPITAL RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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
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
Rapid Transit Infrastructure 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**

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.

**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.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, frontage levy revenue collected from property taxes would be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the sources of funding for the Water Main Renewal Reserve Fund are revenues from water rates, which are transferred from the Waterworks System Fund, and interest.

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 provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

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.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

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 funded by this Reserve.

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, CSO mitigation infrastructure and biosolids.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2010 sewer rate includes a provision of 0.1765 cents (2009 - 0.16 cents) per cubic meter 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 (2009 - 50 cents) per tonne for each tonne disposed at the 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 fine, replacement fee, room rental, non-resident and photocopy fee 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.

Due to the Concession Equipment Replacement Reserve Fund no longer being required, City Council approved the dissolution of the Reserve effective January 1, 2010.

The Director of Community Services was 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.

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 a Federal Gas Tax Revenue Reserve Fund. The purpose of this 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 Public Works 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, and the agreement is in effect until March 31, 2010.

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, 2011. 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. The fund has been fully depleted as of December 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.

**Rapid Transit Infrastructure Reserve Fund**

On March 26, 2008, City Council approved that a Rapid Transit Infrastructure Reserve be established, and that the purpose of the Reserve be to accumulate funds and subsequently to expend on future costs incurred on account of public transit infrastructure, including the construction of rapid transit corridors contemplated in the future.

On October 22, 2008, City Council approved that the purpose of the Rapid Transit Infrastructure Reserve be revised to accumulate funds and subsequently expend on costs incurred on account of public transit infrastructure, including the operation and construction of the rapid transit infrastructure, structures and facilities, development, and other related costs including bus purchases, technology, personnel, and land acquisition.

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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

## *4. Call Loans - General Revenue Fund*

Call loans represent short-term investments with the General Revenue Fund 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.

## 5. *Investments*

| | 2010 | 2009 |
|---|---|---|
| Marketable securities | | |
| Government of Canada bonds | **$ 1,495** | $ 1,495 |
| Provincial bonds and bond coupons | **703** | 657 |
| Municipal bonds | **513** | - |
| | **$ 2,711** | $ 2,152 |

The aggregate market value of marketable securities at December 31, 2010 was $3,019 thousand (2009 - $2,352 thousand).

## 6. *Due from Golf Services - Special Operating Agency*

| | 2010 | 2009 |
|---|---|---|
| Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in: | | |
| - 2004 | **$ 27** | $ 35 |
| - 2005 | **35** | 43 |
| - 2006 | **66** | 77 |
| - 2007 | **164** | 186 |
| - 2008 | **231** | 257 |
| - 2009 | **11** | 12 |
| - 2010 | **253** | 274 |
| - 2011 | **50** | 50 |
| - 2012 | **235** | - |
| | **$ 1,072** | $ 934 |

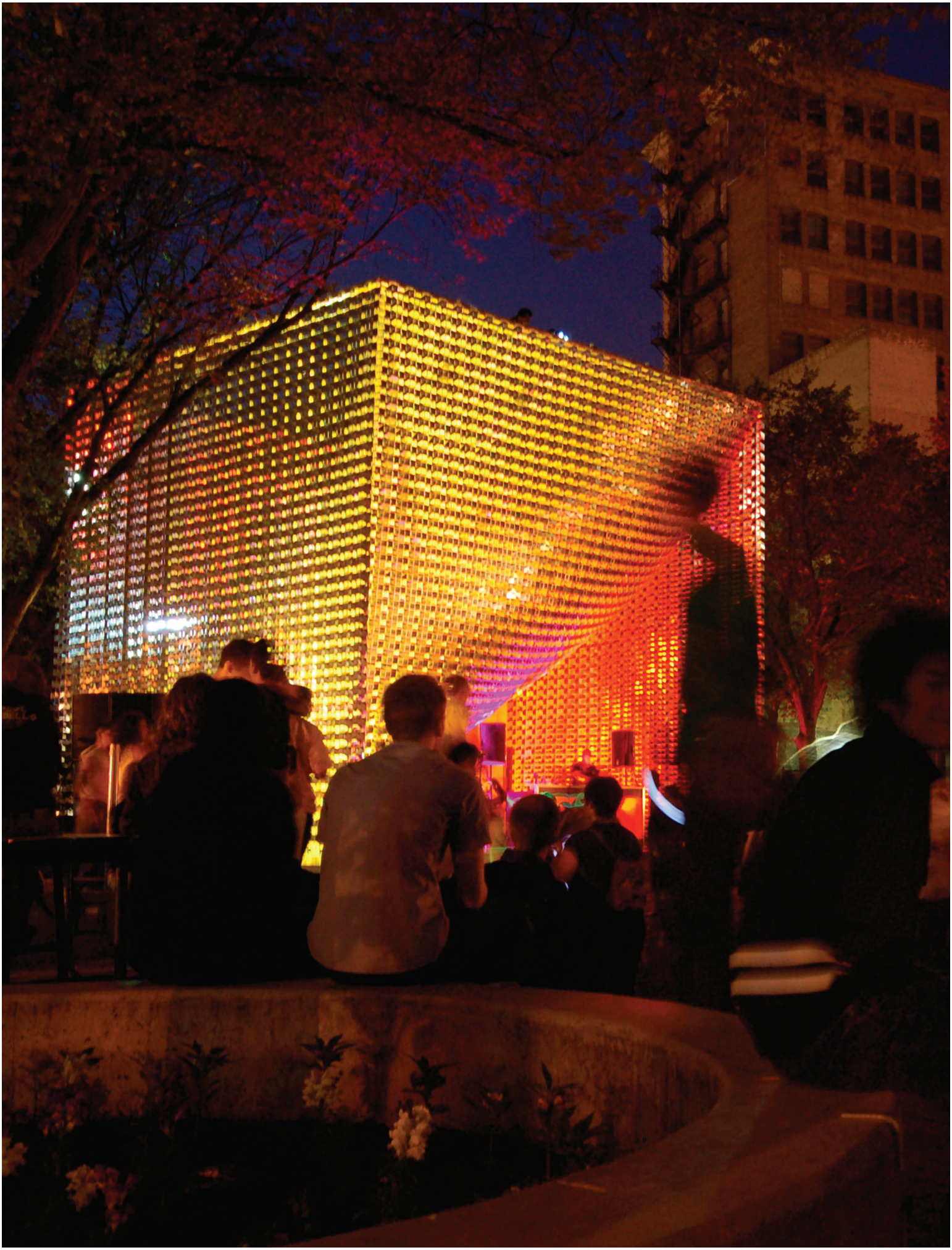
Included in interest earned is $58 thousand (2009 - $59 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.

## 7. *Debt*

| | 2010 | 2009 |
|---|---|---|
| Equity in Capital Assets Fund debt issued by the City, maturing in 2015 with an interest rate of 4.0% | **$ 115** | $ - |

Debt to be retired over the next five years:

| | |
|---|---|
| 2011 | $ 21 |
| 2012 | 22 |
| 2013 | 23 |
| 2014 | 24 |
| 2015 | 25 |
| | $ 115 |



# 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 the 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.

**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 amongst 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 amongst 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 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**

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.

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season. At that time, cost based on ideal conditions was estimated at $490,000. Adjustments are made to the annual transfer from the General Revenue Fund to ensure that the cap is not exceeded.

The Director of Community Services is the Fund Manager.

**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.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed $10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at $5.0 million) before any charges can be made to the Reserve. The Director of Public Works 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 fund is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Mill Rate Stabilization Reserve Fund.

On July 19, 1999, 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 ongoing funding for the Reserve will be incremental tax revenues from projects financed by the Fund.

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.

**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.

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.

**Assiniboine Park Enterprise Reserve Fund (continued)**

The Assiniboine Park Enterprise Reserve Fund will be dissolved in 2011 as the Assiniboine Park Conservancy will take over the management of Assiniboine Park effective January 1, 2011.

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.

**Multiple-Family Dwelling Tax Investment Reserve Fund**

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

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

**Insect Control Urgent Expenditures Reserve Fund**

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels. The Reserve is funded through an annual transfer from the operating budget and any year end unexpended insect control mill rate support budget. The Reserve balance should never exceed $3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of $3.0 million in the event of insufficient funds.

The Director of Community Services is the Fund Manager.

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES (continued)

**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.

**Destination Marketing Reserve Fund**

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is the 5% accommodation tax, which was adopted by City Council on April 23, 2008.

The Chief Financial Officer is the Fund Manager.

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Workers Compensation Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 2,758** | $ 1,183 | $ 3,500 | $ 2,966 | $ 4,935 |
| Investments | **$ -** | $ 1,990 | $ - | $ 1,999 | $ 2,750 |
| Interest earned | **$ 18** | $ 13 | $ 146 | $ 341 | $ 291 |
| **Brookside Cemetery Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 1,263** | $ 1,334 | $ (174) | $ 158 | $ 2,381 |
| Investments | **$ 11,193** | $ 10,617 | $ 11,649 | $ 10,178 | $ 8,044 |
| Interest earned | **$ 741** | $ 533 | $ 396 | $ 327 | $ 827 |
| **St. Vital Cemetery Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 100** | $ 51 | $ 7 | $ 41 | $ (12) |
| Investments | **$ 635** | $ 655 | $ 669 | $ 635 | $ 649 |
| Interest earned | **$ 29** | $ 33 | $ 32 | $ 65 | $ 61 |
| **Transcona Cemetery Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 95** | $ 62 | $ 28 | $ 31 | $ 197 |
| Investments | **$ 423** | $ 436 | $ 445 | $ 432 | $ 249 |
| Interest earned | **$ 19** | $ 23 | $ 21 | $ 32 | $ 37 |
| **Insurance Reserve Fund** | | | | | |
| Call loans - General | | | | | |
| Revenue Fund | **$ 2,527** | $ (238) | $ (124) | $ 3,364 | $ 1,404 |
| Investments | **$ 926** | $ 1,842 | $ 1,858 | $ 4,574 | $ 6,495 |
| Interest earned | **$ 65** | $ 80 | $ 165 | $ 394 | $ 383 |
| **Contributions in Lieu of Land Dedication Reserve Fund** | | | | | |
| Cash dedications revenue | **$ 289** | $ 2,564 | $ 776 | $ 596 | $ 783 |
| Interest earned | **$ 27** | $ 15 | $ 115 | $ 172 | $ 173 |
| Park improvement expenses | **$ 858** | $ 693 | $ 1,161 | $ 712 | $ 1,317 |
| **Land Operating Reserve Fund** | | | | | |
| Number of properties sold | **70** | 96 | 125 | 143 | 156 |
| Number acquired - tax sale | **-** | - | 7 | 19 | 23 |
| Number exchanged | **2** | 1 | 1 | 2 | 1 |
| **Recreation Programming Reserve Fund** | | | | | |
| Transfer from | | | | | |
| General Revenue Fund | **$ 330** | $ 447 | $ - | $ 159 | $ 490 |
| Total approved | | | | | |
| projects/programs | **$ 338** | $ 452 | $ 41 | $ 329 | $ 504 |
| Number approved | **11** | 2 | 5 | 9 | 4 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW (continued)

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Snow Clearing Reserve Fund** | | | | | |
| Transfer (to)/from | | | | | |
| General Revenue Fund | **$ -** | $ (4,370) | $ 4,361 | $ - | $ - |
| **Commitment Reserve Fund** | | | | | |
| Allocation of equity: | | | | | |
| Community Services | **$ 414** | $ 361 | $ 1,068 | $ 28 | $ 423 |
| Corporate and other | **355** | 837 | 455 | 697 | 660 |
| Fire Paramedic Services | **300** | 157 | 462 | 1,817 | 764 |
| Corporate Support Services | **-** | 1,208 | 1,390 | 164 | 358 |
| Planning, Property and Development | **-** | 155 | 563 | 1,670 | 866 |
| Police Service | **-** | 94 | 441 | - | 723 |
| Assessment and Taxation | **-** | 75 | - | 109 | 95 |
| Public Works | **-** | - | 365 | - | 572 |
| | **$ 1,069** | $ 2,887 | $ 4,744 | $ 4,485 | $ 4,461 |
| **Heritage Investment Reserve Fund** | | | | | |
| Municipal realty tax revenue | **$ 1,031** | $ 1,211 | $ 1,011 | $ 971 | $ 1,438 |
| **Housing Rehabilitation Investment Reserve Fund** | | | | | |
| Grant expense | **$ 808** | $ 825 | $ 1,045 | $ 785 | $ 1,330 |
| **Economic Development Investment Reserve Fund** | | | | | |
| Municipal realty tax revenue | **$ 87** | $ 7 | $ 133 | $ 391 | $ 161 |
| **Assiniboine Park Enterprise Reserve Fund** | | | | | |
| Animals sold | **184** | 113 | 78 | 59 | 68 |
| Animals purchased | **1** | 18 | 12 | 72 | 284 |
| Exhibits | **144** | 144 | 144 | 144 | 144 |
| Zoo attendance (persons) | **377,684** | 356,282 | 363,865 | 350,848 | 351,920 |
| **General Purpose Reserve Fund** | | | | | |
| Transfer (to) from General Revenue Fund | **$ (5,283)** | $ 8,993 | $ 2,560 | $ - | $ - |
| Net transfer (to) from General Capital Fund | **$ (1,700)** | $ 12 | $ (1,535) | $ (2,289) | $ (629) |
| Grants | **$ -** | $ - | $ 4,900 | $ - | $ - |
| Interest earned | **$ 69** | $ 23 | $ 236 | $ 574 | $ 534 |
| **Multiple-Family Dwelling Tax Investment Reserve Fund** | | | | | |
| Municipal realty tax revenue | **$ 1,793** | $ 941 | $ 1,192 | $ 178 | $ 337 |
| Interest earned | **$ 14** | $ 8 | $ 21 | $ 29 | $ 18 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## FIVE-YEAR REVIEW (continued)

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Insect Control Urgent Expenditures Reserve Fund** | | | | | |
| Net transfer from (to) | | | | | |
| General Revenue Fund | **$ 112** | $ (321) | $ (1,198) | $ 1,202 | $ 600 |
| **Permit Reserve Fund** | | | | | |
| Net transfer from (to) | | | | | |
| General Revenue Fund | **$ 1,686** | $ (391) | $ (953) | $ 2,358 | $ - |
| **Destination Marketing Reserve Fund** | | | | | |
| Accommodation tax revenue | **$ 7,053** | $ 6,820 | $ - | $ - | $ - |
| Grants expense: | | | | | |
| Economic Development Winnipeg Inc. | **$ 2,638** | $ 3,060 | $ - | $ - | $ - |
| The Convention Centre Corporation Inc. | **1,500** | 1,500 | - | - | - |
| | **$ 4,138** | $ 4,560 | $ - | $ - | $ - |

# 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 (Note 4) | **2,758** | **1,263** | **100** | **95** |
| Accounts receivable | - | **152** | **6** | **4** |
| Prepaid expenses | - | - | - | - |
| Land held for resale | - | - | - | - |
| | **2,758** | **1,415** | **106** | **99** |
| Investments (Note 5) | - | **11,193** | **635** | **423** |
| Deferred charges | - | - | - | - |
| | **$ 2,758** | **$ 12,608** | **$ 741** | **$ 522** |
| ***LIABILITIES*** | | | | |
| Current | | | | |
| Accounts payable | $ - | $ - | $ - | $ - |
| Due to Winnipeg Parking Authority - SOA | - | - | - | - |
| | - | - | - | - |
| ***EQUITY*** | | | | |
| Contributed surplus (Note 6) | - | - | - | - |
| Allocated | - | - | - | - |
| Unallocated | **2,758** | **12,608** | **741** | **522** |
| | **2,758** | **12,608** | **741** | **522** |
| | **$ 2,758** | **$ 12,608** | **$ 741** | **$ 522** |

*See accompanying notes to the financial statements*

| Insurance Reserve | Land Dedication Reserve | Land Operating Reserve | Recreation Programming Reserve | Snow Clearing Reserve | Sub-Total |
|---|---|---|---|---|---|
| $ 213 | $ 4,495 | $ 33,903 | $ 51 | $ - | $ 38,662 |
| 2,527 | - | - | - | - | 6,743 |
| 24 | - | 3,996 | - | - | 4,182 |
| - | - | - | - | - | - |
| - | - | 12,365 | - | - | 12,365 |
| 2,764 | 4,495 | 50,264 | 51 | - | 61,952 |
| 926 | - | 2,918 | - | - | 16,095 |
| - | - | 36 | - | - | 36 |
| $ 3,690 | $ 4,495 | $ 53,218 | $ 51 | $ - | $ 78,083 |
| $ - | $ - | $ 7,095 | $ - | $ - | $ 7,095 |
| - | - | 23,516 | - | - | 23,516 |
| - | - | 30,611 | - | - | 30,611 |
| - | - | 8,425 | - | - | 8,425 |
| - | - | - | - | - | - |
| 3,690 | 4,495 | 14,182 | 51 | - | 39,047 |
| 3,690 | 4,495 | 14,182 | 51 | - | 39,047 |
| $ 3,690 | $ 4,495 | $ 53,218 | $ 51 | $ - | $ 78,083 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## STATEMENT OF FINANCIAL POSITION

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

| | Sub-Total Brought Forward | Commitment Reserve | Heritage Investment Reserve | Housing Rehabilitation Reserve |
|---|---|---|---|---|
| ***ASSETS*** | | | | |
| Current | | | | |
| Due from General Revenue Fund (Note 3) | **$ 38,662** | **$ 1,137** | **$ 5,654** | **$ 2,057** |
| Call loans - General Revenue Fund (Note 4) | **6,743** | **-** | **-** | **-** |
| Accounts receivable | **4,182** | **-** | **764** | **-** |
| Prepaid expenses | **-** | **-** | **-** | **-** |
| Land held for resale | **12,365** | **-** | **-** | **-** |
| | **61,952** | **1,137** | **6,418** | **2,057** |
| Investments (Note 5) | **16,095** | **-** | **-** | **-** |
| Deferred charges | **36** | **-** | **-** | **-** |
| | **$ 78,083** | **$ 1,137** | **$ 6,418** | **$ 2,057** |
| ***LIABILITIES*** | | | | |
| Current | | | | |
| Accounts payable | **$ 7,095** | **$ 68** | **$ 8** | **$ -** |
| Due to Winnipeg Parking Authority - SOA | **23,516** | **-** | **-** | **-** |
| | **30,611** | **68** | **8** | **-** |
| ***EQUITY*** | | | | |
| Contributed surplus (Note 6) | **8,425** | **-** | **-** | **-** |
| Allocated | **-** | **-** | **-** | **-** |
| Unallocated | **39,047** | **1,069** | **6,410** | **2,057** |
| | **39,047** | **1,069** | **6,410** | **2,057** |
| | **$ 78,083** | **$ 1,137** | **$ 6,418** | **$ 2,057** |

*See accompanying notes to the financial statements*

| Economic Development Reserve | Assiniboine Park Enterprise Reserve | General Purpose Reserve | Multiple-Family Dwelling Reserve | Insect Control Reserve | Sub-Total |
|---|---|---|---|---|---|
| $ 2,073 | $ 112 | $ 7,214 | $ 3,078 | $ 507 | $ 60,494 |
| - | - | - | - | - | 6,743 |
| - | - | - | - | - | 4,946 |
| - | 7 | - | - | - | 7 |
| - | - | - | - | - | 12,365 |
| 2,073 | 119 | 7,214 | 3,078 | 507 | 84,555 |
| - | - | - | - | - | 16,095 |
| - | - | - | - | - | 36 |
| $ 2,073 | $ 119 | $ 7,214 | $ 3,078 | $ 507 | $ 100,686 |
| $ - | $ - | $ - | $ - | $ - | $ 7,171 |
| - | - | - | - | - | 23,516 |
| - | - | - | - | - | 30,687 |
| - | - | - | - | - | 8,425 |
| - | - | - | - | - | - |
| 2,073 | 119 | 7,214 | 3,078 | 507 | 61,574 |
| 2,073 | 119 | 7,214 | 3,078 | 507 | 61,574 |
| $ 2,073 | $ 119 | $ 7,214 | $ 3,078 | $ 507 | $ 100,686 |

# 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 | Destination Marketing Reserve |
|---|---|---|---|
| ***ASSETS*** | | | |
| Current | | | |
| Due from General Revenue Fund (Note 3) | **$ 60,494** | **$ 2,768** | **$ 7,206** |
| Call loans - General Revenue Fund (Note 4) | **6,743** | **-** | **-** |
| Accounts receivable | **4,946** | **-** | **425** |
| Prepaid expenses | **7** | **-** | **-** |
| Land held for resale | **12,365** | **-** | **-** |
| | **84,555** | **2,768** | **7,631** |
| Investments (Note 5) | **16,095** | **-** | **-** |
| Deferred charges | **36** | **-** | **-** |
| | **$ 100,686** | **$ 2,768** | **$ 7,631** |
| ***LIABILITIES*** | | | |
| Current | | | |
| Accounts payable | **$ 7,171** | **$ -** | **$ -** |
| Due to Winnipeg Parking Authority - SOA | **23,516** | **-** | **-** |
| | **30,687** | **-** | **-** |
| ***EQUITY*** | | | |
| Contributed surplus (Note 6) | **8,425** | **-** | **-** |
| Allocated | **-** | **-** | **7,631** |
| Unallocated | **61,574** | **2,768** | **-** |
| | **61,574** | **2,768** | **7,631** |
| | **$ 100,686** | **$ 2,768** | **$ 7,631** |

*See accompanying notes to the financial statements*

| **Totals 2010** | Totals 2009 |
|---|---|
| **$ 70,468** | $ 60,876 |
| **6,743** | 2,392 |
| **5,371** | 5,716 |
| **7** | 101 |
| **12,365** | 11,110 |
| **94,954** | 80,195 |
| **16,095** | 18,531 |
| **36** | 27 |
| **$ 111,085** | $ 98,753 |
| **$ 7,171** | $ 8,387 |
| **23,516** | - |
| **30,687** | 8,387 |
| **8,425** | 8,425 |
| **7,631** | 4,760 |
| **64,342** | 77,181 |
| **71,973** | 81,941 |
| **$ 111,085** | $ 98,753 |

# 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 | Transcona Cemetery Reserve |
|---|---|---|---|---|
| Balance, beginning of year | **$ 3,173** | **$ 12,123** | **$ 712** | **$ 503** |
| Add: | | | | |
| Land sales | **-** | **-** | **-** | **-** |
| Accommodation tax | **-** | **-** | **-** | **-** |
| Transfer from General Revenue Fund | **-** | **73** | **18** | **12** |
| Municipal realty tax | **-** | **-** | **-** | **-** |
| Other | **575** | **-** | **-** | **-** |
| Interest earned | **18** | **741** | **29** | **19** |
| Transfer from General Capital Fund | **-** | **-** | **-** | **-** |
| Transfer from Sewage Disposal System Fund | **-** | **-** | **-** | **-** |
| Cash payments-in-lieu of land dedication | **-** | **-** | **-** | **-** |
| Transfer from Transit System Fund | **-** | **-** | **-** | **-** |
| Transfer from Land Operating Reserve | **-** | **-** | **-** | **-** |
| Transfer from Waterworks System Fund | **-** | **-** | **-** | **-** |
| Transfer from Solid Waste Disposal Fund | **-** | **-** | **-** | **-** |
| Transfer from General Purpose Reserve | **-** | **-** | **-** | **-** |
| Transfer from Winnipeg Parking - SOA | **-** | **-** | **-** | **-** |
| | **593** | **814** | **47** | **31** |
| Deduct: | | | | |
| Transfer to General Revenue Fund | **1,000** | **297** | **16** | **11** |
| Grants | **-** | **-** | **-** | **-** |
| Other | **-** | **-** | **-** | **-** |
| Cost of sales | **-** | **-** | **-** | **-** |
| Transfer to General Capital Fund | **-** | **-** | **-** | **-** |
| Transfer to General Revenue Enterprises | **-** | **-** | **-** | **-** |
| Transfer to General Revenue Fund - investment management fee | **8** | **32** | **2** | **1** |
| Transfer to Building Services Fund | **-** | **-** | **-** | **-** |
| Transfer to Mill Rate Stabilization Reserve | **-** | **-** | **-** | **-** |
| Transfer to Contributions in Lieu of Land Dedication Reserve | **-** | **-** | **-** | **-** |
| Transfer to Golf Services - SOA | **-** | **-** | **-** | **-** |
| Transfer to Winnipeg Parking - SOA | **-** | **-** | **-** | **-** |
| Transfer to Fleet Management - SOA | **-** | **-** | **-** | **-** |
| Transfer to Destination Marketing Reserve | **-** | **-** | **-** | **-** |
| Transfer to Sewage Disposal System Fund | **-** | **-** | **-** | **-** |
| Transfer to Civic Accommodations Fund | **-** | **-** | **-** | **-** |
| Transfer to Solid Waste Disposal Fund | **-** | **-** | **-** | **-** |
| Transfer to Animal Services - SOA | **-** | **-** | **-** | **-** |
| | **1,008** | **329** | **18** | **12** |
| Balance, end of year | **$ 2,758** | **$ 12,608** | **$ 741** | **$ 522** |

*See accompanying notes to the financial statements*

| Insurance Reserve | Land Dedication Reserve | Land Operating Reserve | Recreation Programming Reserve | Snow Clearing Reserve | Sub-Total |
|---|---|---|---|---|---|
| $ 1,639 | $ 5,497 | $ 20,668 | $ 59 | $ - | $ 44,374 |
| - | - | 9,130 | - | - | 9,130 |
| - | - | - | - | - | - |
| 752 | - | - | 330 | - | 1,185 |
| - | - | - | - | - | - |
| 214 | - | 531 | - | - | 1,320 |
| 65 | 27 | 292 | 1 | - | 1,192 |
| - | - | 653 | - | - | 653 |
| 886 | - | - | - | - | 886 |
| - | 289 | - | - | - | 289 |
| 100 | - | - | - | - | 100 |
| - | 60 | - | - | - | 60 |
| 56 | - | - | - | - | 56 |
| 14 | - | - | - | - | 14 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 2,087 | 376 | 10,606 | 331 | - | 14,885 |
| - | - | 10,044 | - | - | 11,368 |
| - | 104 | - | - | - | 104 |
| - | 858 | 416 | 150 | - | 1,424 |
| - | - | 3,672 | - | - | 3,672 |
| - | 403 | 299 | - | - | 702 |
| - | - | 2,514 | - | - | 2,514 |
| 5 | 13 | 87 | 1 | - | 149 |
| 13 | - | - | 188 | - | 201 |
| - | - | - | - | - | - |
| - | - | 60 | - | - | 60 |
| 7 | - | - | - | - | 7 |
| 7 | - | - | - | - | 7 |
| 4 | - | - | - | - | 4 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 36 | 1,378 | 17,092 | 339 | - | 20,212 |
| $ 3,690 | $ 4,495 | $ 14,182 | $ 51 | $ - | $ 39,047 |

# 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 | Commitment Reserve | Heritage Investment Reserve | Housing Rehabilitation Reserve |
|---|---|---|---|---|
| Balance, beginning of year | **$ 44,374** | **$ 2,887** | **$ 7,484** | **$ 1,467** |
| Add: | | | | |
| Land sales | **9,130** | **-** | **-** | **-** |
| Accommodation tax | **-** | **-** | **-** | **-** |
| Transfer from General Revenue Fund | **1,185** | **664** | **-** | **1,395** |
| Municipal realty tax | **-** | **-** | **1,031** | **-** |
| Other | **1,320** | **-** | **-** | **-** |
| Interest earned | **1,192** | **-** | **34** | **6** |
| Transfer from General Capital Fund | **653** | **-** | **-** | **-** |
| Transfer from Sewage Disposal System Fund | **886** | **-** | **-** | **-** |
| Cash payments-in-lieu of land dedication | **289** | **-** | **-** | **-** |
| Transfer from Transit System Fund | **100** | **-** | **-** | **-** |
| Transfer from Land Operating Reserve | **60** | **-** | **-** | **-** |
| Transfer from Waterworks System Fund | **56** | **-** | **-** | **-** |
| Transfer from Solid Waste Disposal Fund | **14** | **-** | **-** | **-** |
| Transfer from General Purpose Reserve | **-** | **-** | **-** | **-** |
| Transfer from Winnipeg Parking - SOA | **-** | **-** | **-** | **-** |
| | **14,885** | **664** | **1,065** | **1,401** |
| Deduct: | | | | |
| Transfer to General Revenue Fund | **11,368** | **-** | **-** | **-** |
| Grants | **104** | **516** | **800** | **808** |
| Other | **1,424** | **1,842** | **1,322** | **-** |
| Cost of sales | **3,672** | **-** | **-** | **-** |
| Transfer to General Capital Fund | **702** | **-** | **-** | **-** |
| Transfer to General Revenue Enterprises | **2,514** | **-** | **-** | **-** |
| Transfer to General Revenue Fund - investment management fee | **149** | **-** | **17** | **3** |
| Transfer to Building Services Fund | **201** | **-** | **-** | **-** |
| Transfer to Mill Rate Stabilization Reserve | **-** | **124** | **-** | **-** |
| Transfer to Contributions in Lieu of Land Dedication Reserve | **60** | **-** | **-** | **-** |
| Transfer to Golf Services - SOA | **7** | **-** | **-** | **-** |
| Transfer to Winnipeg Parking - SOA | **7** | **-** | **-** | **-** |
| Transfer to Fleet Management - SOA | **4** | **-** | **-** | **-** |
| Transfer to Destination Marketing Reserve | **-** | **-** | **-** | **-** |
| Transfer to Sewage Disposal System Fund | **-** | **-** | **-** | **-** |
| Transfer to Civic Accommodations Fund | **-** | **-** | **-** | **-** |
| Transfer to Solid Waste Disposal Fund | **-** | **-** | **-** | **-** |
| Transfer to Animal Services - SOA | **-** | **-** | **-** | **-** |
| | **20,212** | **2,482** | **2,139** | **811** |
| Balance, end of year | **$ 39,047** | **$ 1,069** | **$ 6,410** | **$ 2,057** |

*See accompanying notes to the financial statements*

| Economic Development Reserve | Assiniboine Park Enterprise Reserve | General Purpose Reserve | Multiple-Family Dwelling Reserve | Insect Control Reserve | Sub-Total |
|---|---|---|---|---|---|
| $ 2,866 | $ 433 | $ 14,162 | $ 2,034 | $ 394 | $ 76,101 |
| | | | | | |
| - | - | - | - | - | 9,130 |
| - | - | - | - | - | - |
| - | - | - | - | 112 | 3,356 |
| 87 | - | - | 1,793 | - | 2,911 |
| - | 217 | - | - | - | 1,537 |
| 12 | 2 | 69 | 14 | 2 | 1,331 |
| - | - | 250 | - | - | 903 |
| - | - | - | - | - | 886 |
| - | - | - | - | - | 289 |
| - | - | - | - | - | 100 |
| - | - | - | - | - | 60 |
| - | - | - | - | - | 56 |
| - | - | - | - | - | 14 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 99 | 219 | 319 | 1,807 | 114 | 20,573 |
| | | | | | |
| - | 75 | 5,283 | - | - | 16,726 |
| 825 | - | - | 757 | - | 3,810 |
| 61 | 457 | - | - | 1 | 5,107 |
| - | - | - | - | - | 3,672 |
| - | - | 1,950 | - | - | 2,652 |
| - | - | - | - | - | 2,514 |
| | | | | | |
| 6 | 1 | 34 | 6 | - | 216 |
| - | - | - | - | - | 201 |
| - | - | - | - | - | 124 |
| | | | | | |
| - | - | - | - | - | 60 |
| - | - | - | - | - | 7 |
| - | - | - | - | - | 7 |
| - | - | - | - | - | 4 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| 892 | 533 | 7,267 | 763 | 1 | 35,100 |
| $ 2,073 | $ 119 | $ 7,214 | $ 3,078 | $ 507 | $ 61,574 |

# 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 | Permit Reserve | Destination Marketing Reserve |
|---|---|---|---|
| Balance, beginning of year | **$ 76,101** | **$ 1,080** | **$ 4,760** |
| **Add:** | | | |
| Land sales | **9,130** | **-** | **-** |
| Accommodation tax | **-** | **-** | **7,053** |
| Transfer from General Revenue Fund | **3,356** | **1,802** | **-** |
| Municipal realty tax | **2,911** | **-** | **-** |
| Other | **1,537** | **-** | **-** |
| Interest earned | **1,331** | **5** | **29** |
| Transfer from General Capital Fund | **903** | **-** | **-** |
| Transfer from Sewage Disposal System Fund | **886** | **-** | **-** |
| Cash payments-in-lieu of land dedication | **289** | **-** | **-** |
| Transfer from Transit System Fund | **100** | **-** | **-** |
| Transfer from Land Operating Reserve | **60** | **-** | **-** |
| Transfer from Waterworks System Fund | **56** | **-** | **-** |
| Transfer from Solid Waste Disposal Fund | **14** | **-** | **-** |
| Transfer from General Purpose Reserve | **-** | **-** | **-** |
| Transfer from Winnipeg Parking - SOA | **-** | **-** | **-** |
| | **20,573** | **1,807** | **7,082** |
| **Deduct:** | | | |
| Transfer to General Revenue Fund | **16,726** | **116** | **60** |
| Grants | **3,810** | **-** | **4,138** |
| Other | **5,107** | **-** | **-** |
| Cost of sales | **3,672** | **-** | **-** |
| Transfer to General Capital Fund | **2,652** | **-** | **-** |
| Transfer to General Revenue Enterprises | **2,514** | **-** | **-** |
| Transfer to General Revenue Fund - investment management fee | **216** | **3** | **13** |
| Transfer to Building Services Fund | **201** | **-** | **-** |
| Transfer to Mill Rate Stabilization Reserve | **124** | **-** | **-** |
| Transfer to Contributions in Lieu of Land Dedication Reserve | **60** | **-** | **-** |
| Transfer to Golf Services - SOA | **7** | **-** | **-** |
| Transfer to Winnipeg Parking - SOA | **7** | **-** | **-** |
| Transfer to Fleet Management - SOA | **4** | **-** | **-** |
| Transfer to Destination Marketing Reserve | **-** | **-** | **-** |
| Transfer to Sewage Disposal System Fund | **-** | **-** | **-** |
| Transfer to Civic Accommodations Fund | **-** | **-** | **-** |
| Transfer to Solid Waste Disposal Fund | **-** | **-** | **-** |
| Transfer to Animal Services - SOA | **-** | **-** | **-** |
| | **35,100** | **119** | **4,211** |
| Balance, end of year | **$ 61,574** | **$ 2,768** | **$ 7,631** |

*See accompanying notes to the financial statements*

| **Totals 2010** | Totals 2009 |
|---|---|
| **$ 81,941** | $ 73,574 |
| | |
| **9,130** | 13,668 |
| **7,053** | 6,820 |
| **5,158** | 12,752 |
| **2,911** | 2,159 |
| **1,537** | 532 |
| **1,365** | 971 |
| **903** | 381 |
| **886** | - |
| **289** | 2,564 |
| **100** | 110 |
| **60** | 71 |
| **56** | 186 |
| **14** | - |
| **-** | 2,560 |
| **-** | 11 |
| **29,462** | 42,785 |
| | |
| **16,902** | 9,513 |
| **7,948** | 9,007 |
| **5,107** | 6,956 |
| **3,672** | 4,259 |
| **2,652** | 422 |
| **2,514** | 804 |
| | |
| **232** | 172 |
| **201** | 200 |
| **124** | 48 |
| | |
| **60** | 71 |
| **7** | 3 |
| **7** | - |
| **4** | 22 |
| **-** | 2,560 |
| **-** | 283 |
| **-** | 54 |
| **-** | 43 |
| **-** | 1 |
| **39,430** | 34,418 |
| **$ 71,973** | $ 81,941 |

# THE CITY OF WINNIPEG
# SPECIAL PURPOSE RESERVES

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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
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
Destination Marketing 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.

## *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 the 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.

### 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.

## *2. Status of the Special Purpose Reserves (continued)*

### 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.

With the adoption of the 2006 tax-supported budget, City Council approved a specific sub-component of the Recreation Programming Reserve dedicated to the annual extension of the regularly scheduled wading pool and outdoor pool season. At that time, cost based on ideal conditions was estimated at $490,000. Adjustments are made to the annual transfer from the General Revenue Fund to ensure that the cap is not exceeded.

The Director of Community Services is the Fund Manager.

## *2. Status of the Special Purpose Reserves (continued)*

### 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.

On December 14, 2004, City Council approved the establishment of a new Snow Clearing Reserve with the same purpose and guidelines as the former Reserve (established on March 22, 1995) with the exception that City Council may, at its discretion, approve a transfer from the Reserve to cover snow clearing costs greater than or other than as stipulated by the Reserve. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. The Reserve balance should never exceed $10.9 million.

On March 26, 2008, City Council further approved that the former restrictions on charges to the Snow Clearing Reserve in any one year be rescinded, and that no minimum balance be required (previously set at $5.0 million) before any charges can be made to the Reserve.

The Director of Public Works 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 from projects financed by the Fund.

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.

## *2. Status of the Special Purpose Reserves (continued)*

### 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 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.

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 Assiniboine Park Enterprise Reserve Fund will be dissolved in 2011 as the Assiniboine Park Conservancy will take over the management of Assiniboine Park effective January 1, 2011.

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 through an annual transfer from the operating budget and any year end unexpended insect control mill rate support budget. 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. 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.

## *2. Status of the Special Purpose Reserves (continued)*

**Destination Marketing Reserve Fund**

On October 22, 2008, City Council approved the creation of the Destination Marketing Reserve Fund with an effective date of January 1, 2009. The purpose of the Reserve is to support Economic Development Winnipeg Inc., The Convention Centre Corporation and special events including other organizations, projects and events that will encourage tourists to visit Winnipeg. The source of revenue for the Reserve is the 5% accommodation tax, which was adopted by City Council on April 23, 2008.

Guidelines established for the Reserve include the following:

- A grant to Economic Development Winnipeg Inc. equal to the greater of $2.0 million or 30% of annual accommodation tax revenue;
- A grant of $1.5 million annually to The Winnipeg Convention Centre Corporation;
- Up to 40% of the annual accommodation tax revenue, to a maximum of the estimated annual payments required to service the amount of future debt that will be allocated to the City's portion of construction costs relating to a planned expansion at the Winnipeg Convention Centre, to be set aside within the Reserve. Dispositions from the Reserve for this purpose require approval of City Council;
- Expenses incurred in the General Revenue Fund to administer the accommodation tax will be transferred to the Reserve; and
- The remainder of the funds, net of the above, paid to Economic Development Winnipeg Inc. for the Special Event Marketing Fund. If yearly contributions to the Special Event Marketing Fund exceeds $1.0 million, any excess above this amount will be paid to Economic Development Winnipeg Inc. in the form of an additional grant. Dispositions from the Destination Marketing Reserve fund for this purpose will require the approval of the Fund Manager.

The Chief Financial Officer 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

## *4. Call Loans - General Revenue Fund*

Call loans represent short-term investments with The City of Winnipeg - General Revenue Fund 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.

## *5. Investments*

| | **2010** | 2009 |
|---|---|---|
| Marketable securities | | |
| Government of Canada bonds and treasury bills | **$ -** | $ 2,890 |
| Provincial bonds | **5,095** | 4,153 |
| Municipal bonds | **8,082** | 8,497 |
| | **13,177** | 15,540 |
| Transcona Joint Venture | **2,918** | 2,991 |
| | **$ 16,095** | $ 18,531 |

## *5. Investments (continued)*

*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, 2010 was as follows:

| | **2010** | 2009 |
|---|---|---|
| Assets | **$ 4,074** | $ 4,352 |
| Liabilities | **1,156** | 1,361 |
| Revenues | **3,460** | 3,110 |
| Expenses | **2,200** | 1,402 |
| Cash flow (used in): | | |
| Operating activities | **707** | (376) |
| Investing activities | **-** | - |
| Financing activities | **(1,350)** | (1,950) |

The aggregate market value of marketable securities at December 31, 2010 was $13,744 thousand (2009 - $15,795 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 $524.8 million as at December 31, 2010 (2009 - $489.5 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 2010, $62.0 million (2009 - $63.6 million) of new capital works were financed through the Fund at terms ranging from five to twenty years.

## FIVE-YEAR REVIEW

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Total Assets | **$ 524,756** | $ 489,469 | $ 457,591 | $ 426,000 | $ 395,763 |
| Capital Construction Financed | **$ 61,950** | $ 63,563 | $ 45,557 | $ 45,864 | $ 57,914 |
| Interest Earned | **$ 28,384** | $ 29,964 | $ 31,661 | $ 30,276 | $ 30,628 |
| Principal Retirals | **$ 29,347** | $ 29,733 | $ 27,388 | $ 26,102 | $ 24,764 |

# THE CITY OF WINNIPEG
# EQUITY IN CAPITAL ASSETS FUND

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Due from General Revenue Fund (Note 3) | **$ 37,856** | $ 35,065 |
| Current portion of long-term investments (Note 4) | **32,921** | 30,375 |
| | **70,777** | 65,440 |
| Long-term investments (Note 4) | **453,979** | 424,029 |
| | **$ 524,756** | $ 489,469 |
| ***EQUITY*** | | |
| Allocated | **$ 486,900** | $ 451,505 |
| Equity for Approved Capital Projects (Note 5) | **37,856** | 37,964 |
| | **$ 524,756** | $ 489,469 |

*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)*

| | **2010** | 2009 |
|---|---|---|
| Balance, beginning of year | **$ 489,469** | $ 457,591 |
| Add: | | |
| Interest | | |
| General Capital Fund | **28,055** | 28,385 |
| Transit System | **1,198** | 1,016 |
| General Revenue Fund (Note 3) | **406** | 141 |
| Civic Accommodations Fund | **182** | 196 |
| Other | **33** | (15) |
| Sewage Disposal System | **4** | 4 |
| General Revenue Fund - debt and finance charges reduction | **(1,494)** | 237 |
| Transfer from General Capital Fund | **7,000** | 2,000 |
| | **35,384** | 31,964 |
| Deduct: | | |
| Transfer to General Revenue Fund - investment management fee | **97** | 86 |
| Balance, end of year | **$ 524,756** | $ 489,469 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# EQUITY IN CAPITAL ASSETS FUND

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

### *4. Long-term Investments*

At varying maturities up to the year 2032 and with a weighted average interest rate for the year 2010 of 7.05% (2009 - 7.15%) due from the following:

| | **2010** | 2009 |
|---|---|---|
| General Capital Fund | **$ 464,065** | $ 432,458 |
| Transit System | **19,993** | 18,989 |
| Civic Accommodations Fund | **2,676** | 2,899 |
| Golf Course Reserve | **115** | - |
| Sewage Disposal System | **51** | 58 |
| | **486,900** | 454,404 |
| Current portion of long-term investments: | | |
| General Capital Fund | **(30,939)** | (28,654) |
| Transit System | **(1,715)** | (1,491) |
| Civic Accommodations Fund | **(238)** | (223) |
| Golf Course Reserve | **(21)** | - |
| Sewage Disposal System | **(8)** | (7) |
| | **(32,921)** | (30,375) |
| | **$ 453,979** | $ 424,029 |

### *5. Equity*

Formerly reported as "Unallocated Equity" and renamed "Equity for Approved Capital Projects" to better reflect its purpose. This equity pertains to City Council approved capital projects. The project expenses have not yet been incurred.




PHOTO: Phuong Nguyen, courtesy Tourism Winnipeg

# 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 | 2010 Totals | 2009 Totals |
|---|---|---|---|---|---|---|
| ***ASSETS*** | | | | | | |
| Current | | | | | | |
| Due from General Revenue Fund (Note 3) | **$ 111,668** | **$ 473,730** | **$ 1,618** | **$ -** | **$ 587,016** | $ 568,978 |
| ***EQUITY*** | | | | | | |
| Unallocated | **$ 111,668** | **$ 473,730** | **$ 1,618** | **$ -** | **$ 587,016** | $ 568,978 |

*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 | 2010 Totals | 2009 Totals |
|---|---|---|---|---|---|---|
| Opening balance | **$ 151,538** | **$ 411,500** | **$ 1,609** | **$ 4,331** | **$ 568,978** | $ 591,278 |
| Add: | | | | | | |
| Contributions | **117,212** | **295,743** | **-** | **-** | **412,955** | 349,204 |
| Interest earned | **785** | **2,420** | **9** | **22** | **3,236** | 2,244 |
| | **117,997** | **298,163** | **9** | **22** | **416,191** | 351,448 |
| Deduct: | | | | | | |
| Disbursements | **157,867** | **235,933** | **-** | **4,353** | **398,153** | 373,748 |
| Closing balance | **$ 111,668** | **$ 473,730** | **$ 1,618** | **$ -** | **$ 587,016** | $ 568,978 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# TRUST FUNDS

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

# THE CITY OF WINNIPEG
# EQUIPMENT AND MATERIAL SERVICES

## STATEMENT OF FINANCIAL POSITION

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

| | **2010** | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Due from General Revenue Fund (Note 2) | **$ 7,609** | $ 10,294 |
| Investment (Note 3) | **1,148** | 1,148 |
| | **$ 8,757** | $ 11,442 |
| ***RETAINED EARNINGS*** | **$ 8,757** | $ 11,442 |

*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)*

| | **2010** | 2009 |
|---|---|---|
| ***REVENUES*** | | |
| Interest | **$ 47** | $ 39 |
| ***EXPENSES*** | | |
| Transfer to General Capital Fund (Note 4) | **2,732** | - |
| Net (loss) income for the year | **(2,685)** | 39 |
| ***RETAINED EARNINGS, BEGINNING OF YEAR*** | **11,442** | 11,403 |
| ***RETAINED EARNINGS, END OF YEAR*** | **$ 8,757** | $ 11,442 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# EQUIPMENT AND MATERIAL SERVICES

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### *1. Summary of Significant Accounting Policies*

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

**a) Basis of accounting**

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

### *2. Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

### *3. Investment*

| | **2010** | 2009 |
|---|---|---|
| Fleet Management - Special Operating Agency | **$ 1,148** | $ 1,148 |

On January 1, 2008, Fleet Management - Special Operating Agency converted their long-term debt of $1,148 thousand to contributed surplus.

### *4. Transfer to General Capital Fund*

The City of Winnipeg's 2010 Capital Budget adopted by City Council on December 15, 2009 included a transfer of $2,732,000 to the Assiniboine Park Conservancy Development Plan.

PHOTO: Pam Cameron, courtesy Tourism Winnipeg

# THE CITY OF WINNIPEG
# CIVIC ACCOMMODATIONS FUND

The year 2010 was the fourteenth 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 of Winnipeg's (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 the 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 were 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 City Council instructed the Administration to implement coincident with the adoption of the 1997 Current Estimates.

Effective January 1, 2011, the Civic Accommodations and Building Services Funds will amalgamate into a new Fund known as the Municipal Accommodations Fund.

## FIVE-YEAR REVIEW

*As at December 31*
*(unaudited)*

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Number of facilities | **131** | 125 | 130 | 132 | 135 |
| Total area square footage | **2,471,474** | 2,409,827 | 2,457,460 | 2,455,140 | 2,491,466 |

# THE CITY OF WINNIPEG
# CIVIC ACCOMMODATIONS FUND

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ -** | $ 1 |
| Accounts receivable | **82** | 572 |
| Prepaid expenses | **648** | 624 |
| | **730** | 1,197 |
| Tangible capital assets (Note 3) | **2,676** | 2,899 |
| | **$ 3,406** | $ 4,096 |
| ***LIABILITIES*** | | |
| Current | | |
| Due to General Revenue Fund (Note 4) | **$ 215** | $ 556 |
| Accounts payable and accrued liabilities (Note 5) | **515** | 641 |
| Current portion of long-term debt (Note 6) | **238** | 223 |
| | **968** | 1,420 |
| Long-term debt (Note 6) | **2,438** | 2,676 |
| | **$ 3,406** | $ 4,096 |

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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| ***REVENUES*** | | | |
| Contributions from City of Winnipeg departments (Note 9b) | **$ 37,006** | **$ 36,685** | $ 36,634 |
| Investment and other | **20** | **67** | 75 |
| Other rental | **50** | **33** | 198 |
| Total Revenues | **37,076** | **36,785** | 36,907 |
| ***EXPENSES*** | | | |
| Civic accommodations | **10,953** | **11,506** | 11,856 |
| Transfer to Building Services Fund | **11,104** | **11,266** | 10,965 |
| Transfer to General Capital Fund | **10,621** | **10,385** | 9,860 |
| Transfer to General Revenue Fund | **4,398** | **3,628** | 4,226 |
| Total Expenses (Note 10) | **37,076** | **36,785** | 36,907 |
| 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, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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 of the Planning, Property and Development department 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 a step towards the full costing of services to other civic departments. Historically, the activities of the Civic Accommodations (Building Services) Fund were reported in the General Revenue Fund.

Effective January 1, 2011, the Civic Accommodations and Building Services Funds will amalgamate into a new Fund known as the Municipal Accommodations Fund.

### *3. Tangible Capital Assets*

| | 2010 | 2009 |
|---|---|---|
| Cost | **$ 4,864** | $ 4,864 |
| Accumulated amortization | **(2,188)** | (1,965) |
| | **$ 2,676** | $ 2,899 |

### *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. 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

### *5. Accounts Payable and Accrued Liabilities*

| | 2010 | 2009 |
|---|---|---|
| Accrued interest on long-term debt | **$ 449** | $ 576 |
| Accounts payable and accrued liabilities | **61** | 57 |
| Holdbacks and other payables | **5** | 8 |
| | **$ 515** | $ 641 |

### *6. Long-Term Debt*

| | 2010 | 2009 |
|---|---|---|
| Debt issued by the Equity in Capital Assets Fund which matures in the year 2019 with an interest rate of 6.50% (2009 - 6.50%) | **$ 2,676** | $ 2,899 |
| Current portion of long-term debt | **(238)** | (223) |
| | **$ 2,438** | $ 2,676 |

### *7. Commitments*

**Lease commitments**

The Civic Accommodations Fund 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:

| | |
|---|---|
| 2011 | $ 3,452 |
| 2012 | 3,114 |
| 2013 | 2,620 |
| 2014 | 1,655 |
| 2015 | 1,302 |
| Subsequent | 7,275 |
| | $ 19,418 |

## *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, 2010 at $234 thousand (2009 - $282 thousand).

b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2010 at $21 thousand (2009 - $21 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, 2010 is estimated at $163 thousand (2009 - $192 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, 2010 is estimated at $nil (2009 - $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 $130 thousand (2009 - $114 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, 2009 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 $3 thousand (2009 - $3 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
- Recovery from the Insurance Reserve of $nil (2009 - $54 thousand);
- General government charges in the amount of $306 thousand (2009 - $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 $182 thousand (2009 - $196 thousand) to the Equity in Capital Assets Fund on the purchase of the Mandarin Building.

### *9. Contributions and Appropriations from Related Parties (continued)*

b) The following funds were charged for facility costs:

| | **2010** | 2009 |
|---|---|---|
| General Revenue Fund | **$ 32,989** | $ 33,029 |
| Waterworks System | **1,106** | 1,069 |
| Sewage Disposal System | **1,106** | 1,069 |
| Building Services Fund | **356** | 353 |
| Transit System | **251** | 225 |
| Animal Services - Special Operating Agency | **211** | 210 |
| Civic Accommodations Fund | **206** | 174 |
| Fleet Management - Special Operating Agency | **190** | 206 |
| Solid Waste Disposal Fund | **130** | 156 |
| Winnipeg Parking Authority - Special Operating Agency | **123** | 123 |
| Golf Services - Special Operating Agency | **17** | 17 |
| General Capital Fund - Capitalized | **-** | 3 |
| | **$ 36,685** | $ 36,634 |

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

### *10. Expenses by Object*

| | **2010 Budget** | **2010 Actual** | 2009 Actual |
|---|---|---|---|
| Transfer to Building Services Fund | **$ 11,104** | **$ 11,266** | $ 10,965 |
| Transfer to General Capital Fund | **10,621** | **10,385** | 9,860 |
| Materials and supplies | **8,784** | **9,542** | 9,725 |
| Transfer to General Revenue Fund | **4,398** | **3,628** | 4,226 |
| Salaries and employee benefits | **2,025** | **1,787** | 1,963 |
| Civic Accommodations Fund - rental costs | **175** | **206** | 174 |
| Recoveries | **(31)** | **(29)** | (6) |
| | **$ 37,076** | **$ 36,785** | $ 36,907 |

### *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 develops, operates, maintains, protects and preserves the City's physical building infrastructure/assets to provide for current and future facility needs within available funding. This includes over 597 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, cemeteries and Winnipeg Parking Authority - Special Operating Agency facilities.

The estimated replacement value of City-owned buildings receiving facilities maintenance services is $1.2 billion.

Effective January 1, 2011, the Civic Accommodations and Building Services Funds will amalgamate into a new Fund known as the Municipal Accommodations Fund.

# THE CITY OF WINNIPEG
# BUILDING SERVICES FUND

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Due from General Revenue Fund (Note 3) | **$ 1,129** | $ 777 |
| Accounts receivable | **111** | 79 |
| Prepaid expenses | **29** | 33 |
| | **$ 1,269** | $ 889 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 4) | **$ 1,152** | $ 823 |
| Deferred revenue | **117** | 66 |
| | **$ 1,269** | $ 889 |

*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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| ***REVENUES*** | | | |
| Contributions from City of Winnipeg departments (Note 6b) | **$ 38,851** | **$ 38,890** | $ 37,244 |
| Investment and other | **300** | **339** | 706 |
| Total Revenues | **39,151** | **39,229** | 37,950 |
| ***EXPENSES*** *(Note 7)* | | | |
| Building services | **39,151** | **39,229** | 37,950 |
| 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, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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.

**d) Debt and finance charges**

Building Services' tangible capital assets financed by debt are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the Building Services Fund and the interest expense is reported in the General Capital Fund.

### *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.

### *2. Status of the Building Services Fund (continued)*

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.

Effective January 1, 2011, the Civic Accommodations and Building Services Funds will amalgamate into a new Fund known as the Municipal 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

### *4. Accounts Payable and Accrued Liabilities*

| | **2010** | 2009 |
|---|---|---|
| Wages and employee benefits | **$ 749** | $ 600 |
| Accounts payable and accrued liabilities | **245** | 108 |
| Performance deposits | **158** | 115 |
| | **$ 1,152** | $ 823 |

### *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 $948 thousand (2009 - $755 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, 2009 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 $625 thousand (2009 - $637 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles; Non vehicle manufacturing services were also purchased from the Agency in the amount of $245 thousand (2009 - $175 thousand);
- General government charges transferred to the General Revenue Fund in the amount of $252 thousand (2009 - $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 $356 thousand (2009 - $353 thousand) which represent facility costs paid to the Civic Accommodations Fund for space occupied by Building Services staff;
- Transfer from the Insurance Reserve of $13 thousand (2009 - $5 thousand);
- Transfer to the Computer Replacement Reserve of $11 thousand (2009 - $11 thousand); and
- Transfer to the General Revenue Fund of $70 thousand (2009 - $132 thousand).

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

| | **2010** | 2009 |
|---|---|---|
| General Revenue Fund | **$ 27,431** | $ 26,079 |
| Civic Accommodations Fund | **11,266** | 10,965 |
| Recreation Programming Reserve | **188** | 195 |
| Fleet Management - Special Operating Agency | **5** | 5 |
| | **$ 38,890** | $ 37,244 |

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

## *7. Expenses by Object*

| | **2010 Budget** | **2010 Actual** | 2009 Actual |
|---|---|---|---|
| Services, materials and supplies | **$ 20,013** | **$ 20,609** | $ 19,682 |
| Salaries and employee benefits | **14,496** | **14,493** | 13,858 |
| Transfer to General Capital Fund | **6,057** | **6,066** | 6,160 |
| Other grants and transfers | **663** | **701** | 755 |
| Debt and finance charges | **31** | **31** | 31 |
| Recoveries | **(2,109)** | **(2,671)** | (2,536) |
| | **$ 39,151** | **$ 39,229** | $ 37,950 |

## *8. Related Party Transactions*

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

# Utilities 2010 Detailed Financial Statements




ELEPHANT & CASTLE
RESTAURANT

# 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 $1.7 million from 2009, a 2.6% increase. Revenue passengers for 2010 numbered over 45.2 million, a 3% increase from 2009. This is the eighth consecutive annual increase.

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.

Through the Province's Building Manitoba Fund, an operating transfer of $27.9 million was provided to Winnipeg's transit system. This is $3.6 million more than the previous year. The Province of Manitoba's capital grant commitment was $7.5 million, increasing by $1.9 million from the previous year.

For purposes of funding capital investments, funds transferred to the Transit System included $10.6 million from the Public Transit Reserve plus $0.5 million from the Federal Gas Tax Reserve, and $2.75 million from the Rapid Transit Infrastructure Reserve. In addition $25 thousand was received from the Federal Government.

The appropriation from the General Revenue Fund increased by $1.1 million from the previous year, a component of the net increase in revenues of $8.9 million. Operating expenses increased by $8.7 million from the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages, and increased borrowing costs related to the Southwest Rapid Transit Corridor project.

Handi-transit's demand stayed close to the same as in 2009 after decreasing for the three prior years. Costs exceeded the previous year by $0.2 million, due to increasing inflationary pressures.

Several achievements were realized during the year, including:

- During 2010, 35 air-conditioned buses were delivered, continuing with the 2007 decision to have all future bus purchases include air conditioning.

- Completion of the final phase of the bus stop upgrade program including the installation of 33 new transit shelters.

- Completion of the final phase of the On-Street Transit Priority Program. The Program included upgrades on McPhillips Street. Improvements included new diamond lanes between Selkirk and William Avenues.

- Transit received an award from the Canadian Urban Transit Association (CUTA) for Exceptional Performance/Outstanding Achievement for the City of Winnipeg Transit Improvement Program. This program began in 2006 and was substantially completed in 2010.

## THE CITY OF WINNIPEG
## TRANSIT SYSTEM (continued)

- Winnipeg Transit implemented an industry-leading suite of passenger information tools in 2010 that provide **real time** information. Marketed as "TransitTOOLS", the components include:
  - -Improved web site (www.winnipegtransit.com)
  - -Improved NAVIGO trip planner
  - -BUSguide – new mobile website for internet-enabled handheld devices (m.winnipegtransit.com)
  - -TeleBUS – improved interactive voice response system that provides “next bus” information by telephone
  - -BUStxt – new text-messaging service that provides bus departure, nearest stop information, and more to cell phones
  - -BUSwatch – new electronic signs placed at over 90 high volume bus stops that provide bus departure information
  - -BUSgadget – a downloadable app that can be used on a computer or mobile device that provides countdown for bus departures from stops specified by a passenger
  - -Twitter – two feeds are used to provide information updates and service advisories to passengers

- During 2010, Winnipeg Transit opened the new Balmoral Station in the former Greyhound Bus Terminal. This $1.2 million dollar investment has provided a downtown terminus that is currently used by 10 regular transit routes and will be used for Rapid Transit Corridor-Stage 1 once the project is completed.

- On October 22, 2008, City Council approved funding for construction of the Southwest Rapid Transit Corridor - Stage 1. This corridor will improve the speed and reliability of transit service by allowing transit vehicles to bypass traffic congestion. Construction began in 2009 with completion by late 2011 at an estimated cost of $138 million.

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## FIVE-YEAR REVIEW

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

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Financial Position** | | | | | |
| Tangible capital assets | **$ 216,871** | $ 161,378 | $ 107,273 | $ 97,920 | $ 90,559 |
| Total assets | **$ 259,965** | $ 174,444 | $ 120,421 | $ 109,802 | $ 96,249 |
| Long-term debt | **$ 87,737** | $ 28,618 | $ 26,686 | $ 24,727 | $ 28,148 |
| Total liabilities | **$ 97,153** | $ 36,333 | $ 37,858 | $ 35,894 | $ 32,276 |
| **Operations** | | | | | |
| Passenger revenue | **$ 65,592** | $ 63,906 | $ 61,493 | $ 58,132 | $ 57,319 |
| - in relation to total revenue | **45.62%** | 47.38% | 47.70% | 48.59% | 48.34% |
| Appropriation from General Revenue Fund | **$ 43,200** | $ 42,069 | $ 38,414 | $ 33,743 | $ 34,479 |
| - in relation to total revenue | **30.04%** | 31.19% | 29.80% | 28.20% | 29.08% |
| Provincial operating transfers | **$ 27,877** | $ 24,276 | $ 25,130 | $ 23,795 | $ 22,895 |
| Operations expenses | **$ 60,730** | $ 56,580 | $ 53,647 | $ 51,681 | $ 50,206 |
| Plant and equipment expenses | **$ 38,429** | $ 36,484 | $ 38,339 | $ 34,793 | $ 34,106 |
| Total expenses | **$ 126,707** | $ 117,972 | $ 116,051 | $ 110,315 | $ 108,573 |
| **Cash Flows** | | | | | |
| Operating activities | **$ 38,039** | $ 74,605 | $ 16,705 | $ 11,446 | $ 5,571 |
| Long-term debt issued, net | **$ 60,324** | $ 3,302 | $ 3,271 | $ (2,171) | $ 3,890 |
| Payments to The Sinking Fund Trustees, net | **$ (559)** | $ (650) | $ (650) | $ (650) | $ (650) |
| Capital expenses | **$ (68,835)** | $ (65,066) | $ (18,135) | $ (15,560) | $ (1,267) |
| **Financial Statistics and Selected Ratios** | | | | | |
| Regular cash fare, end of year | **$ 2.35** | $ 2.30 | $ 2.25 | $ 2.00 | $ 2.00 |
| Handi-transit - | | | | | |
| Annual ridership (in thousands) | **511.1** | 517.6 | 544.9 | 586.7 | 590.9 |
| Total cost per passenger | **$ 18.02** | $ 17.39 | $ 16.16 | $ 14.59 | $ 15.33 |
| Revenue to cost ratio | **12%** | 12% | 12% | 13% | 12% |
| Regular transit - | | | | | |
| Annual ridership (in millions) | **45.2** | 43.9 | 42.6 | 41.2 | 40.2 |
| Bus hours operated (in thousands) | **1,412** | 1,396 | 1,382 | 1,375 | 1,369 |
| Direct operating cost per passenger | **$ 2.47** | $ 2.42 | $ 2.43 | $ 2.40 | $ 2.40 |
| Direct operating cost per vehicle hour | **$ 78.98** | $ 75.51 | $ 74.99 | $ 71.86 | $ 70.63 |
| Revenue to cost ratio | **62%** | 63% | 61% | 59% | 60% |
| Municipal operating cost per capita | **$ 51.64** | $ 54.39 | $ 54.65 | $ 46.69 | $ 47.48 |

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ -** | $ 334 |
| Accounts receivable (Note 3) | **5,438** | 4,173 |
| Due from General Revenue Fund (Note 4) | **32,709** | 3,797 |
| | **38,147** | 8,304 |
| ***LIABILITIES*** | | |
| Bank indebtedness | **124** | - |
| Accounts payable and accrued liabilities | **9,292** | 7,715 |
| Long-term debt (Note 5) | **87,737** | 28,618 |
| | **97,153** | 36,333 |
| ***NET FINANCIAL LIABILITIES*** | **(59,006)** | (28,029) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 6) | **216,871** | 161,378 |
| Inventory (Note 7) | **4,197** | 4,479 |
| Prepaid expenses | **750** | 283 |
| | **221,818** | 166,140 |
| ***ACCUMULATED SURPLUS*** (Note 8) | **$ 162,812** | $ 138,111 |

*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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| ***REVENUES*** | | | |
| System generated (Note 9) | **$ 66,468** | **$ 68,264** | $ 65,979 |
| Appropriation from General Revenue Fund | **43,202** | **43,200** | 42,069 |
| Provincial Government transfers (Note 10) | **30,777** | **29,320** | 25,640 |
| Interest and other | **1,351** | **2,041** | 1,202 |
| Appropriation from Rapid Transit Infrastructure Reserve | **1,380** | **963** | - |
| Total revenues from operations | **143,178** | **143,788** | 134,890 |
| ***EXPENSES*** | | | |
| Operations (Note 11) | **57,015** | **60,730** | 56,580 |
| Plant and equipment (Note 12) | **42,114** | **38,429** | 36,484 |
| Other departmental (Note 13) | **12,148** | **10,978** | 8,281 |
| Handi-transit | **9,154** | **8,831** | 8,656 |
| Finance and administration | **2,932** | **2,773** | 2,832 |
| Planning and schedules | **2,221** | **2,055** | 2,021 |
| Information systems | **1,484** | **1,246** | 1,431 |
| Marketing and customer services | **1,257** | **1,132** | 1,138 |
| Human resources | **541** | **533** | 549 |
| Total expenses from operations (Note 14) | **128,866** | **126,707** | 117,972 |
| Surplus for the year from operations | **14,312** | **17,081** | 16,918 |
| Net surplus (deficit) from capital (Note 15) | **(14,312)** | **7,620** | 38,630 |
| ***NET SURPLUS FOR THE YEAR*** | **-** | **24,701** | 55,548 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | **-** | **138,111** | 82,563 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | **$ -** | **$ 162,812** | $ 138,111 |

*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)*

| | 2010 | 2009 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 24,701** | $ 55,548 |
| Non-cash items related to operations | | |
| Amortization | **12,617** | 10,553 |
| Loss on disposal of tangible capital assets | **594** | 314 |
| Working capital from operations | **37,912** | 66,415 |
| Net change in other working capital | **127** | 8,190 |
| | **38,039** | 74,605 |
| ***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") | **(646)** | (720) |
| Long-term debt issued | **62,494** | 5,133 |
| Payments on other long-term debt | **(2,170)** | (1,831) |
| Payments to The Sinking Fund Trustees for outstanding long-term debt | **(559)** | (650) |
| Due to General Revenue Fund | **(28,912)** | (11,376) |
| | **30,207** | (9,444) |
| ***INVESTING*** | | |
| Acquisition and construction of tangible capital assets | **(68,835)** | (65,066) |
| Proceeds on disposal of tangible capital assets | **131** | 94 |
| | **(68,704)** | (64,972) |
| (Decrease) increase in cash | **(458)** | 189 |
| Cash, beginning of year | **334** | 145 |
| Cash, end of year | **$ (124)** | $ 334 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# TRANSIT SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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 30 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*

| | **2010** | 2009 |
|---|---|---|
| Province of Manitoba | **$ 3,294** | $ 1,086 |
| Advertising rights, charter and other | **2,144** | 2,108 |
| Government of Canada | **-** | 979 |
| | **$ 5,438** | $ 4,173 |

## *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 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

## *5. Long-term Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2010** | 2009 |
|---|---|---|---|---|---|---|
| 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 |
| 2010-2041 | June 3 | 5.150 | WB | 183/2008 | **60,000** | - |
| | | | | | **78,500** | 18,500 |
| Funds on deposit with The Sinking Fund Trustees (Note 5b) | | | | | **(13,664)** | (12,459) |
| Net sinking fund debentures outstanding | | | | | **64,836** | 6,041 |

**Other long-term debt outstanding**

| | | |
|---|---|---|
| Serial debentures issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.56% (2009 - 4.49%) | **2,908** | 3,588 |
| Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2029 and a weighted average interest rate of 6.48% (2009 - 6.68%) | **19,993** | 18,989 |
| | **$ 87,737** | $ 28,618 |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ 5,000 | $ 6,500 | $ 7,000 | $ 60,000 |
| Serial debentures | 709 | 740 | 773 | 311 | 75 | 300 |
| Equity in Capital Assets Fund debt | 1,597 | 1,283 | 1,335 | 1,199 | 1,257 | 13,322 |
| | $ 2,306 | $ 2,023 | $ 7,108 | $ 8,010 | $ 8,332 | $ 73,622 |

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 Trustees 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.

***5. Long-term Debt (continued)***

c) Included in interest and finance charges expense is $1.2 million (2009 - $1.0 million) paid to the Equity in Capital Assets Fund.

d) Cash paid for interest during the year was $3.8 million (2009 - $2.1 million).

***6. Tangible Capital Assets***

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Buses | **$ 103,354** | $ 99,477 |
| Buildings | **3,847** | 3,569 |
| Land improvements | **17,560** | 16,337 |
| Land | **14,645** | 8,748 |
| Other | **13,240** | 10,055 |
| Assets under construction | **64,225** | 23,192 |
| | **$ 216,871** | $ 161,378 |

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

During the year, there were write-downs of assets of $705 thousand (2009 - $nil).

***7. Inventory***

| | **2010** | 2009 |
|---|---|---|
| Stores | **$ 4,134** | $ 4,432 |
| Tickets, passes and other | **63** | 47 |
| | **$ 4,197** | $ 4,479 |

***8. Accumulated Surplus***

| | **2010** | 2009 |
|---|---|---|
| Retained earnings | **$ 7,876** | $ 5,351 |
| Invested in tangible capital assets | **154,936** | 132,760 |
| | **$ 162,812** | $ 138,111 |

***9. System Generated***

| | **2010 Budget** | **2010 Actual** | 2009 Actual |
|---|---|---|---|
| Passenger | **$ 64,577** | **$ 65,592** | $ 63,906 |
| Advertising rights | **1,080** | **1,856** | 1,157 |
| Charter and other | **811** | **816** | 916 |
| | **$ 66,468** | **$ 68,264** | $ 65,979 |

***10. Provincial Government Transfers***

The Provincial Government provided transfers of $27.9 million (2009 - $24.3 million) towards the operation of the Transit System, $1.4 million (2009 - $1.4 million) as a Local Government Support Transfer and $7.5 million (2009 - $5.6 million) as a Capital Transfer.

## 11. *Operations*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Bus operators | **$ 52,238** | **$ 55,696** | $ 51,806 |
| Inspectors | **2,176** | **2,167** | 1,800 |
| Operations administration | **1,560** | **1,796** | 1,858 |
| Instruction | **1,041** | **1,071** | 1,116 |
| | **$ 57,015** | **$ 60,730** | $ 56,580 |

## 12. *Plant and Equipment*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Vehicle maintenance and overhaul | **$ 16,807** | **$ 15,639** | $ 15,616 |
| Bus servicing | **18,060** | **15,548** | 13,926 |
| Facilities maintenance | **4,442** | **4,269** | 4,201 |
| Maintenance administration | **2,805** | **2,973** | 2,741 |
| | **$ 42,114** | **$ 38,429** | $ 36,484 |

## 13. *Other Departmental*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Interest and finance charges | **$ 6,659** | **$ 5,719** | $ 3,059 |
| Taxes | **1,933** | **1,956** | 1,972 |
| Insurance and claims | **1,551** | **1,445** | 1,186 |
| General government charges and other | **1,177** | **1,250** | 1,348 |
| Employee benefits | **828** | **608** | 716 |
| | **$ 12,148** | **$ 10,978** | $ 8,281 |

### 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, 2010 is estimated at $4.8 million (2009 - $4.9 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, 2010 at $7.2 million (2009 - $7.0 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2010 at $1.3 million (2009 - $1.2 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be $1.0 million (2009 - $1.3 million).

*13. Other Departmental (continued)*

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, $5.3 million (2009 - $4.2 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, 2009 and has an actuarial surplus.

**b) General government charges**

Included in general government charges and other is $0.8 million (2009 - $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 $251 thousand (2009 - $225 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 2009, realty and business taxes paid to the General Revenue Fund was $0.5 million (2009 - $0.5 million).

**e) Insurance**

Included in expenses is $100 thousand (2009 - $110 thousand) that has been charged by the Insurance Reserve.

**f) 311 and business technology services**

Included in expenses is $785 thousand (2009 - $773 thousand) that has been charged by the General Revenue Fund for services provided by the Corporate Support Services department.

*14. Expenses by Object*

| | **2010 Budget** | **2010 Actual** | 2009 Actual |
|---|---|---|---|
| Salaries and wages | **$ 67,015** | **$ 69,311** | $ 65,885 |
| Materials and supplies | **23,664** | **20,951** | 19,723 |
| Services | **14,064** | **13,553** | 13,822 |
| Employee benefits | **12,238** | **12,704** | 11,421 |
| Interest on long-term debt | **6,645** | **5,238** | 3,054 |
| Other | **2,225** | **2,049** | 1,527 |
| Taxes - municipal and payroll | **1,933** | **1,956** | 1,972 |
| Insurance and transfer to Insurance Reserve | **1,565** | **1,678** | 1,449 |
| Recoveries | **(483)** | **(733)** | (881) |
| | **$ 128,866** | **$ 126,707** | $ 117,972 |

### *15. Net Surplus (Deficit) from Capital*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Revenues** | | | |
| Transfer from Transit Bus Replacement Reserve | **$ -** | **$ 10,733** | $ 11,228 |
| Transfer from Public Transit Reserve | **-** | **10,627** | 21,159 |
| Province of Manitoba capital transfers (Note 10) | **-** | **7,450** | 5,584 |
| Transfer from Rapid Transit Infrastructure Reserve | **-** | **2,750** | - |
| Transfer from Federal Gas Tax Reserve | **-** | **490** | 4,376 |
| Government of Canada capital transfers | **-** | **25** | 18,115 |
| | **-** | **32,075** | 60,462 |
| **Expenses** | | | |
| Amortization | **3,223** | **12,617** | 10,553 |
| Transfer to Transit Bus Replacement Reserve | **6,839** | **6,966** | 6,126 |
| Transfer to Rapid Transit Infrastructure Reserve | **4,250** | **4,250** | 4,250 |
| Loss on disposal of tangible capital assets | **-** | **594** | 314 |
| Other | **-** | **28** | 589 |
| | **14,312** | **24,455** | 21,832 |
| | **$ (14,312)** | **$ 7,620** | $ 38,630 |

### *16. Related Party Transactions*

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

# 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 | $ 174,208 | $ 11,966 | $ 21,076 |
| Add: Additions during the year | 13,066 | 600 | 2,943 |
| Less: Disposals during the year | (6,323) | (91) | - |
| Balance, end of year | 180,951 | 12,475 | 24,019 |
| **Accumulated amortization** | | | |
| Balance, beginning of year | (74,731) | (8,397) | (4,739) |
| Add: Amortization | (9,189) | (303) | (1,720) |
| Less: Accumulated amortization on disposal | 6,323 | 72 | - |
| Balance, end of year | (77,597) | (8,628) | (6,459) |
| **Net Book Value of Tangible Capital Assets** | $ 103,354 | $ 3,847 | $ 17,560 |

**Schedule 1**

| Land | Other | Assets Under Construction | 2010 | 2009 |
|---|---|---|---|---|
| $ 8,748 | $ 15,416 | $ 23,192 | **$ 254,606** | $ 199,918 |
| 5,897 | 5,296 | 41,033 | **68,835** | 65,066 |
| - | (732) | - | **(7,146)** | (10,378) |
| 14,645 | 19,980 | 64,225 | **316,295** | 254,606 |
| - | (5,361) | - | **(93,228)** | (92,645) |
| - | (1,405) | - | **(12,617)** | (10,553) |
| - | 26 | - | **6,421** | 9,970 |
| - | (6,740) | - | **(99,424)** | (93,228) |
| $ 14,645 | $ 13,240 | $ 64,225 | **$ 216,871** | $ 161,378 |



# 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, one water treatment plant, and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Main Renewal Reserve.

On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant. The facility was constructed at the Deacon Booster Pumping Station and has been in operation since 2007.

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

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 water treatment plant commenced the delivery of water to the City December 2009. The total cost was $300 million. The plant has a treatment capacity of 400 million litres per day and was constructed to enhance public health protection. The benefits of water treatment are: reduced risk of waterborne disease, reduced levels of disinfection by-products, and to meet more stringent Canadian drinking water quality guidelines.

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Block 1 rate in dollars (per cu. metre) | **$ 1.29** | $ 1.25 | $ 1.22 | $ 1.11 | $ 0.97 |
| Annual water pumped (million litres) | **75,031** | 78,587 | 78,587 | 79,624 | 82,831 |
| Water pumped in litres per capita per day | **301** | 326 | 326 | 334 | 347 |
| Average daily water pumped (million litres per day) | **206** | 215 | 215 | 218 | 227 |
| Maximum day water pumping rates (million litres per day) | **247** | 259 | 259 | 295 | 340 |
| Maximum hour water pumping rates (million litres per day) | **361** | 384 | 384 | 447 | 549 |
| Kilometres of aqueduct | **174.5** | 174.5 | 174.5 | 174.5 | 174.5 |
| Kilometres of feeder mains | **149.6** | 150.2 | 150.1 | 155.9 | 151.5 |
| Kilometres of water mains | **2,543.2** | 2,519.3 | 2,484.9 | 2,464.0 | 2,447.0 |
| Number of hydrants | **20,698** | 20,562 | 20,293 | 20,265 | 20,085 |
| Number of billed services | **194,600** | 193,107 | 191,416 | 190,318 | 188,328 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 129** | $ 21 |
| Accounts receivable (Note 3) | **17,643** | 20,539 |
| Due from General Revenue Fund (Note 4) | **56,855** | 70,027 |
| Inventories | **1,312** | 1,025 |
| | **75,939** | 91,612 |
| Tangible capital assets (Note 5) | **852,345** | 833,393 |
| Deferred charges (Note 6) | **2,405** | 2,497 |
| | **$ 930,689** | $ 927,502 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 7) | **$ 8,189** | $ 9,133 |
| Current portion of long-term debt (Note 8) | **4,181** | 4,136 |
| | **12,370** | 13,269 |
| Long-term debt (Note 8) | **163,281** | 165,911 |
| | **175,651** | 179,180 |
| ***ACCUMULATED SURPLUS (Note 9)*** | **755,038** | 748,322 |
| | **$ 930,689** | $ 927,502 |

*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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Sale of goods and services (Note 10) | **$ 89,486** | **$ 83,462** | $ 84,429 |
| Interest | **2,563** | **2,148** | 1,842 |
| Government transfers, permits and other | **1,557** | **1,956** | 1,663 |
| Total revenues | **93,606** | **87,566** | 87,934 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Water distribution | **45,397** | **36,373** | 32,482 |
| Debt and finance | **18,009** | **12,243** | 12,426 |
| Taxes, employee benefits and other (Note 11) | **8,188** | **6,286** | 7,197 |
| Engineering services | **3,514** | **3,243** | 3,101 |
| Finance and administration | **3,597** | **3,190** | 3,285 |
| Customer services | **1,711** | **1,660** | 1,301 |
| Information systems and technology | **1,393** | **1,341** | 1,112 |
| Environmental standards | **1,083** | **987** | 841 |
| Human resources | **880** | **820** | 787 |
| Total expenses from operations | **83,772** | **66,143** | 62,532 |
| Surplus for the year from operations | **9,834** | **21,423** | 25,402 |
| Transfers to other funds (Note 12) | **10,500** | **11,988** | 9,926 |
| Net surplus (deficit) from operations after transfers to other funds | **(666)** | **9,435** | 15,476 |
| Net (deficit) surplus from capital (Schedule 4) | **-** | **(2,719)** | 10,429 |
| ***NET SURPLUS (DEFICIT) FOR THE YEAR*** | **$ (666)** | **6,716** | 25,905 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **748,322** | 722,417 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 755,038** | $ 748,322 |

*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)*

| | **2010** | 2009 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 6,716** | $ 25,905 |
| Non-cash items related to operations | | |
| Amortization | **19,782** | 16,247 |
| Loss on disposal of tangible capital assets | **766** | 436 |
| Other | **92** | 92 |
| Working capital from operations | **27,356** | 42,680 |
| Change in net working capital other than cash | **1,665** | (10,633) |
| | **29,021** | 32,047 |
| ***FINANCING*** | | |
| Debt retired | **-** | (1,500) |
| Sinking fund investments applied to debt redemption | **-** | 1,500 |
| Debt issued | **3,284** | - |
| Interest on sinking funds | **(1,733)** | (1,532) |
| Due from General Revenue Fund | **13,172** | 35,714 |
| Payments to sinking funds | **(4,136)** | (4,182) |
| | **10,587** | 30,000 |
| ***INVESTING*** | | |
| Purchase of tangible capital assets | **(39,500)** | (61,900) |
| Increase in cash | **108** | 147 |
| Cash, beginning of year | **21** | (126) |
| Cash, end of year | **$ 129** | $ 21 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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:

| | |
|---|---|
| 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) Debenture discounts and issue expenses**

Issue expenses are charged to operations in the year of the related debenture issue and discounts on debentures issued are amortized over future periods to which they relate.

**e) 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.

**f) Water Main Renewal Reserve Fund**

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.

On September 24, 2008, City Council authorized the amendment of the Frontage Levy By-law No. 7958/2002 and approved that effective 2009, the frontage levy revenue collected on the property tax be reported in the General Revenue Fund to pay for upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the source of funding for the Water Main Renewal Reserve Fund is the revenue from water rates.

**g) 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 Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The Aqueduct project was completed in 2009.

### *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*

| | **2010** | 2009 |
|---|---|---|
| Water billings and other | **$ 18,061** | $ 21,008 |
| Allowance for doubtful accounts | **(418)** | (469) |
| | **$ 17,643** | $ 20,539 |

### *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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

### *5. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Land | **$ 1,824** | $ 1,824 |
| Buildings | **3,858** | 3,738 |
| Machinery and equipment | **1,128** | 1,200 |
| Computer | **13,128** | 12,876 |
| Underground networks | **486,196** | 473,944 |
| Water pumping stations and reservoirs | **342,464** | 338,795 |
| Assets under construction | **3,747** | 1,016 |
| | **$ 852,345** | $ 833,393 |

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

During 2010, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2010 were $178 thousand (2009 - $44 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled $6.3 million in 2010 (2009 - $13.4 million) and were capitalized at their fair value at the time of receipt.

### *6. Deferred Charges*

| | **2010** | 2009 |
|---|---|---|
| Deferred debenture discount | **$ 2,405** | $ 2,497 |

## *7. Accounts Payable and Accrued Liabilities*

| | **2010** | 2009 |
|---|---|---|
| Accrued debenture interest | **$ 4,762** | $ 4,762 |
| Other accrued liabilities | **1,630** | 1,593 |
| Trade accounts payable | **1,393** | 2,436 |
| Deferred revenue and other | **404** | 342 |
| | **$ 8,189** | $ 9,133 |

## *8. Long-Term Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2010** | Amount of Debt 2009 |
|---|---|---|---|---|---|---|
| 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 |
| 2006-2036 | July 17 | 5.200 | VZ | 183/2004 and 72/2006 | **60,000** | 60,000 |
| 2008-2036 | July 17 | 5.200 | | 72/2006 B | **100,000** | 100,000 |
| | | | | | **203,000** | 203,000 |
| Equity in Sinking Funds (Note 8b) | | | | | **(38,822)** | (32,953) |
| Net sinking fund debentures outstanding | | | | | **164,178** | 170,047 |

**Other long-term debt outstanding**

| | | |
|---|---|---|
| Canada Mortgage and Housing Corporation ("CMHC") debt, maturity in 2025, interest rate of 3.35% | **3,284** | - |
| | **167,462** | 170,047 |
| Current portion of long-term debt | **(4,181)** | (4,136) |
| | **$ 163,281** | $ 165,911 |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ 5,000 | $ 13,000 | $ 25,000 | $ 160,000 |
| CMHC | 174 | 180 | 186 | 193 | 199 | 2,352 |
| | $ 174 | $ 180 | $ 5,186 | $ 13,193 | $ 25,199 | $ 162,352 |

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.

***8. Long-Term Debt (continued)***

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees 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.

c) Cash paid for interest during the year was $12.1 million (2009 - $12.3 million).

***9. Accumulated Surplus***

| | **2010** | 2009 |
|---|---|---|
| Invested in tangible capital assets | **$ 688,090** | $ 663,373 |
| Retained earnings | **66,948** | 84,949 |
| | **$ 755,038** | $ 748,322 |

***10. Revenue***

Effective January 1, 2010 the block 1 water rate was $1.29 per hundred cubic metre (2009 - $1.25).

***11. Taxes, Employee Benefits and Other***

**Property taxes**

Property 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 2010, taxes paid to the General Revenue Fund was $2.2 million (2009 - $3.1 million).

**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, 2010 is $2.8 million (2009 - $2.7 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, 2010 is estimated at $354 thousand (2009 - $437 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, 2010 at $3.7 million (2009 - $3.6 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2010 at $0.4 million (2009 - $0.4 million).

### *11. Taxes, Employee Benefits and Other (continued)*

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year $2.5 million (2009 - $1.9 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, 2009 and has disclosed an actuarial surplus.

**Rent**

Included in expenses is $1.1 million (2009 - $1.1 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

**General government charges**

Included in expenses is $1.5 million (2009 - $1.2 million) in general government and business technology service charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual business technology service charges applicable to the Waterworks System.

**Insurance and damage claims**

Included in expenses is $56 thousand (2009 - $186 thousand) charged by the Insurance Reserve.

### *12. 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 was calculated on 10% of water sales net of the transfers to the Water Treatment Reserve and other transfers to the General Revenue Fund. Beginning in 2009, City Council adopted a further motion that approved the discontinuation of transfers to the General Revenue Fund for general transfers and hydrant rentals. In addition, frontage levy revenue collected on the tax bill, which was reported in the Water Main Renewal Reserve Fund, be reported in the General Revenue Fund to pay for upgrading, repair, replacement, and maintenance of streets and sidewalks. Therefore, in the Reserve, the source of funding from frontage levies was replaced with revenue from water rates.

| | **2010** | 2009 |
|---|---|---|
| Transfer to Water Main Renewal Reserve | **$ 12,000** | $ 10,000 |
| Transfer from General Capital Fund | **(12)** | (74) |
| | **$ 11,988** | $ 9,926 |

### *13. 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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Sale of goods and services** | | | |
| Water sales | **$ 89,431** | **$ 83,284** | $ 84,234 |
| Fire hydrant and other rentals | **25** | **131** | 158 |
| Sale of scrap material | **30** | **47** | 37 |
| | **89,486** | **83,462** | 84,429 |
| **Interest** | | | |
| Sinking Fund earnings | **1,733** | **1,733** | 1,532 |
| Interest | **800** | **237** | 266 |
| Interest capitalized | **30** | **178** | 44 |
| | **2,563** | **2,148** | 1,842 |
| **Government transfers, permits and other** | | | |
| Permits and fees | **761** | **1,089** | 813 |
| Provincial support transfer | **637** | **689** | 621 |
| Other | **159** | **178** | 229 |
| | **1,557** | **1,956** | 1,663 |
| **Total Revenues** | **$ 93,606** | **$ 87,566** | $ 87,934 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Water distribution** | | | |
| Water treatment plant | **$ 20,461** | **$ 13,928** | $ 6,536 |
| Water main maintenance | **8,170** | **6,974** | 8,185 |
| Service pipe maintenance | **3,842** | **4,378** | 4,453 |
| Hydrant maintenance | **2,406** | **2,231** | 2,079 |
| General administration | **2,298** | **2,187** | 2,458 |
| Emergency services | **2,199** | **1,721** | 1,627 |
| Railway maintenance and operations | **1,702** | **1,461** | 1,161 |
| Water meter maintenance | **1,233** | **1,185** | 900 |
| Mechanical/civil/electrical maintenance allocation | **1,176** | **1,060** | 983 |
| Intake operation | **496** | **575** | 394 |
| Valve maintenance | **983** | **449** | 555 |
| Stores - 552 Plinguet | **355** | **129** | 328 |
| Meter shop | **76** | **68** | 69 |
| Water supply administration | **-** | **15** | 339 |
| Pumping stations | **-** | **12** | 2,368 |
| Staff house | **-** | **-** | 46 |
| Backflow prevention | **-** | **-** | 1 |
| | **45,397** | **36,373** | 32,482 |
| **Debt and finance** | | | |
| Long-term debt | | | |
| Interest | **12,120** | **12,151** | 12,334 |
| Amortization | **5,869** | **-** | - |
| Finance charges | **20** | **92** | 92 |
| | **18,009** | **12,243** | 12,426 |
| **Taxes, employee benefits and other** | | | |
| Property taxes | **4,440** | **2,498** | 3,395 |
| Employee benefits | **645** | **1,146** | 1,294 |
| Rent | **1,068** | **1,106** | 1,069 |
| General government charges | **921** | **921** | 612 |
| Provincial payroll tax | **638** | **700** | 657 |
| Insurance and damage claims | **520** | **575** | 478 |
| Other services | **356** | **240** | 368 |
| Recoveries | **(400)** | **(900)** | (676) |
| | **8,188** | **6,286** | 7,197 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Engineering services division** | | | |
| Water planning | **1,428** | **958** | 788 |
| Customer technical services | **478** | **506** | 486 |
| Design and construction | **721** | **505** | 515 |
| Drafting and graphics | **539** | **491** | 458 |
| Administration | **(24)** | **421** | 485 |
| Asset management | **214** | **223** | 185 |
| Services development | **158** | **139** | 136 |
| Resource centre | **-** | **-** | 48 |
| | **3,514** | **3,243** | 3,101 |
| **Finance and administration division** | | | |
| Customer billing | **2,413** | **2,052** | 2,412 |
| Administrative services | **238** | **364** | 204 |
| Financial planning | **290** | **269** | 238 |
| Accounting services | **251** | **249** | 295 |
| Process improvement | **122** | **143** | 134 |
| Knowledge management | **283** | **113** | 2 |
| | **3,597** | **3,190** | 3,285 |
| **Customer services division** | | | |
| Customer relations | **1,290** | **1,225** | 865 |
| Administration | **302** | **326** | 335 |
| Communications | **73** | **72** | 66 |
| Public consultation | **46** | **37** | 35 |
| | **1,711** | **1,660** | 1,301 |
| **Information systems and technology division** | | | |
| Major systems | **864** | **771** | 626 |
| Support services | **529** | **570** | 486 |
| | **1,393** | **1,341** | 1,112 |
| **Environmental standards division** | | | |
| Analytical services | **652** | **572** | 505 |
| Compliance | **336** | **307** | 243 |
| Administration | **95** | **106** | 93 |
| Research | **-** | **2** | - |
| | **1,083** | **987** | 841 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Human resources division** | | | |
| Human resources | **372** | **329** | 329 |
| Timekeeping and payroll | **206** | **177** | 181 |
| Human resources training | **177** | **177** | 164 |
| Work place health and safety | **125** | **137** | 113 |
| | **880** | **820** | 787 |
| **Total Expenses from Operations** | **83,772** | **66,143** | 62,532 |
| **Transfers to other funds (Note 12)** | | | |
| Transfer to Water Main Renewal Reserve | **10,500** | **12,000** | 10,000 |
| Transfer from General Capital Fund | **-** | **(12)** | (74) |
| **Total transfer to other funds** | **10,500** | **11,988** | 9,926 |
| **Total Expenses** | **$ 94,272** | **$ 78,131** | $ 72,458 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 3**

## EXPENSES BY OBJECT

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Salaries | **$ 33,812** | **$ 31,901** | $ 29,658 |
| Goods and services | **34,857** | **26,460** | 24,643 |
| Transfers | **10,977** | **12,465** | 10,396 |
| Interest on long-term debt | **12,125** | **12,151** | 12,334 |
| Employee benefits | **5,776** | **5,642** | 5,002 |
| Other expenses | **6,809** | **5,077** | 6,061 |
| Grants | **105** | **100** | 100 |
| Finance charges | **20** | **92** | 92 |
| Amortization | **5,869** | **-** | - |
| Recoveries | **(16,078)** | **(15,757)** | (15,828) |
| **Total Expenses** | **$ 94,272** | **$ 78,131** | $ 72,458 |

# THE CITY OF WINNIPEG
# WATERWORKS SYSTEM

**Schedule 4**

## NET (DEFICIT) SURPLUS FROM CAPITAL

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

| | **2010 Actual** | 2009 Actual |
|---|---|---|
| **Revenues** | | |
| Transfers | | |
| Water Main Renewal Reserve | **$ 11,244** | $ 9,437 |
| Sewage Disposal System | **879** | 4,849 |
| Aqueduct Rehabilitation Reserve | **3** | 10 |
| | **12,126** | 14,296 |
| Developer contributions-in-kind | **6,259** | 13,392 |
| Total revenue from capital | **18,385** | 27,688 |
| **Expenses** | | |
| Amortization | **19,782** | 16,247 |
| Loss on disposal of assets | **766** | 436 |
| Other expenses | **556** | 576 |
| Total expenses from capital | **21,104** | 17,259 |
| Net (deficit) surplus from capital | **$ (2,719)** | $ 10,429 |

# 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 | Underground Networks |
| **Cost** | | | | | |
| Balance, beginning of year | $ 1,824 | $ 5,399 | $ 9,734 | $ 33,907 | $ 680,817 |
| Add: Additions during the year | - | 224 | 71 | 2,357 | 22,847 |
| Less: Disposals during the year | - | - | - | - | (2,803) |
| Balance, end of year | 1,824 | 5,623 | 9,805 | 36,264 | 700,861 |
| **Accumulated amortization** | | | | | |
| Balance, beginning of year | - | 1,661 | 8,534 | 21,031 | 206,873 |
| Add: Amortization | - | 104 | 143 | 2,105 | 9,829 |
| Less: Accumulated amortization on disposals | - | - | - | - | (2,037) |
| Balance, end of year | - | 1,765 | 8,677 | 23,136 | 214,665 |
| **Net Book Value of Tangible Capital Assets** | $ 1,824 | $ 3,858 | $ 1,128 | $ 13,128 | $ 486,196 |

**Schedule 5**

| **Infrastructure** | | **Totals** | |
|---|---|---|---|
| Water Pumping Stations and Reservoirs | Assets Under Construction | **2010** | 2009 |
| $ 390,357 | $ 1,016 | **$ 1,123,054** | $ 1,062,101 |
| 11,270 | 2,731 | **39,500** | 61,900 |
| - | - | **(2,803)** | (947) |
| 401,627 | 3,747 | **1,159,751** | 1,123,054 |
| 51,562 | - | **289,661** | 273,925 |
| 7,601 | - | **19,782** | 16,247 |
| - | - | **(2,037)** | (511) |
| 59,163 | - | **307,406** | 289,661 |
| $ 342,464 | $ 3,747 | **$ 852,345** | $ 833,393 |

# 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, and the aquatic environment through adequate collection and treatment of the wastewater generated in Winnipeg as well as hauled liquid waste received from surrounding communities. 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 Fund was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would protect 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, nutrient removal, and mitigation of combined sewer overflows.

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. The CEC made several recommendations to upgrade and improve the wastewater collection and treatments systems, which was subsequently supported by the Minister of Conservation. In response, Manitoba Conservation 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 stipulate specific terms and conditions that the wastewater treatment plants must be upgraded to in order to be incompliance. With this direction, a wastewater upgrade program was developed and provisioned for effluent disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, solids management, and other CEC recommendations. Based on preliminary assessments, the upgrade program is estimated to cost between $1.2 to $1.8 billion depending on market factors and interpretation on compliance requirements.

Wastewater treatment upgrades to the NEWPCC effluent disinfection, NEWPCC centrate, and WEWPCC plant are complete and fully operational. The nutrient removal upgrades at the NEWPCC and WEWPCC plants are removing more than the required interim reduction targets of 13% nitrogen and 10% phosphorus on a citywide basis.

Engineering design efforts on nutrient removal at the SEWPCC was initiated in 2006, with construction to be completed by December 30, 2012. Engineering design efforts for the NEWPCC nutrient reduction and recovery including solids handling will take into consideration information contained in recently completed NEWPCC Master Plan and Biosolids Master Plan studies. Construction of the NEWPCC nutrient removal upgrades is to be completed by December 30, 2014. The Department is currently exploring alternative service delivery methods through the assistance of a strategic partner to realize upgrades to comply with the remaining Licence requirements at the NEWPCC, SEWPCC, and biosolids management.

The implementation of effluent disinfection at the WEWPCC has been deferred indefinitely. Review of the effluent quality from the existing polishing ponds indicates that natural sunlight sufficiently reduces microbiological levels to achieve compliance with the WEWPCC Licence for this parameter.

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

## FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| Rate in dollars (per cubic meter) | **$ 1.91** | $ 1.86 | $ 1.81 | $ 1.58 | $ 1.37 |
| Annual sewage received (million litres)* | **114,941** | 112,974 | 103,397 | 107,310 | 102,609 |
| Daily sewage received (million litres)* | **314.9** | 309.5 | 283.3 | 294.0 | 281.1 |
| Kilometres of interceptor sewers | **120.8** | 116.2 | 116.4 | 114.4 | 109.1 |
| Kilometres of combined sewers** | **1,040.5** | 1,043.5 | 1,044.5 | 1,045.4 | 1,283.2 |
| Kilometres of wastewater sewers | **1,359.6** | 1,351.6 | 1,323.6 | 1,313.5 | 1,456.6 |
| Kilometres of storm sewers | **1,667.0** | 1,659.3 | 1,803.0 | 1,775.0 | 1,668.8 |
| Number of lift stations | **73** | 73 | 75 | 76 | 76 |
| Number of billed sewer services | **194,060** | 192,569 | 191,854 | 190,790 | 188,887 |

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.

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 1** | $ 1 |
| Inventory | **239** | 317 |
| Accounts receivable (Note 3) | **27,041** | 30,472 |
| Due from General Revenue Fund (Note 4) | **70,903** | 59,681 |
| | **98,184** | 90,471 |
| Tangible capital assets (Note 5) | **797,013** | 780,847 |
| | **$ 895,197** | $ 871,318 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 6) | **$ 6,819** | $ 6,340 |
| Performance and other deposits | **464** | 337 |
| Current portion of long-term debt (Note 7) | **6,907** | 3,853 |
| | **14,190** | 10,530 |
| Long-term debt (Note 7) | **17,598** | 27,299 |
| | **31,788** | 37,829 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **863,409** | 833,489 |
| | **$ 895,197** | $ 871,318 |

*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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Sewer services (Note 9) | **$ 135,734** | **$ 121,270** | $ 121,439 |
| Government transfers, permits and other | **3,718** | **5,108** | 3,872 |
| Interest | **3,369** | **3,350** | 3,389 |
| Total revenues | **142,821** | **129,728** | 128,700 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Collection, interception and treatment | **33,140** | **33,112** | 28,808 |
| Taxes, employee benefits and other (Note 10) | **14,188** | **11,691** | 14,241 |
| Debt and finance | **13,883** | **7,035** | 8,161 |
| Engineering services | **4,700** | **4,679** | 4,670 |
| Finance and administration | **3,412** | **3,030** | 3,186 |
| Environmental standards | **2,248** | **2,056** | 1,859 |
| Information systems and technology | **1,311** | **1,235** | 1,156 |
| Customer services | **850** | **903** | 1,165 |
| Human resources | **771** | **718** | 688 |
| Total expenses from operations | **74,503** | **64,459** | 63,934 |
| Surplus for the year from operations | **68,318** | **65,269** | 64,766 |
| Transfers to other funds (Note 11) | **34,434** | **37,450** | 32,154 |
| Net surplus for the year from operations after transfer to other funds | **33,884** | **27,819** | 32,612 |
| Net surplus from capital (Schedule 4) | | **2,101** | 13,157 |
| Net surplus for the year | **$ 33,884** | **29,920** | 45,769 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **833,489** | 787,720 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 863,409** | $ 833,489 |

*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)*

| | 2010 | 2009 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus for the year | **$ 29,920** | $ 45,769 |
| Non-cash items related to operations | | |
| Amortization | **18,650** | 17,834 |
| Net assets transferred to General Capital Fund | **3** | 262 |
| Loss on disposal of tangible capital assets | **517** | 397 |
| Working capital from operations | **49,090** | 64,262 |
| Change in net working capital other than cash | **3,988** | (3,903) |
| | **53,078** | 60,359 |
| ***FINANCING*** | | |
| Debt retired | **(1,436)** | (1,367) |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | **(2,794)** | (3,037) |
| Due from General Revenue Fund | **(11,222)** | (8,596) |
| Payments to The Sinking Fund Trustees for outstanding long-term debt | **(2,268)** | (2,601) |
| Other | **(22)** | (140) |
| | **(17,742)** | (15,741) |
| ***INVESTING*** | | |
| Purchase of tangible capital assets | **(35,336)** | (44,618) |
| 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, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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 |
| Information systems | 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 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-lay 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 October 1, 2006.

On December 15, 2009, City Council authorized, by way of approval of the Capital Budget, that effective 2009, the frontage levy revenue collected on property taxes will be phased out as of 2011. The frontage levy will be reported in the General Revenue Fund to pay for the upgrading, repair, replacement and maintenance of streets and sidewalks. Therefore, the future sources of funding for the Sewer System Rehabilitation Reserve Fund will include revenues from sewer rates, which are transferred from the Sewage Disposal System Fund, and interest.

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 nature of the projects reported in this Reserve.

The 2010 sewer rate includes a provision of 22 cents (2009 - 18 cents) per cubic meter of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2010, $12.0 million (2009 - $9.7 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*

| | **2010** | 2009 |
|---|---|---|
| Sewer billings and other | **$ 27,041** | $ 30,472 |

### *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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

### *5. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Land | **$ 1,438** | $ 1,441 |
| Buildings | **314** | 324 |
| Equipment | **287** | 240 |
| Information technology | **175** | 181 |
| Underground networks | **534,585** | 522,967 |
| Sewage treatment plants and lift stations | **243,386** | 246,036 |
| Assets under construction | **16,828** | 9,658 |
| | **$ 797,013** | $ 780,847 |

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

During 2010 and 2009, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2010 were $183 thousand (2009 - $206 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled $5.2 million in 2010 (2009 - $18.6 million) and were capitalized at their fair value at the time of receipt.

### *6. Accounts Payable and Accrued Liabilities*

| | **2010** | 2009 |
|---|---|---|
| Trade accounts payable | **$ 3,356** | $ 2,927 |
| Accrued debenture interest | **2,822** | 2,849 |
| Other accrued liabilities | **641** | 564 |
| | **$ 6,819** | $ 6,340 |

## *7. Long-term Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2010** | Amount of Debt 2009 |
|---|---|---|---|---|---|---|
| 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 |
| | | | | | **75,000** | 75,000 |
| Equity in Sinking Fund (Note 7b) | | | | | **(58,867)** | (53,805) |
| Net sinking fund debentures outstanding | | | | | **16,133** | 21,195 |

**Other long-term debt outstanding**

| | | |
|---|---|---|
| Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.91% (2009 - 4.82%) | **5,196** | 6,631 |
| Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 6.53% (2009 - 6.59%) | **51** | 58 |
| Pointe West Properties debt, maturity in 2011, interest rate of 6.65% | **3,125** | 3,268 |
| | **24,505** | 31,152 |
| Current portion of long-term debt | **(3,774)** | (3,703) |
| Current portion of Equity in Capital Assets Fund debt | **(8)** | (7) |
| Current portion of Pointe West Properties debt | **(3,125)** | (143) |
| Current portion of long-term debt | **(6,907)** | (3,853) |
| | **$ 17,598** | $ 27,299 |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 | Thereafter |
|---|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ 40,000 | $ 35,000 | $ - | $ - |
| Serial and installment | 1,506 | 1,580 | 1,659 | 451 | - | - |
| Equity in Capital Assets Fund | 8 | 8 | 9 | 5 | 5 | 16 |
| Pointe West debt | 3,125 | - | - | - | - | - |
| | $ 4,639 | $ 1,588 | $ 41,668 | $ 35,456 | $ 5 | $ 16 |

## *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 Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. 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 2012 includes a balloon payment of $3 million.

d) Cash paid for interest during the year was $7.0 million (2009 - $8.2 million).

e) Interest paid to the Equity in Capital Assets Fund during 2010 was $4 thousand (2009 - $4 thousand).

## *8. Accumulated Surplus*

| | **2010** | 2009 |
|---|---|---|
| Invested in tangible capital assets | **$ 772,537** | $ 749,744 |
| Retained earnings | **90,872** | 83,745 |
| | **$ 863,409** | $ 833,489 |

## *9. Revenue*

The 2010 sewer rate increased to 1.91 cents per cubic meter (2009 - 1.86 cents). The Environmental Projects Reserve contribution for 2010 was 22.0 cents per cubic meter (2009 - 18.0 cents).

## *10. Taxes, Employee Benefits and Other*

**Property taxes**

Property 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 2010, realty and business taxes paid and transferred to the General Revenue Fund were $7.9 million (2009 - $10.6 million).

*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, 2010 is $1.2 million (2009 - $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, 2010 is estimated at $416 thousand (2009 - $590 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, 2010 is estimated at $0.3 million (2009 - $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, 2010 at $1.8 million (2009 - $1.8 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 $1.1 million (2009 - $0.9 million) 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, 2009 and has disclosed an actuarial surplus.

**General government charges**

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2010, this amounted to $0.9 million (2009 - $0.5 million) and was transferred to the General Revenue Fund.

**Rent**

Included in expenses is $1.1 million (2009 - $1.1 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

**Insurance and damage claims**

Included in expenses is $886 thousand (2009 - $283 thousand charged by) that has been received by the Insurance Reserve Fund.

### *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 2010, the Utility contributed $13.4 million (2009 - $13.4 million) to the General Revenue Fund to support the land drainage program.

| | **2010** | 2009 |
|---|---|---|
| Transfer to General Revenue Fund | **$ 13,441** | $ 13,463 |
| Transfer to Sewer System Rehabilitation Reserve | **12,000** | 9,000 |
| Transfer to Environmental Projects Reserve | **11,993** | 9,737 |
| Transfer to (from) General Capital Fund | **16** | (46) |
| | **$ 37,450** | $ 32,154 |

### *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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Sewer services** | **$ 135,734** | **$ 121,270** | $ 121,439 |
| **Government transfers, permits and other** | | | |
| Other | **489** | **2,071** | 1,651 |
| Industrial waste surcharges | **2,900** | **1,999** | 1,766 |
| Non-household waste hauled | **-** | **486** | - |
| Provincial support transfer | **207** | **302** | 278 |
| Permits and fees | **122** | **250** | 177 |
| | **3,718** | **5,108** | 3,872 |
| **Interest** | | | |
| Sinking Fund earnings | **2,794** | **2,794** | 3,037 |
| Interest | **375** | **373** | 146 |
| Capitalized | **200** | **183** | 206 |
| | **3,369** | **3,350** | 3,389 |
| **Total Revenues** | **$ 142,821** | **$ 129,728** | $ 128,700 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Collection, interception and treatment** | | | |
| North end water pollution control centre | **$ 11,852** | **$ 11,230** | $ 9,267 |
| Local sewer | **5,416** | **5,775** | 4,989 |
| South end water pollution control centre | **3,025** | **3,010** | 3,001 |
| Administration | **1,929** | **2,398** | 2,175 |
| Interception system | **1,931** | **2,270** | 1,800 |
| Sludge disposal | **2,046** | **2,130** | 1,606 |
| Mechanical maintenance | **2,194** | **2,092** | 1,994 |
| West end water pollution control centre | **2,238** | **2,065** | 2,037 |
| Electrical maintenance/instrumentation | **1,508** | **1,336** | 1,112 |
| Civil maintenance | **1,001** | **806** | 827 |
| | **33,140** | **33,112** | 28,808 |
| **Taxes, employee benefits and other** | | | |
| Property taxes | **10,463** | **7,939** | 10,598 |
| Miscellaneous | **1,677** | **1,551** | 1,943 |
| Rent | **1,068** | **1,106** | 1,069 |
| General government charges | **898** | **898** | 467 |
| Employee benefits | **513** | **694** | 846 |
| Insurance and claims | **362** | **362** | 362 |
| Provincial payroll tax | **207** | **303** | 286 |
| Recoveries | **(1,000)** | **(1,162)** | (1,330) |
| | **14,188** | **11,691** | 14,241 |
| **Debt and finance** | | | |
| Long-term debt interest | **7,031** | **7,031** | 8,155 |
| Finance charges | **205** | **4** | 6 |
| Amortization - debt principal | **6,647** | **-** | - |
| | **13,883** | **7,035** | 8,161 |
| **Engineering services** | | | |
| Wastewater planning | **1,565** | **1,263** | 1,284 |
| Sewer connections | **850** | **951** | 1,024 |
| Administrative services | **71** | **538** | 463 |
| Customer technical services | **478** | **505** | 486 |
| Design and construction | **721** | **504** | 515 |
| Drafting and graphic | **539** | **491** | 458 |
| Asset management | **214** | **238** | 206 |
| Engineering services development | **158** | **139** | 136 |
| Land drainage and flood planning | **50** | **50** | 50 |
| Resource centre | **54** | **-** | 48 |
| | **4,700** | **4,679** | 4,670 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Finance and administration** | | | |
| Customer accounts | **2,563** | **2,149** | 2,423 |
| Administrative services | **269** | **303** | 179 |
| Financial planning | **253** | **235** | 209 |
| Financial services | **220** | **218** | 258 |
| Process improvement | **107** | **125** | 117 |
| | **3,412** | **3,030** | 3,186 |
| **Environmental standards** | | | |
| Analysis | **1,412** | **1,240** | 1,094 |
| Industrial waste | **541** | **496** | 478 |
| Administration | **266** | **293** | 266 |
| Compliance | **29** | **27** | 21 |
| | **2,248** | **2,056** | 1,859 |
| **Information systems and technology** | | | |
| Major systems | **825** | **736** | 731 |
| Support services | **486** | **499** | 425 |
| | **1,311** | **1,235** | 1,156 |
| **Customer services** | | | |
| Customer relations | **562** | **603** | 865 |
| Administration | **207** | **224** | 231 |
| Communications | **50** | **50** | 45 |
| Public consultation | **31** | **26** | 24 |
| | **850** | **903** | 1,165 |
| **Human resources** | | | |
| Human resources | **327** | **288** | 287 |
| Timekeeping and payroll | **180** | **155** | 158 |
| Human resources training | **155** | **155** | 144 |
| Work place health and safety | **109** | **120** | 99 |
| | **771** | **718** | 688 |
| **Total Expenses from Operations** | **74,503** | **64,459** | 63,934 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Transfers to other funds** | | | |
| Transfer to General Revenue Fund | **13,441** | **13,441** | 13,463 |
| Transfer to Sewer System Rehabilitation Reserve | **9,000** | **12,000** | 9,000 |
| Transfer to Environmental Projects Reserve | **11,993** | **11,993** | 9,737 |
| Transfer to (from) General Capital Fund | **-** | **16** | (46) |
| | **34,434** | **37,450** | 32,154 |
| **Total Expenses** | **$ 108,937** | **$ 101,909** | $ 96,088 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 3**

## EXPENSES BY OBJECT

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Transfers to other funds | **$ 34,434** | **$ 37,450** | $ 32,154 |
| Goods and services | **33,596** | **33,017** | 30,072 |
| Salaries | **14,954** | **14,368** | 13,315 |
| Other expenses | **12,943** | **11,524** | 13,613 |
| Interest on long-term debt | **13,678** | **7,031** | 8,155 |
| Employee benefits | **2,682** | **2,741** | 2,562 |
| Finance charges | **205** | **4** | 6 |
| Recoveries | **(3,555)** | **(4,226)** | (3,789) |
| **Total Expenses** | **$ 108,937** | **$ 101,909** | $ 96,088 |

# THE CITY OF WINNIPEG
# SEWAGE DISPOSAL SYSTEM

**Schedule 4**

## NET SURPLUS FROM CAPITAL

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

| | 2010 Actual | 2009 Actual |
|---|---|---|
| **Revenues** | | |
| Transfer from Sewer System Rehabilitation Reserve | **$ 13,140** | $ 12,082 |
| Provincial and Federal capital transfers | **5,195** | 2,837 |
| Transfer from Environmental Projects Reserve | **5,088** | 5,462 |
| | **23,423** | 20,381 |
| Developer contributions-in-kind | **5,235** | 18,620 |
| | **28,658** | 39,001 |
| **Expenses** | | |
| Amortization | **18,650** | 17,834 |
| Transfer to General Capital Fund | **3,296** | 262 |
| Capital maintenance | **3,215** | 2,502 |
| Transfer to Waterworks System | **879** | 4,849 |
| Loss on disposal of tangible capital assets | **517** | 397 |
| | **26,557** | 25,844 |
| **Net surplus from capital** | **$ 2,101** | $ 13,157 |

# 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 | Information Technology |
| **Cost** | | | | |
| Balance, beginning of year | $ 1,441 | $ 885 | $ 306 | $ 212 |
| Add: Additions during the year | - | - | 82 | 16 |
| Less: Disposals during the year | - | - | - | - |
| Less: Transfer to General Capital Fund | (3) | - | - | - |
| Balance, end of year | 1,438 | 885 | 388 | 228 |
| **Accumulated amortization** | | | | |
| Balance, beginning of year | - | 561 | 66 | 31 |
| Add: Amortization | - | 10 | 35 | 22 |
| Less: Accumulated amortization on disposals | - | - | - | - |
| Less: Transfer to General Capital Fund | - | - | - | - |
| Balance, end of year | - | 571 | 101 | 53 |
| **Net Book Value of Tangible Capital Assets** | $ 1,438 | $ 314 | $ 287 | $ 175 |

| Infrastructure | | | Totals | |
|---|---|---|---|---|
| Underground Networks | Sewage Treatment Plants and Lift Stations | Assets Under Construction | **2010** | 2009 |
| $ 821,281 | $ 377,828 | $ 9,658 | **$ 1,211,611** | $ 1,170,167 |
| 23,144 | 4,924 | 7,170 | **35,336** | 44,618 |
| (1,722) | - | - | **(1,722)** | (2,375) |
| - | - | - | **(3)** | (799) |
| 842,703 | 382,752 | 16,828 | **1,245,222** | 1,211,611 |
| 298,314 | 131,792 | - | **430,764** | 415,445 |
| 11,009 | 7,574 | - | **18,650** | 17,834 |
| (1,205) | - | - | **(1,205)** | (1,978) |
| - | - | - | **-** | (537) |
| 308,118 | 139,366 | - | **448,209** | 430,764 |
| $ 534,585 | $ 243,386 | $ 16,828 | **$ 797,013** | $ 780,847 |

# 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 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. The commercial tipping fee is $33.50 per tonne. Commercial tonnage coming to the Brady Road landfill has decreased over 11% from 2009. 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 is $22.50 per tonne. In 2010, waste was accepted from the City of Falcon Lake and Hecla Island Provincial Parks.

Waste minimization programs include multi-material residential recycling for 185,000 single-family and 99,000 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 2010 were 46,928 tonnes, an increase of 5.8% from 2009. Organics diversion was 7,157 tonnes, an increase of 26% from 2009.

The revenues from the recycling programs are comprised of support payments received from the Multi Material Stewardship Manitoba (average of $99.98 per tonne) and from the sale of the recyclables. In 2010, the City realized $7.6 million in revenue (2009 - $6.2 million).

In 2009 the Province of Manitoba introduced the Provincial Waste Reduction and Recycling Support initiative. Under this new program, a levy is collected based on the volume of waste disposed at landfills within Manitoba. The levy is $10 per tonne on residential and commercial and $5 per half tonne on small loads. Based on the total dollar amount of the levy collected throughout the province, grants are awarded to municipalities dependent on their share volumes of total recycling within the province.

In 2009, City Council approved the introduction of an automated system for garbage collection. The advantage of this program is a reduction in the cost of collection and disposal in the long term, and an increase in recycling tonnes through garbage diversion.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL FUND

## FIVE-YEAR REVIEW

*December 31*
*(unaudited)*

| | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Solid Waste (tonnes)** | | | | | |
| Single family residential | **176,215** | 185,587 | 183,245 | 182,894 | 185,974 |
| Multi-family and small commercial | **46,571** | 45,330 | 46,600 | 46,467 | 46,176 |
| Large commercial / industrial | **84,515** | 95,359 | 86,381 | 103,459 | 104,521 |
| Other (1) | **101,775** | 99,172 | 111,025 | 100,066 | 54,757 |
| Charitable organization | **2,067** | 1,907 | 2,298 | 1,618 | 1,089 |
| Total landfill tonnage | **411,143** | 427,355 | 429,549 | 434,504 | 392,517 |
| Clean fill, concrete, automotive shredder residue and sawdust | **112,682** | 197,718 | 191,585 | 169,055 | 158,962 |
| Residential small loads Number of loads | **112,073** | 104,726 | 102,975 | 100,123 | 93,469 |
| Recyclables (tonnes) | | | | | |
| Blue box | **36,434** | 34,841 | 36,167 | 35,072 | 33,520 |
| Depots/apartments | **10,494** | 9,534 | 9,393 | 8,631 | 8,665 |
| Total | **46,928** | 44,375 | 45,560 | 43,703 | 42,185 |

1) Includes tonnage for small load based on an estimated weight entering the landfill. In 2009 the estimate was decreased from 750kg per load to 500kg per load, a decrease of 33 per cent, to align with the Environmental Levy from the province.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL FUND

## STATEMENT OF FINANCIAL POSITION

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

| | **2010** | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 73** | $ 82 |
| Due from General Revenue Fund (Note 3) | **805** | 4,045 |
| Accounts receivable (Note 4) | **5,789** | 2,028 |
| | **6,667** | 6,155 |
| Tangible capital assets (Note 5) | **4,892** | 4,455 |
| | **$ 11,559** | $ 10,610 |
| ***LIABILITIES*** | | |
| Current | | |
| Accounts payable and accrued liabilities (Note 6) | **$ 3,235** | $ 2,255 |
| Current portion of long-term debt (Note 7) | **30** | 30 |
| | **3,265** | 2,285 |
| Long-term debt (Note 7) | **296** | 358 |
| | **3,561** | 2,643 |
| ***ACCUMULATED SURPLUS (Note 8)*** | **7,998** | 7,967 |
| | **$ 11,559** | $ 10,610 |

*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)*

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| ***REVENUES (Schedule 1)*** | | | |
| Sales of services and regulatory fees | **$ 18,682** | **$ 17,068** | $ 15,701 |
| Government transfers | **4,520** | **6,337** | 51 |
| Interest | **88** | **85** | 152 |
| Total revenues | **23,290** | **23,490** | 15,904 |
| ***EXPENSES (Schedules 2 and 3)*** | | | |
| Solid waste disposal | **18,350** | **17,979** | 15,952 |
| Employee benefits, taxes and other (Note 9) | **286** | **258** | 190 |
| Debt and finance | **153** | **91** | 276 |
| Total expenses from operations | **18,789** | **18,328** | 16,418 |
| Surplus (Deficit) for the year from operations | **4,501** | **5,162** | (514) |
| Transfers to other funds (Note 10) | **4,284** | **4,720** | 476 |
| Surplus (Deficit) from operations after transfers to other funds | **217** | **442** | (990) |
| Net deficit from capital (Schedule 4) | **-** | **(411)** | (626) |
| Net surplus (deficit) for the year | **$ 217** | **31** | (1,616) |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | **7,967** | 9,583 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | | **$ 7,998** | $ 7,967 |

*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)*

| | **2010** | 2009 |
|---|---|---|
| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | | |
| ***OPERATING*** | | |
| Net surplus (deficit) for the year | **$ 31** | $ (1,616) |
| Non-cash items related to operations | | |
| Amortization | **230** | 229 |
| Working capital from operations | **261** | (1,387) |
| Change in net working capital other than cash | **(2,781)** | 754 |
| | **(2,520)** | (633) |
| ***FINANCING*** | | |
| Due from General Revenue Fund | **3,240** | 1,040 |
| Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees") | **(32)** | (114) |
| Payments to The Sinking Fund Trustees for outstanding debt | **(30)** | (89) |
| | **3,178** | 837 |
| ***INVESTING*** | | |
| Purchase of tangible capital assets | **(667)** | (168) |
| (Decrease) increase in cash | **(9)** | 36 |
| Cash position, beginning of year | **82** | 46 |
| Cash position, end of year | **$ 73** | $ 82 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL FUND

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise 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 |
| Information technology | 5 to 10 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

## *4. Accounts Receivable*

| | **2010** | 2009 |
|---|---|---|
| Refuse disposal and recycling | **$ 5,909** | $ 2,132 |
| Allowance for doubtful accounts | **(120)** | (104) |
| | **$ 5,789** | $ 2,028 |

## *5. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Land | **$ 541** | $ 541 |
| Land improvements | **529** | 546 |
| Machinery and equipment | **3,023** | 3,175 |
| Information technology | **71** | 80 |
| | **4,164** | 4,342 |
| Assets under construction | **728** | 113 |
| | **$ 4,892** | $ 4,455 |

## *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 (2009 - $nil). Administration fees and interim financing charges capitalized during 2010 were $18 thousand (2009 - $8 thousand).

## *6. Accounts Payable and Accrued Liabilities*

| | **2010** | 2009 |
|---|---|---|
| Waste reduction and recycling support levy | **$ 2,176** | $ 2,151 |
| Trade accounts payable | **971** | 10 |
| Other accrued liabilities | **76** | 82 |
| Accrued debenture interest payable | **12** | 12 |
| | **$ 3,235** | $ 2,255 |

## *7. Long-Term Debt*

**Sinking fund debentures outstanding**

| Term | Maturity Date | Rate of Interest | Series | By-Law No. | Amount of Debt **2010** | Amount of Debt 2009 |
|---|---|---|---|---|---|---|
| 1995-2015 | May 12 | 9.125 | VR | 6620/95 | **$ 1,000** | $ 1,000 |
| Equity in Sinking Fund (Note 7b) | | | | | **(674)** | (612) |
| Net sinking fund debentures outstanding | | | | | **326** | 388 |
| Current portion of long-term debt | | | | | **(30)** | (30) |
| | | | | | **$ 296** | $ 358 |

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

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|
| Sinking fund debentures | $ - | $ - | $ - | $ - | $ 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 Trustees on debt outstanding as at December 31, 2002. Sinking Fund arrangements after December 31, 2002 are managed by the City in a separate fund. 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 $0.1 million (2009 - $0.3 million).

## *8. Accumulated Surplus*

| | **2010** | 2009 |
|---|---|---|
| Invested in tangible capital assets | **$ 4,702** | $ 4,103 |
| Retained earnings | **3,296** | 3,864 |
| | **$ 7,998** | $ 7,967 |

## *9. Employee Benefits, Taxes and Other*

### 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, 2010 is $0.15 million (2009 - $0.15 million).

The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability at December, 2010 is estimated at $23 thousand (2009 - $68 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, 2010 at $0.3 million (2009 - $0.3 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. An actuarial valuation has estimated the unrecorded liability at December 31, 2010 at $33 thousand (2009 - $35 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 2010, $138 thousand (2009 - $114 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, 2009 and has an actuarial surplus.

### General Government charges

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2010 this amounted to $133 thousand (2009 - $79 thousand) and was transferred to the General Revenue Fund.

### Property taxes

Property taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2010, the amount incurred was $29 thousand (2009 - $33 thousand).

### Insurance and damage claims

The Solid Waste Disposal Fund was charged $14 thousand (received in 2009 - $43 thousand) from the Insurance Reserve Fund.

### *10. Transfers to Other Funds*

| | **2010** | 2009 |
|---|---|---|
| Transfer to General Revenue Fund | **$ 4,449** | $ 301 |
| Transfer to Brady Landfill Site Rehabilitation Reserve | **171** | 175 |
| Transfer to Solid Waste Disposal Fund - capital (Schedule 4) | **100** | - |
| | **$ 4,720** | $ 476 |

Included in various expense categories is an amount of $130 thousand (2009 - $156 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.

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL FUND

**Schedule 1**

## REVENUES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Sales of services and regulatory fees** | | | |
| Landfill tipping fees | **$ 8,916** | **$ 8,806** | $ 9,008 |
| Recycling | **9,266** | **7,650** | 6,180 |
| Small load fees | **500** | **612** | 513 |
| | **18,682** | **17,068** | 15,701 |
| **Government transfers** | | | |
| Waste reduction support | **4,448** | **6,266** | - |
| Provincial support | **72** | **71** | 51 |
| | **4,520** | **6,337** | 51 |
| **Interest** | | | |
| Sinking Fund earnings | **32** | **32** | 114 |
| Late payment charges | **1** | **21** | 17 |
| Interest capitalized | **5** | **18** | 8 |
| Interest | **50** | **14** | 13 |
| | **88** | **85** | 152 |
| **Total Revenues** | **$ 23,290** | **$ 23,490** | $ 15,904 |

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL FUND

**Schedule 2**

## EXPENSES

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| **Solid waste disposal** | | | |
| Recycling | **$ 11,287** | **$ 10,507** | $ 9,403 |
| South West Operations | **5,568** | **5,641** | 5,033 |
| Landfill and environmental | **860** | **1,033** | 989 |
| Waste minimization | **459** | **476** | 320 |
| Take Pride Winnipeg | **146** | **186** | 193 |
| Administration | **30** | **136** | 14 |
| | **18,350** | **17,979** | 15,952 |
| **Employee benefits, taxes and other** | | | |
| General government charges | **134** | **134** | 79 |
| Employee benefits | **159** | **106** | 96 |
| Provincial payroll tax | **50** | **53** | 48 |
| Property taxes | **43** | **37** | 39 |
| Insurance and damage claims | **33** | **33** | 33 |
| Departmental recoveries | **(133)** | **(105)** | (105) |
| | **286** | **258** | 190 |
| **Debt and finance** | | | |
| Interest on long-term debt | **153** | **91** | 276 |
| **Total Expenses from Operations** | **18,789** | **18,328** | 16,418 |
| **Transfers to other funds (Note 10)** | | | |
| Transfer to General Revenue Fund | **4,103** | **4,449** | 301 |
| Transfer to Brady Landfill Site Rehabilitation Reserve | **181** | **171** | 175 |
| Transfer to Solid Waste Disposal Fund - capital (Schedule 4) | **-** | **100** | - |
| | **4,284** | **4,720** | 476 |
| **Total Expenses** | **$ 23,073** | **$ 23,048** | $ 16,894 |

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL FUND

**Schedule 3**

## EXPENSES BY OBJECT

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

| | 2010 Budget | 2010 Actual | 2009 Actual |
|---|---|---|---|
| Goods and services | **$ 15,967** | **$ 15,616** | $ 13,562 |
| Transfers | **4,284** | **4,720** | 476 |
| Salaries | **2,143** | **1,954** | 1,894 |
| Other expenses | **387** | **426** | 455 |
| Employee benefits | **548** | **390** | 352 |
| Interest on long-term debt | **153** | **91** | 276 |
| Finance charges | **4** | **43** | 73 |
| Recoveries | **(413)** | **(192)** | (194) |
| **Total Expenses** | **$ 23,073** | **$ 23,048** | $ 16,894 |

# THE CITY OF WINNIPEG
# SOLID WASTE DISPOSAL FUND

**Schedule 4**

## DEFICIT FROM CAPITAL

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

| | 2010 Actual | 2009 Actual |
|---|---|---|
| **Revenues** | | |
| Transfer from Solid Waste Disposal Fund - operating (Note 10) | **$ 100** | $ - |
| Province of Manitoba | **52** | - |
| | **152** | - |
| **Expenses** | | |
| Amortization | **230** | 229 |
| Capital maintenance | **177** | 397 |
| Capital - Computer software | **156** | - |
| **Total expenses from capital** | **563** | 626 |
| **Net deficit from capital** | **$ (411)** | $ (626) |

# 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 | $ 3,632 | $ 273 | $ 4,234 |
| Add: Additions during the year | - | - | - | 52 |
| Balance, end of year | 541 | 3,632 | 273 | 4,286 |
| **Accumulated amortization** | | | | |
| Balance, beginning of year | - | 3,086 | 273 | 1,059 |
| Add: Amortization | - | 17 | - | 204 |
| Balance, end of year | - | 3,103 | 273 | 1,263 |
| **Net Book Value of Tangible Capital Assets** | $ 541 | $ 529 | $ - | $ 3,023 |

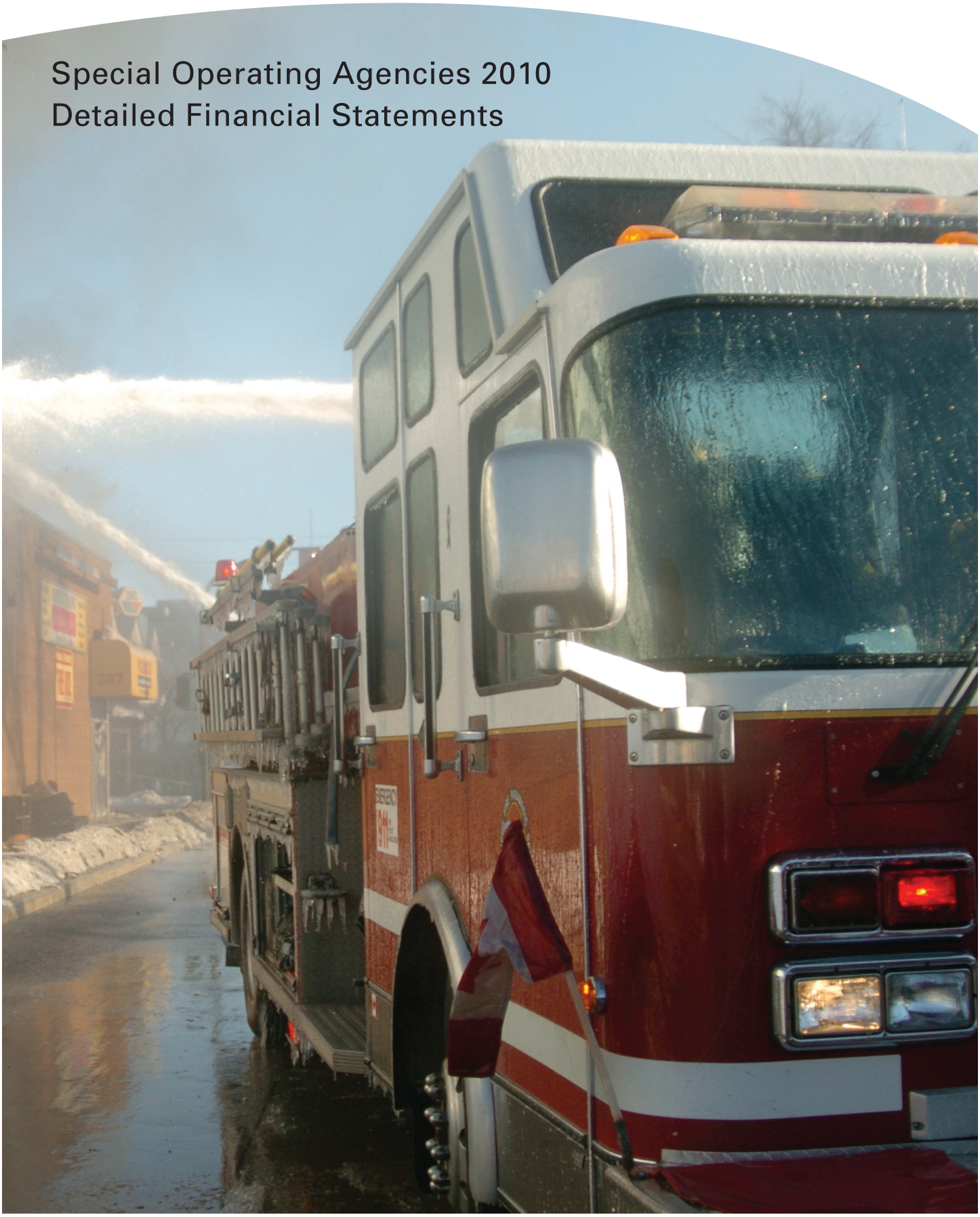
**Schedule 5**

| | | | Totals | |
|---|---|---|---|---|
| **Information Technology** | **Assets Under Construction** | **2010** | 2009 |
| $ 93 | $ 113 | **$ 8,886** | $ 8,718 |
| - | 615 | **667** | 168 |
| 93 | 728 | **9,553** | 8,886 |
| 13 | - | **4,431** | 4,202 |
| 9 | - | **230** | 229 |
| 22 | - | **4,661** | 4,431 |
| $ 71 | $ 728 | **$ 4,892** | $ 4,455 |




Photo: Brent Bellamy, courtesy Tourism Winnipeg

# Special Operating Agencies 2010
# Detailed Financial Statements




STEAKHOUSE
COCKTAIL BAR

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

*As at December 31*

| | 2010 | Restated 2009 (Note 3) |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ 17,906** | $ 8,347 |
| Accounts receivable (Note 4) | **55,531** | 52,870 |
| | **73,437** | 61,217 |
| ***LIABILITIES*** | | |
| Due to the City Of Winnipeg - General Revenue Fund (Note 5) | **903,354** | 866,121 |
| Accounts payable and accrued liabilities | **91,487** | 138,372 |
| Deferred revenue | **679,518** | 593,905 |
| Vacation and overtime payable | **110,259** | 96,968 |
| Retirement allowance and compensated absences (Note 6a) | **104,000** | 92,000 |
| | **1,888,618** | 1,787,366 |
| ***NET FINANCIAL LIABILITIES*** | **(1,815,181)** | (1,726,149) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 7) | **48,187** | 72,911 |
| Inventories | **4,664** | 6,251 |
| Prepaid expenses | **30,917** | 34,551 |
| | **83,768** | 113,713 |
| ***ACCUMULATED DEFICIT*** | **$ (1,731,413)** | $ (1,612,436) |

Commitments (Note 10)

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED DEFICIT

*For the years ended December 31*

| | Budget 2010 (unaudited) | 2010 | Restated 2009 (Note 3) |
|---|---|---|---|
| ***REVENUES*** | | | |
| Government grant | **$ 25,052** | **$ 24,080** | $ 23,222 |
| Regulation fees | **1,394,012** | **1,127,039** | 966,858 |
| Sales of goods and services | **89,865** | **102,403** | 60,356 |
| Transfer (Note 9) | **1,154,276** | **1,154,276** | 1,104,276 |
| Other revenue | **11,195** | **17,511** | 1,544 |
| Total Revenues | **2,674,400** | **2,425,309** | 2,156,256 |
| ***EXPENSES*** | | | |
| Salaries and employee benefits | **1,306,280** | **1,332,844** | 1,227,370 |
| Services (Note 8) | **772,589** | **677,103** | 692,884 |
| Rent (Note 8) | **214,286** | **210,822** | 210,684 |
| Administrative expenses (Note 8) | **161,103** | **157,958** | 158,569 |
| Material, parts and supplies | **86,527** | **96,849** | 73,347 |
| Grants, transfers and other | **25,052** | **23,499** | 23,221 |
| Amortization | **25,092** | **24,724** | 17,365 |
| Debt and finance charges | **21,981** | **15,707** | 9,674 |
| Assets and purchases | **500** | **1,939** | 960 |
| Interest (Note 5) | **10,000** | **2,841** | 899 |
| Total Expenses | **2,623,410** | **2,544,286** | 2,414,973 |
| Excess (Deficiency) Revenues Over Expenses | **50,990** | **(118,977)** | (258,717) |
| ***ACCUMULATED DEFICIT BEGINNING OF YEAR*** | | | |
| As previously reported | **(1,591,436)** | **(1,591,436)** | (1,335,719) |
| Changes in accounting policies (Note 3) | **-** | **(21,000)** | (18,000) |
| As restated | **(1,591,436)** | **(1,612,436)** | (1,353,719) |
| ***ACCUMULATED DEFICIT, END OF YEAR*** | **$ (1,540,446)** | **$ (1,731,413)** | $ (1,612,436) |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF CASH FLOWS

*For the years ended December 31*

| ***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:*** | **2010** | Restated 2009 (Note 3) |
|---|---|---|
| ***OPERATING*** | | |
| Deficiency of revenue over expenses | **$ (118,977)** | $ (258,717) |
| Non-cash charges to operations | | |
| Amortization | **24,724** | 17,365 |
| Retirement allowance and compensated absences | **12,000** | (46,000) |
| | **(82,253)** | (287,352) |
| Net change in non-cash working capital balances related to operations | **54,579** | 93,891 |
| Cash used in operating activities | **(27,674)** | (193,461) |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **-** | (62,431) |
| ***FINANCING*** | | |
| Change in due to The City of Winnipeg - General Revenue Fund | **37,233** | 254,730 |
| Increase (Decrease) in Cash | **9,559** | (1,162) |
| ***CASH, BEGINNING OF YEAR*** | **8,347** | 9,509 |
| ***CASH, END OF YEAR*** | **$ 17,906** | $ 8,347 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

*For the years ended December 31*

| | **Budget 2010 (unaudited)** | **2010** | Restated (Note 3) 2009 |
|---|---|---|---|
| ***DEFICIENCY OF REVENUES OVER EXPENSES*** | **$ 50,990** | **$ (118,977)** | $ (258,717) |
| Amortization of tangible capital assets | **725** | **24,724** | 17,365 |
| Change in inventories and prepaid expenses | **(2,198)** | **5,221** | (11,657) |
| Acquisition of tangible capital assets | **(2,569)** | **-** | (62,431) |
| ***INCREASE IN NET FINANCIAL LIABILITIES*** | **46,948** | **(89,032)** | (315,440) |
| ***NET FINANCIAL LIABILITIES, BEGINNING OF YEAR*** | | | |
| As previously reported | **(1,705,149)** | **(1,705,149)** | (1,392,709) |
| Changes in accounting policies (Note 3) | **-** | **(21,000)** | (18,000) |
| As restated | **(1,705,149)** | **(1,726,149)** | (1,410,709) |
| ***NET FINANCIAL LIABILITIES, END OF YEAR*** | **$ (1,658,201)** | **$ (1,815,181)** | $ (1,726,149) |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*

### *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 by management in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board (PSA) of the Canadian Institute of Chartered Accountant. The significant accounting policies are summarized as follows:

**Basis of Accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue in the period of which it is earned provided it is measurable and collection reasonably certain. 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.

**Non-financial assets**

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

**i) Tangible capital assets**

Tangible capital assets are recorded at cost and are amortized on a straight-line basis over their estimated useful lives using the following annual rates:

| | |
|---|---|
| Computer equipment | 25% |
| Furniture and other equipment | 20% |
| Communication radios | 20% |

**ii) Inventories**

Inventories held for consumption are recorded at the lower of cost and net realizable value.

**Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

## *2. Significant Accounting Policies (continued)*

**Estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ from actual results.

## *3. Adoption of Public Sector Accounting Standards*

During fiscal 2010, the Agency adopted PSA, on a retroactive basis resulting in the following changes to deficiency of revenue over expenses for the year ended December 31, 2009:

| | 2009 |
|---|---|
| Adjustments to deficiency revenues over expenses | |
| Deficiency revenues over expenses as previously reported | $ (255,717) |
| Increase in compensated absences | (3,000) |
| Deficiency of revenues over expenses as restated | $ (258,717) |

In accordance with PSA, expenses for employee benefits expected to be paid during future absences in respect to sick leave days earned in previous years are to be recorded.

The following is the impact from the adoption of PSA to the opening accumulated deficit.

| | 2009 |
|---|---|
| Accumulated deficit as previously stated | $ (1,335,719) |
| Adjustments for compensated absences recorded | (18,000) |
| Revised accumulated deficit | $ (1,353,719) |

## *4. Accounts Receivable*

| | **2010** | 2009 |
|---|---|---|
| Trade accounts receivable | **$ 39,013** | $ 42,996 |
| Allowance for doubtful accounts | **(6,981)** | (13,674) |
| | **32,032** | 29,322 |
| Provincial grant | **23,499** | 23,548 |
| | **$ 55,531** | $ 52,870 |

## *5. 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. 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, 2010 interest rate was 1.05% (2009 - 0.3%). The existing City Council approved 2010 budget includes an operating line of credit of $900,000 from The City of Winnipeg.

During the year, the Agency paid $2,841 (2009 - $899) in interest costs.

## *6. Employee Benefits*

### a) Retirement allowance and compensated absences

| | 2010 | Restated 2009 |
|---|---|---|
| Retirement allowance - accrued liability | **$ 84,000** | $ 71,000 |
| Compensated absences | **20,000** | 21,000 |
| | **$ 104,000** | $ 92,000 |

Qualifying City of Winnipeg employees are entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). These 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 experienced gains and losses are amortized on a straight-line basis over 10.7 years. This 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, 2008. The results of this valuation were extrapolated to December 31, 2010.

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

Information about the Agency's retirement allowance benefit plan and compensated absences is as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Post-employment benefit** | **Compensated absences** | Post-employment benefit | Compensated absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 84,000** | **$ 19,000** | $ 125,000 | $ 18,000 |
| Current service cost | **5,000** | **(1,000)** | 5,000 | (1,000) |
| Interest cost | **4,000** | **1,000** | 5,000 | 1,000 |
| Benefit payments | **-** | **-** | (61,000) | - |
| Net actuarial (gain)/loss | **4,000** | **-** | 10,000 | 1,000 |
| Balance, end of year | **97,000** | **19,000** | 84,000 | 19,000 |
| Unamortized net actuarial gain/(loss) | **(13,000)** | **1,000** | (13,000) | 2,000 |
| Accrued benefit liability | **$ 84,000** | **$ 20,000** | $ 71,000 | $ 21,000 |
| Benefit expenses: | | | | |
| Current service cost | **$ 5,000** | **$ (1,000)** | $ 5,000 | $ (1,000) |
| Interest cost | **4,000** | **1,000** | 5,000 | 1,000 |
| Amortization of net actuarial loss/(gain) | **4,000** | **(1,000)** | 2,000 | - |
| | **$ 13,000** | **$ (1,000)** | $ 12,000 | $ - |

*6. Employee Benefits (continued)*

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Post-employment benefit** | **Compensated absences** | Post-employment benefit | Compensated absences |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 71,000** | **$ 21,000** | $ 120,000 | $ 21,000 |
| Benefit expense | **13,000** | **(1,000)** | 12,000 | - |
| Benefit payments | **-** | **-** | (61,000) | - |
| Balance, end of year | **$ 84,000** | **$ 20,000** | $ 71,000 | $ 21,000 |

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

| | **2010** | 2009 |
|---|---|---|
| Valuation interest rate | **3.90%** | 4.40% |
| General increases in pay | **3.00%** | 3.00% |
| Expected average remaining service life | **10.7 years** | 10.7 years |

**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 $84,800 (2009 - $64,812) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employee's Benefits Program was made as of December 31, 2009 and it has an actuarial surplus.

*7. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Computer equipment | **$ 39,098** | $ 55,410 |
| Furniture and other equipment | **875** | 1,786 |
| Communication radios | **8,214** | 15,715 |
| | **$ 48,187** | $ 72,911 |

For additional information of these tangible capital assets, see Schedule 1.

*8. 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 $210,822 (2009 - $210,684) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $80,396 (2009 - $80,000). Also included are lease costs of $72,947 (2009 - $80,558) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2009 - $69,582) for general government charges that have 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.

### *9. Grant from The City of Winnipeg*

This year, the general grant from The City of Winnipeg increased by 5% or $50,000 to $1,154,276 to fund an increase approved in the 2009 Selection Report. This follows an increase in 2009 of 1.43% to fund an increase in the Winnipeg Humane Society service contract.

| | |
|---|---|
| 2006 | $ 1,020,101 |
| 2007 | 1,018,850 |
| 2008 | 1,004,276 |
| 2009 | 1,104,276 |
| 2010 | 1,154,276 |

### *10. Commitments*

The Agency and the Winnipeg Humane Society entered into a contract that was in force from January 1, 2009 to December 31, 2010. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agreed to pay the Winnipeg Humane Society the sum of $275,000 per year, payable in quarterly instalments of $68,750. In addition, the Agency agreed to pay $20 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of $75,000. Fiscal

# THE CITY OF WINNIPEG
# ANIMAL SERVICES - SPECIAL OPERATING AGENCY

**Schedule 1**

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

| | **Actual 2010** | Actual 2009 |
|---|---|---|
| Assets: | | |
| Beginning: Computer Equipment | **$ 141,377** | $ 78,947 |
| Additions | **-** | 62,430 |
| Disposals | **-** | - |
| Ending: Computer Equipment | **141,377** | 141,377 |
| Current Year amortization | **16,313** | 8,713 |
| Accumulated amortization | **102,279** | 85,967 |
| Net Book Value | **39,098** | 55,410 |
| Beginning: Furniture & Other Equipment | **76,270** | 76,270 |
| Additions | **-** | - |
| Disposals | **-** | - |
| Ending: Furniture & Other Equipment | **76,270** | 76,270 |
| Current Year amortization | **911** | 1,152 |
| Accumulated amortization | **75,395** | 74,484 |
| Net Book Value | **875** | 1,786 |
| Beginning: Communication Radios | **37,503** | 37,503 |
| Additions | **-** | - |
| Disposals | **-** | - |
| Ending: Communication Radios | **37,503** | 37,503 |
| Current Year amortization | **7,501** | 7,501 |
| Accumulated amortization | **29,289** | 21,788 |
| Net Book Value | **8,214** | 15,715 |
| **Total Assets - Net Book Value** | **$ 48,187** | $ 72,911 |

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 (Restated Note 3) |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ 1** | $ - |
| Accounts receivable | **317** | 281 |
| Inventories | **52** | 79 |
| | **370** | 360 |
| ***LIABILITIES*** | | |
| Due to The City of Winnipeg - General Revenue Fund (Note 4) | **4,874** | 3,847 |
| Accounts payable and accrued liabilities | **90** | 125 |
| Deferred revenue | **65** | 88 |
| Debt (Note 5) | **4,116** | 4,002 |
| Other liabilities (Notes 6) | **202** | 222 |
| Retirement allowance, vacation and compensated absences (Note 7a) | **148** | 141 |
| | **9,495** | 8,425 |
| ***NET FINANCIAL LIABILITIES*** | **(9,125)** | (8,065) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 8) | **23,432** | 23,404 |
| Prepaid expenses | **-** | 5 |
| | **23,432** | 23,409 |
| ***ACCUMULATED SURPLUS*** | **$ 14,307** | $ 15,344 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

| | Budget 2010 (Unaudited) | 2010 | 2009 (Restated Note 3) |
|---|---|---|---|
| ***REVENUES*** | | | |
| Green fees | **$ 1,813** | **$ 1,635** | $ 1,749 |
| Equipment rentals | **387** | **259** | 249 |
| Net revenue from leasing operations | **114** | **233** | 115 |
| Merchandise sales | **121** | **79** | 97 |
| Concessions | **84** | **53** | 56 |
| Gain on disposal of tangible capital assets | **-** | **5** | 32 |
| Other | **28** | **196** | 47 |
| Total Revenues | **2,547** | **2,460** | 2,345 |
| ***EXPENSES*** | | | |
| Salaries and employee benefits (Note 7) | **1,420** | **1,513** | 1,279 |
| Services (Note 9) | **625** | **716** | 782 |
| Material, parts and supplies | **289** | **280** | 292 |
| Municipal tax equivalency charge (Note 10) | **295** | **310** | 287 |
| Amortization | **316** | **296** | 274 |
| Debt, finance charges and interest (Notes 4 and 5) | **428** | **280** | 274 |
| Rent (Note 9b) | **17** | **17** | 17 |
| Provision for doubtful accounts | **-** | **6** | 3 |
| Total Expenses | **3,390** | **3,418** | 3,208 |
| Deficiency of Revenues Over Expenses | **(843)** | **(958)** | (863) |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | | |
| As previously reported | **15,358** | **15,358** | 16,298 |
| Change in accounting policies (Note 3) | **(14)** | **(14)** | (13) |
| As restated | **15,344** | **15,344** | 16,285 |
| Transfer to The City of Winnipeg - General Revenue Fund | **(81)** | **(79)** | (78) |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | **$ 14,420** | **$ 14,307** | $ 15,344 |

*See accompanying notes and schedule 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:*** | **2010** | 2009 (Restated Note 3) |
|---|---|---|
| ***OPERATING*** | | |
| Deficiency of Revenues Over Expenses | **$ (958)** | $ (863) |
| Non-cash charges to operations | | |
| Amortization | **296** | 274 |
| Gain on disposal of tangible capital assets | **(5)** | (32) |
| Retirement allowance and compensated absences | **5** | (80) |
| Environmental liability | **(20)** | 192 |
| | **(682)** | (509) |
| Net change in non-cash working capital balances related to operations | **(60)** | (3) |
| Cash used in operating activities | **(742)** | (512) |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(324)** | (202) |
| Proceeds on disposal of tangible capital assets | **5** | 32 |
| Cash used in capital activities | **(319)** | (170) |
| ***FINANCING*** | | |
| Change in due from/to The City of Winnipeg - General Revenue Fund | **1,027** | 805 |
| Long-term debt - The City of Winnipeg | **114** | (45) |
| Transfer to The City of Winnipeg - General Revenue Fund | **(79)** | (78) |
| Cash provided by financing activities | **1,062** | 682 |
| ***CASH, END OF YEAR*** | **$ 1** | $ - |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

| | Budget 2010 (Unaudited) | 2010 | 2009 (Restated Note 3) |
|---|---|---|---|
| ***DEFICIENCY OF REVENUES OVER EXPENSES*** | **$ (843)** | **$ (958)** | $ (876) |
| Amortization of tangible capital assets | **316** | **296** | 274 |
| Proceeds on disposal of tangible capital assets | **-** | **5** | 32 |
| Gain on disposal of tangible capital assets | **-** | **(5)** | (32) |
| Change in inventories, accounts receivable, prepaid expenses and cash | **-** | **5** | 36 |
| Transfer to the City of Winnipeg - General Revenue Fund | **(81)** | **(79)** | (78) |
| Acquisition of tangible capital assets | **(415)** | **(324)** | (202) |
| ***INCREASE IN NET FINANCIAL LIABILITIES*** | **(1,023)** | **(1,060)** | (846) |
| ***NET FINANCIAL LIABILITIES, BEGINNING OF YEAR*** | **(8,130)** | **(8,065)** | (7,219) |
| ***NET FINANCIAL LIABILITIES, END OF YEAR*** | **$ (9,153)** | **$ (9,125)** | $ (8,065) |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

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

**a) Basis of accounting**

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) Deferred revenue**

Sales of prepaid passes that have not been redeemed are deferred and recognized as revenue in the year in which the rounds are played.

**c) Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

**d) 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 deficiency of revenues over expenses, provides the change in financial liabilities for the year.

## *2. Significant Accounting Policies (continued)*

### e) Tangible capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by The City of Winnipeg Assessment and Taxation 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 |

### f) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value. The amount of inventory expensed during the year was $77 thousand (2009 - $69 thousand).

### g) 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.

### h) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

## *3. Adoption of Public Sector Accounting Standards*

During fiscal 2010, the Agency adopted PSA on a retroactive basis, resulting in the following changes to deficiency of revenues over expenses for the year-ended December 31, 2009:

| | 2009 |
|---|---|
| Adjustments to deficiency of revenues over expenses | |
| Deficiency of revenues over expenses as previously reported | $ (862) |
| Add increase in compensated absences | (1) |
| Deficiency of revenues over expenses as restated | $ (863) |

In accordance with PSA, revenues from transfers relating to capital acquisitions are required to be included in income, and expenses for employee benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years are to be recorded.

### *3. Adoption of Public Sector Accounting Standards (continued)*

The following is the impact from the adoption of PSA to the opening accumulated surplus:

| | 2010 | 2009 |
|---|---|---|
| Accumulated surplus as previously stated | $ 15,358 | $ 16,298 |
| Adjustments for Compensated absences recorded | (14) | (13) |
| Revised accumulated surplus | $ 15,344 | $ 16,285 |

### *4. Due from/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" 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 $5 million at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2010, the rate was 0.9% (2009 - 0.2%). The interest paid in 2010 was $25 thousand (2009 - $15 thousand). The Agency will be submitting a request to increase the limit of this line of credit to $6 million in 2011.

### *5. Debt - City of Winnipeg*

| | **2010** | 2009 |
|---|---|---|
| **Golf Course Reserve** | | |
| Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in: | | |
| - 2004 | **$ 27** | $ 35 |
| - 2005 | **35** | 43 |
| - 2006 | **66** | 77 |
| - 2007 | **164** | 186 |
| - 2008 | **231** | 257 |
| - 2009 | **11** | 12 |
| - 2010 | **253** | 274 |
| - 2011 | **50** | 50 |
| - 2012 | **235** | - |
| | **1,072** | 934 |
| **General Revenue Fund** | | |
| Start-up loan, interest at 6%, repayable in annual payments of $208 thousand, including interest and principal | **3,044** | 3,068 |
| | **$ 4,116** | $ 4,002 |

a) Principal repayments due within the next five years and thereafter are as follows:

| | |
|---|---|
| 2011 | $ 132 |
| 2012 | 158 |
| 2013 | 167 |
| 2014 | 167 |
| 2015 | 167 |
| Thereafter | 3,325 |
| | $ 4,116 |

## *5. Debt - City of Winnipeg (continued)*

b) Interest on the golf course improvement loans during the year was $58 thousand (2009 - $59 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was $184 thousand (2009 - $185 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was $242 thousand (2009 - $244 thousand).

## *6. Other Liabilities*

| | **2010** | 2009 |
|---|---|---|
| Environmental liability | **$ 202** | $ 222 |

The Agency has included an estimate of the cost to remediate a fuel site. A third party has estimated the cost at $30 thousand. Additionally, the Agency has included an estimate of the cost of a potential liability with regards to Wastewater Treatment ($10 thousand) at John Blumberg Golf Course and also asbestos removal at the John Blumberg clubhouse ($92 thousand) and Harbour View banquet facility ($70 thousand).

## *7. Employee Benefits*

### a) Retirement allowance, vacation and compensated absences

| | **2010** | 2009 (Restated Note 3) |
|---|---|---|
| Retirement allowance - accrued liability | **$ 93** | $ 88 |
| Vacation | **41** | 39 |
| Compensated absences | **14** | 14 |
| | **$ 148** | $ 141 |

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 11.2 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, 2008. The results of this valuation were extrapolated to December 31, 2010.

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

## *7. Employee Benefits (continued)*

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | Post-employment benefits | Compensated Absences | Post-employment benefits | Compensated Absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 46** | **$ 13** | $ 152 | $ 13 |
| Current service cost | **5** | **(1)** | 4 | (1) |
| Interest cost | **2** | **1** | 5 | - |
| Benefit payments | **-** | **-** | (84) | - |
| Net actuarial gain | **3** | **-** | (31) | 1 |
| Balance, end of year | **56** | **13** | 46 | 13 |
| Unamortized net actuarial gain/(loss) | **37** | **1** | 42 | 1 |
| Accrued benefit liability-end of year | **$ 93** | **$ 14** | $ 88 | $ 14 |
| Benefit expense: | | | | |
| Current service cost | **$ 5** | **$ (1)** | $ 4 | $ (1) |
| Interest cost | **2** | **1** | 5 | - |
| Amortization of net actuarial gain | **(2)** | **-** | (6) | - |
| | **$ 5** | **$ -** | $ 3 | $ (1) |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 88** | **$ 14** | $ 169 | $ 15 |
| Benefit expense | **5** | **-** | 3 | (1) |
| Benefit payments | **-** | **-** | (84) | - |
| | **$ 93** | **$ 14** | $ 88 | $ 14 |

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

| | **2010** | 2009 |
|---|---|---|
| Valuation interest rate | **3.90%** | 4.40% |
| 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.

**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, $78 thousand (2009 - $49 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, 2009 and has an actuarial surplus.

### *8. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Land | **$ 20,376** | $ 20,376 |
| Building | **1,630** | 1,732 |
| Equipment | **605** | 723 |
| Golf course improvements | **821** | 573 |
| | **$ 23,432** | $ 23,404 |

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

### *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:

a) In Services, an amount of $15 thousand (2009 - $14 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 (2009 - $17 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space;

c) An amount of $51 thousand (2009 - $49 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 $143 thousand (2009 - $135 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 $16 thousand (2009 - $20 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.

f) An amount of $12 thousand (2009 - $14 thousand) has been charged by the City of Winnipeg Water and Waste Department for landfill tipping fees.

### *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 $26 thousand (2009 - $24 thousand).

### *11. Comparative Figures*

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

# THE CITY OF WINNIPEG
# GOLF SERVICES - SPECIAL OPERATING AGENCY

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

| | Land | Building | Equipment |
|---|---|---|---|
| **Cost** | | | |
| Balance, beginning of year | **$ 20,376** | **$ 2,544** | **$ 1,501** |
| Add: | | | |
| Additions during the year | **-** | **-** | **34** |
| Less: | | | |
| Disposals during the year | **-** | **-** | **-** |
| Balance, end of year | **20,376** | **2,544** | **1,535** |
| **Accumulated amortization** | | | |
| Balance, beginning of year | **-** | **812** | **778** |
| Add: | | | |
| Amortization | **-** | **102** | **152** |
| Less: | | | |
| Accumulated amortization on disposals | **-** | **-** | **-** |
| Balance, end of year | **-** | **914** | **930** |
| **Net Book Value of Tangible Capital Assets** | **$ 20,376** | **$ 1,630** | **$ 605** |

**Schedule 1**

| Golf Course Improvements | Total 2010 | Total 2009 |
|---|---|---|
| **$ 694** | **$ 25,115** | $ 25,097 |
| **290** | **324** | 202 |
| **-** | **-** | (184) |
| **984** | **25,439** | 25,115 |
| **121** | **1,711** | 1,621 |
| **42** | **296** | 274 |
| **-** | **-** | (184) |
| **163** | **2,007** | 1,711 |
| **$ 821** | **$ 23,432** | $ 23,404 |

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | Restated 2009 (Note 3) |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Due from The City of Winnipeg - General Revenue Fund (Note 4) | **$ -** | $ 1,824 |
| Accounts receivable | **198** | 216 |
| | **198** | 2,040 |
| ***LIABILITIES*** | | |
| Due to The City of Winnipeg - General Revenue Fund (Note 4) | **8,792** | - |
| Accounts payable and accrued liabilities | **1,169** | 2,404 |
| Debt (Note 5) | **47,496** | 54,627 |
| Other liabilities (Note 6) | **522** | 595 |
| Retirement allowance, vacation and compensated absences (Note 7a) | **1,315** | 1,254 |
| | **59,294** | 58,880 |
| ***NET FINANCIAL LIABILITIES*** | **(59,096)** | (56,840) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 8) | **73,968** | 69,965 |
| Inventories | **1,799** | 2,164 |
| Prepaid expenses | **656** | 415 |
| | **76,423** | 72,544 |
| ***ACCUMULATED SURPLUS*** | **$ 17,327** | $ 15,704 |

Commitments (Note 9)

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

| | Budget 2010 (unaudited) | 2010 | Restated 2009 (Note 3) |
|---|---|---|---|
| ***REVENUES*** | | | |
| Fleet leases | **$ 24,325** | **$ 23,435** | $ 21,262 |
| Services and parts revenue (Schedule 1) | **7,478** | **7,281** | 7,894 |
| Fuel sales | **8,610** | **6,964** | 6,413 |
| Rental income | **2,432** | **2,746** | 2,861 |
| Gain on sale of tangible capital assets | **100** | **145** | 709 |
| Total Revenues | **42,945** | **40,571** | 39,139 |
| ***EXPENSES*** | | | |
| Amortization | **11,563** | **10,943** | 8,982 |
| Supplies | **10,481** | **9,344** | 8,616 |
| Salaries and employee benefits | **7,990** | **8,074** | 7,773 |
| Services | **8,650** | **7,761** | 10,176 |
| Interest (Notes 4 and 5) | **3,171** | **2,137** | 1,500 |
| Other | **686** | **689** | 729 |
| Total Expenses | **42,541** | **38,948** | 37,776 |
| Excess Revenues Over Expenses | **404** | **1,623** | 1,363 |
| ***ACCUMULATED SURPLUS, BEGINNING OF YEAR*** | | | |
| As previously reported | **15,111** | **15,111** | 13,515 |
| Changes in accounting policies (Note 3) | **-** | **593** | 826 |
| As restated | **15,111** | **15,704** | 14,341 |
| ***ACCUMULATED SURPLUS, END OF YEAR*** | **$ 15,515** | **$ 17,327** | $ 15,704 |

*See accompanying notes and schedules 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:*** | **2010** | Restated 2009 (Note 3) |
|---|---|---|
| ***OPERATING*** | | |
| Excess Revenues Over Expenses | **$ 1,623** | $ 1,363 |
| Non-cash charges to operations | | |
| Amortization | **10,943** | 8,982 |
| Gain on sale of tangible capital assets | **(145)** | (709) |
| Retirement allowance and compensated absences | **33** | 24 |
| Accretion expense | **8** | 8 |
| | **12,462** | 9,668 |
| Net change in non-cash working capital related to operations | **(1,146)** | (1,028) |
| Cash provided by operating activities | **11,316** | 8,640 |
| ***CAPITAL*** | | |
| Acquisition of tangible capital assets | **(15,742)** | (15,370) |
| Proceeds on disposal of tangible capital assets | **941** | 1,046 |
| Cash used in capital activities | **(14,801)** | (14,324) |
| ***FINANCING*** | | |
| Change in due to/from The City of Winnipeg - General Revenue Fund | **10,616** | (21,565) |
| Proceeds from term loans | **-** | 30,600 |
| Repayment of term loans | **(7,108)** | (3,348) |
| Repayment of debt - The City of Winnipeg | **(23)** | (3) |
| Cash provided by financing activities | **3,485** | 5,684 |
| ***CASH, END OF YEAR*** | **$ -** | $ - |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

| | Budget 2010 (unaudited) | 2010 | Restated 2009 (Note 3) |
|---|---|---|---|
| ***EXCESS REVENUES OVER EXPENSES*** | **$ 404** | **$ 1,623** | $ 1,363 |
| Amortization of tangible capital assets | **11,563** | **10,943** | 8,982 |
| Proceeds on disposal of tangible capital assets | **100** | **941** | 1,046 |
| Gain on sale of tangible capital assets | **(100)** | **(145)** | (709) |
| Change in inventories and prepaid expenses | **(550)** | **124** | (598) |
| Acquisition of tangible capital assets | **(13,727)** | **(15,742)** | (15,370) |
| ***INCREASE IN NET FINANCIAL LIABILITIES*** | **(2,310)** | **(2,256)** | (5,286) |
| ***NET FINANCIAL LIABILITIES, BEGINNING OF YEAR*** | | | |
| As previously reported | **(63,374)** | **(57,433)** | (52,380) |
| Changes in accounting policies (Note 3) | **-** | **593** | 826 |
| As restated | **(63,374)** | **(56,840)** | (51,554) |
| ***NET FINANCIAL LIABILITIES, END OF YEAR*** | **$ (65,684)** | **$ (59,096)** | $ (56,840) |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

### *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 in support of their service delivery.

### *2. Significant Accounting Policies*

The financial statements have been prepared by management in accordance with Canadian public sector accounting standards (PSA). The significant accounting policies are summarized as follows:

#### a) 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.

#### b) Non-financial assets

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

##### i) Tangible capital assets

Tangible capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003 are recorded at their estimated fair value on that date. Subsequent acquisitions are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. Land and buildings are stated at fair value as of January 1, 2003, which was determined by The City of Winnipeg Assessment and Taxation Department.

Tangible 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 | 4% to 8% | Straight-line |
| Fleet assets | | |
| Acquired at start-up | 30% | Declining balance |
| Purchased | 1 to 15 years | Straight-line |
| Equipment | 3% to 30% | Straight-line |

Amortization begins once an asset is placed into service.

## *2. Significant Accounting Policies (continued)*

### ii) Inventories

Inventories held for consumption are recorded at the lower of cost and net realizable value.

### c) 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.

### d) Deferred revenue

Certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when services are performed.

### e) 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 are 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.

### f) Employee benefit plan

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

### g) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions are based on the Agency's best information and judgment and may differ significantly from actual results.

## *3. Adoption of Public Sector Accounting Standards*

During fiscal 2010, the Agency adopted PSA on a retroactive basis resulting in the following changes to excess revenues over expenses for the year ended December 31, 2009:

| | 2009 |
|---|---|
| Adjustments to excess revenues over expenses | |
| Excess revenues over expenses as previously reported | $ 1,596 |
| Less decrease in amortization of deferred revenue | (233) |
| Excess revenues over expenses as restated | $ 1,363 |

### *3. Adoption of Public Sector Accounting Standards (continued)*

In accordance with PSA, revenues from transfers relating to capital acquisitions are required to be included in income when the capital acquisition occurs, and expenses for employee benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years are to be recorded.

The following is the impact from the adoption of PSA to the opening accumulated surplus:

| | **2010** | 2009 |
|---|---|---|
| Accumulated surplus as previously stated | **$ 15,111** | $ 13,515 |
| Adjustments for | | |
| Compensated absences recorded | **(94)** | (94) |
| Amortization of deferred revenue recorded | **687** | 920 |
| | **593** | 826 |
| Revised accumulated surplus | **$ 15,704** | $ 14,341 |

### *4. Due to/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, 2010 effective interest rate was 0.9% (2009 - 0.2%). As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisitions.

Interest paid to The City of Winnipeg - General Revenue Fund was $31 thousand (2009 - $99 thousand).

### *5. Debt*

| **Lender** | **Maturity Dates** | **Interest Rate** | **2010** | 2009 |
|---|---|---|---|---|
| Royal Bank of Canada (Note 5b) | 2011 - 2019 | 4.53% - 5.20% | **$ 20,803** | $ 23,975 |
| The Toronto-Dominion Bank (Note 5b) | 2012 - 2019 | 2.61% - 4.14% | **26,341** | 30,277 |
| | | | **47,144** | 54,252 |
| The City of Winnipeg - non-interest bearing, no repayment schedule (Notes 5c and 10e) | | | **352** | 375 |
| | | | **$ 47,496** | $ 54,627 |

## *5. Debt (continued)*

a) Principal repayments due within the next five years and thereafter are as follows:

| | |
|---|---|
| 2011 | $ 7,750 |
| 2012 | 7,205 |
| 2013 | 6,882 |
| 2014 | 6,695 |
| 2015 | 6,056 |
| Thereafter | 12,908 |
| | $ 47,496 |

b) The Agency has credit facilities by way of series of unsecured term loans. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2010, $47,144 thousand (2009 - $54,252 thousand) was outstanding under these facilities. The effective interest rate at December 31, 2010 was 3.3% (2009 - 3.5%).

c) Cash paid for interest during the year is $2,152 thousand (2009 - $1,414 thousand).

## *6. Other Liabilities*

| | **2010** | 2009 |
|---|---|---|
| Environmental liability | **$ 420** | $ 420 |
| Other liabilities | **102** | 175 |
| | **$ 522** | $ 595 |

The Agency manages The City of Winnipeg's fuel sites excluding the Transit Department's fuel sites, each containing between one and four underground petroleum storage tanks. Remediation costs incurred during prior years for certain City fuel sites ranged between $10 thousand and $111 thousand per site. The Agency has estimated an amount for environmental liability for the remediation of its fuel site, containing six underground petroleum storage tanks. The degree of remediation of the Agency's fuel site is uncertain, as it is dependent on the extent of soil contamination found upon remediation.

Other liabilities have been recognized for the decommissioning of the Agency's petroleum storage tank systems. The Agency estimated the amount to settle the other liabilities which will be incurred prior to June 20, 2012 for decommissioning three petroleum tank systems. The estimates are based on a third-party engineering firm valuation. Funds have not been set aside to settle the other liabilities.

## *7. Employee Benefits*

### a) Retirement allowance, vacation and compensated absences

| | **2010** | Restated 2009 |
|---|---|---|
| Retirement allowance - accrued liability | **$ 625** | $ 596 |
| Vacation | **592** | 564 |
| Compensated absences | **98** | 94 |
| | **$ 1,315** | $ 1,254 |

*7. Employee Benefits (continued)*

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 12.2 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, 2008. The results of this valuation were extrapolated to December 31, 2010.

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

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Post-employment benefits** | **Compensated absences** | Post-employment benefits | Compensated absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 618** | **$ 89** | $ 555 | $ 81 |
| Current service cost | **32** | **-** | 31 | (1) |
| Interest cost | **27** | **4** | 27 | 4 |
| Benefit payments | **(32)** | **-** | (34) | - |
| Amortization of net actuarial loss | **23** | **1** | 39 | 5 |
| Balance, end of year | **668** | **94** | 618 | 89 |
| Unamortized net actuarial (loss)/gain | **(43)** | **4** | (22) | 5 |
| Accrued benefit liability | **$ 625** | **$ 98** | $ 596 | $ 94 |
| Benefit expense consists of the following: | | | | |
| Current service cost | **$ 32** | **$ -** | $ 31 | $ (1) |
| Interest cost | **27** | **4** | 27 | 4 |
| Amortization of net actuarial loss/(gain) | **2** | **-** | - | (3) |
| | **$ 61** | **$ 4** | $ 58 | $ - |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 596** | **$ 94** | $ 572 | $ 94 |
| Benefits expense | **61** | **4** | 58 | - |
| Benefits payments | **(32)** | **-** | (34) | - |
| Balance, end of year | **$ 625** | **$ 98** | $ 596 | $ 94 |

The significant actuarial assumptions adopted in measuring the accrued benefit obligation for the post-employment benefits year ended December 31 are as follows:

| | **2010** | 2009 |
|---|---|---|
| Valuation interest rate | **3.9%** | 4.4% |
| General increases in pay | **3.0%** | 3.0% |

## *7. Employee Benefits (continued)*

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.

### 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, $560 thousand (2009 - $437 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, 2009 and it has an actuarial surplus.

## *8. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Land | **$ 390** | $ 390 |
| Buildings | **2,727** | 2,827 |
| Fleet assets | **67,936** | 63,872 |
| Equipment | **2,915** | 2,876 |
| | **$ 73,968** | $ 69,965 |

For additional information, see the Schedule of Tangible Capital Assets (Schedule 2).

The net book value of fleet assets not yet in service is $3,593 thousand (2009 - $3,372 thousand), and equipment not yet in service is $9 thousand (2009 - $105 thousand).

During the year, $129 thousand of fleet asset (2009 - $nil) were written off. Interest capitalized during 2010 was $nil (2009 - $nil).

## *9. Commitments*

The Agency has entered into lease agreements mainly for the lease of fleet equipment. Future minimum annual lease payments are as follows:

| | Operating Leases |
|---|---|
| 2011 | $ 191 |
| 2012 | 191 |
| 2013 | 191 |
| 2014 | 191 |
| | $ 764 |

### *10. 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 related party transactions that occurred are as follows:

a) Revenues include sales of goods and services of $38,716 thousand (2009 - $36,374 thousand) to The City of Winnipeg.

b) An amount of $190 thousand (2009 - $206 thousand) has been transferred to the Civic Accommodations Fund for the rental of office and garage space.

c) An amount of $636 thousand (2009 - $624 thousand) has been transferred to the Public Works Department - General Revenue Fund for operator training services.

d) An amount of $175 thousand (2009 - $191 thousand) has been transferred to the General Revenue Fund for miscellaneous services.

e) An amount of $23 thousand (2009 - $3 thousand) has been transferred to the General Revenue Fund as repayment of The City of Winnipeg debt.

# 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)*

| | Budget 2010 (unaudited) | 2010 | 2009 |
|---|---|---|---|
| Consumables and corrective maintenance | $ **3,996** | **$ 3,705** | $ 4,448 |
| Insurance revenue | **1,698** | **1,693** | 1,478 |
| Power tools | **713** | **670** | 693 |
| Autopac rebate | **395** | **435** | 406 |
| Manufacturing sales | **453** | **325** | 423 |
| Other | **87** | **303** | 304 |
| Provincial support grant | **136** | **150** | 142 |
| | **$ 7,478** | **$ 7,281** | $ 7,894 |

# THE CITY OF WINNIPEG
# FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

| | Land | Building | Fleet Assets |
|---|---|---|---|
| **Cost** | | | |
| Balance, beginning of year | **$ 390** | **$ 3,511** | **$ 98,147** |
| Add: | | | |
| Additions during the year | **-** | **50** | **15,143** |
| Less: | | | |
| Disposals during the year | **-** | **-** | **(4,109)** |
| Balance, end of year | **390** | **3,561** | **109,181** |
| **Accumulated amortization** | | | |
| Balance, beginning of year | **-** | **684** | **34,275** |
| Add: | | | |
| Amortization | **-** | **150** | **10,283** |
| Less: | | | |
| Accumulated amortization on disposals | **-** | **-** | **(3,313)** |
| Balance, end of year | **-** | **834** | **41,245** |
| **Net Book Value of Tangible Capital Assets** | **$ 390** | **$ 2,727** | **$ 67,936** |

**Schedule 2**

| Equipment | Total 2010 | Total 2009 |
|---|---|---|
| **$ 4,724** | **$ 106,772** | $ 91,800 |
| **549** | **15,742** | 16,940 |
| **(151)** | **(4,260)** | (1,968) |
| **5,122** | **118,254** | 106,772 |
| **1,848** | **36,807** | 29,456 |
| **510** | **10,943** | 8,982 |
| **(151)** | **(3,464)** | (1,631) |
| **2,207** | **44,286** | 36,807 |
| **$ 2,915** | **$ 73,968** | $ 69,965 |


RED RIVER COLLEGE
WILLIAM

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## STATEMENT OF FINANCIAL POSITION

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

| | **2010** | 2009 (Restated, Note 3) |
|---|---|---|
| ***FINANCIAL ASSETS*** | | |
| Cash | **$ 96** | $ 33 |
| Accounts receivable | **26,631** | 2,369 |
| | **26,727** | 2,402 |
| ***LIABILITIES*** | | |
| Due to The City of Winnipeg - General Revenue Fund (Note 4) | **8,037** | 7,814 |
| Accounts payable and accrued liabilities | **1,056** | 573 |
| Deferred revenue | **242** | 28 |
| Debt (Note 5) | **16,693** | 18,729 |
| Retirement allowance, vacation and compensated absences (Note 6) | **227** | 229 |
| | **26,255** | 27,373 |
| ***NET FINANCIAL ASSETS (LIABILITIES)*** | **472** | (24,971) |
| ***NON-FINANCIAL ASSETS*** | | |
| Tangible capital assets (Note 8) | **10,671** | 19,461 |
| Inventories | **457** | 481 |
| Prepaid expenses | **24** | - |
| | **11,152** | 19,942 |
| ***ACCUMULATED SURPLUS (DEFICIT)*** | **$ 11,624** | $ (5,029) |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS (DEFICIT)

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

| | Budget 2010 (unaudited) | 2010 | 2009 (Restated, Note 3) |
|---|---|---|---|
| ***REVENUES*** | | | |
| Enforcement (Note 9) | **$ 6,836** | **$ 6,536** | $ 6,223 |
| Parking fees (Note 10a) | | | |
| Winnipeg Square parkade | **463** | **1,060** | 2,765 |
| Millennium Library parkade | **1,450** | **911** | 1,312 |
| Civic Centre parkade | **755** | **917** | 803 |
| Surface parking lots | **1,101** | **1,314** | 944 |
| Meters | **4,428** | **4,666** | 3,999 |
| Parking permits | **99** | **75** | 36 |
| Ground lease | **54** | **109** | 326 |
| Sundry | **77** | **-** | - |
| Gain on disposal of tangible capital assets | **15,902** | **15,839** | - |
| Total Revenues | **31,165** | **31,427** | 16,408 |
| ***EXPENSES*** | | | |
| Services (Note 10c, f, and h) | | | |
| Enforcement | **3,099** | **3,255** | 2,889 |
| Parkade management | **273** | **576** | 689 |
| Utilities | **861** | **1,384** | 1,199 |
| Other | **2,248** | **3,010** | 2,459 |
| Amortization | **1,464** | **1,355** | 1,312 |
| Material, parts and supplies | **1,384** | **1,613** | 1,607 |
| Salaries and employee benefits (Note 7) | **1,478** | **1,277** | 1,275 |
| Debt and finance charges (Notes 4 and 5b) | **705** | **431** | 390 |
| Provision for bad debts | **600** | **640** | 555 |
| Recoveries | **-** | **-** | (19) |
| Other (Note 10b, d, e, g and j) | **1,083** | **1,189** | 1,195 |
| Total Expenses | **13,195** | **14,730** | 13,551 |
| Excess Revenues Over Expenses | **17,970** | **16,697** | 2,857 |
| ***ACCUMULATED DEFICIT, BEGINNING OF YEAR*** | | | |
| As previously reported | **(5,014)** | **(5,014)** | (7,872) |
| Change in accounting policies (Note 3) | **-** | **(15)** | (14) |
| As restated | **(5,014)** | **(5,029)** | (7,886) |
| Transfer to | | | |
| The City of Winnipeg - General Revenue Fund | **-** | **(44)** | - |
| ***ACCUMULATED SURPLUS (DEFICIT), END OF YEAR*** | **$ 12,956** | **$ 11,624** | $ (5,029) |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (LIABILITIES)

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

| | Budget 2010 (unaudited) | 2010 | 2009 (Restated, Note 3) |
|---|---|---|---|
| ***EXCESS REVENUES OVER EXPENSES*** | **$ 17,970** | **$ 16,697** | $ 2,857 |
| Amortization of tangible capital assets | **1,464** | **1,355** | 1,312 |
| Proceeds on disposal of tangible capital assets | **23,600** | **23,534** | 6 |
| Gain on disposal of tangible capital assets | **(15,902)** | **(15,839)** | (4) |
| Change in inventories and prepaid expenses | **380** | **-** | (348) |
| Transfer to the City of Winnipeg General Revenue Fund | | **(44)** | - |
| Acquisition of tangible capital assets | **(2,584)** | **(260)** | (4,146) |
| ***INCREASE (DECREASE) IN NET FINANCIAL ASSETS*** | **24,928** | **25,443** | (323) |
| ***NET FINANCIAL LIABILITIES BEGINNING OF YEAR*** | | | |
| As previously reported | **(24,971)** | **(24,956)** | (24,634) |
| Change in accounting policies (Note 3) | **-** | **(15)** | (14) |
| As restated | **(24,971)** | **(24,971)** | (24,648) |
| ***NET FINANCIAL ASSETS (LIABILITIES), END OF YEAR*** | **$ (43)** | **$ 472** | $ (24,971) |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## STATEMENT OF CASH FLOWS

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

***NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:***

| | **2010** | 2009 (Restated, Note 3) |
|---|---|---|
| ***OPERATING*** | | |
| Excess of revenues over expenditures | **$ 16,697** | $ 2,857 |
| Non-cash items related to operations | | |
| Gain on disposal of tangible capital assets | **(15,839)** | (4) |
| Amortization | **1,355** | 1,312 |
| Retirement allowance and compensated absences | **11** | (8) |
| | **2,224** | 4,157 |
| Net change in non-cash working capital balances related to operations | **(23,578)** | (391) |
| Cash (used in) provided by operating activities | **(21,354)** | 3,766 |
| ***FINANCING*** | | |
| Change in due to The City of Winnipeg - General Revenue Fund | **223** | (1,472) |
| Proceeds from long-term debt | **-** | 2,602 |
| Repayment of long-term debt | **(2,036)** | (795) |
| Transfer to The City of Winnipeg - General Revenue Fund | **(44)** | - |
| Cash (used in) provided by financing activities | **(1,857)** | 335 |
| ***CAPITAL*** | | |
| Proceeds on disposal of tangible capital assets | **23,534** | 6 |
| Purchase of tangible capital assets | **(260)** | (4,146) |
| Cash provided by (used in) capital activities | **23,274** | (4,140) |
| ***INCREASE (DECREASE) IN CASH*** | **63** | (39) |
| ***CASH, BEGINNING OF YEAR*** | **33** | 72 |
| ***CASH, END OF YEAR*** | **$ 96** | $ 33 |

*See accompanying notes and schedule to the financial statements*

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*

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

**a) Basis of accounting**

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) Deferred revenue**

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 or services performed.

**c) Non-financial assets**

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

*2. Significant Accounting Policies (continued)*

**i) Tangible capital assets**

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. The amortization rates are as follows:

| | |
|---|---|
| Leasehold improvements | 15 Years |
| Parking surfaces | 5% |
| Parkades | 2% |
| Vehicles | 20% |
| Meters and pay stations | 10% |
| Equipment | 10-20% |
| Computer equipment | 33% |
| Office furniture and equipment | 20% |
| Parkade betterments | 5% |

**ii) 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.

**iii) Inventories**

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

**d) Employee benefit plan**

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program and accordingly contributions are expensed as incurred. The costs of other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefits 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.

**e) Use of estimates**

The preparation of financial statement in conformity with Canadian generally accepted accounting principles requires management to make estimates. These estimates and assumptions are based on the City's best information and judgement and may differ significantly from actual results.

### *3. Adoption of Public Sector Accounting Standards*

During fiscal 2010, the Agency adopted PSA, on a retroactive basis, resulting in the following changes to excess revenue over expenses for the year ended December 31, 2009.

| | 2009 |
|---|---|
| Adjustments to excess revenues over expenses | |
| Excess revenues over expenses as previously stated | $ 2,858 |
| Add increase in compensated absences | (1) |
| Excess revenues over expenses as restated | $ 2,857 |

In accordance with PSA, expenses for employee benefits expected to be paid during future absences in respect of sick leave days earned in previous years are to be recorded.

The following is the impact from the adoption of PSA to the opening accumulated deficit.

| | **2010** | 2009 |
|---|---|---|
| Accumulated deficit as previously stated | **$ (5,014)** | $ (7,872) |
| Adjustments for | | |
| Compensated absences recorded | **(15)** | (14) |
| Revised accumulated deficit | **$ (5,029)** | $ (7,886) |

### *4. 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" 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, 2010 effective interest rate was 0.95% (2009 - 0.2%).

Interest paid to The City of Winnipeg General Revenue Fund on the line of credit was $48 thousand for the year (2009 - $39 thousand).

### *5. Debt*

| | **2010** | 2009 |
|---|---|---|
| **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** | | |
| Capital lease loans repayable in annual installments of $339 thousand including an imputed interest rate of 6.9% maturing March 2011 | **339** | 1,113 |
| Capital lease loans repayable in annual installments of $181 thousand to $780 thousand, including an imputed interest rate of 4.5% with maturity dates between January 2013 and October 2013 | **4,136** | 5,398 |
| | **$ 16,693** | $ 18,729 |

## *5. Debt (continued)*

a) Principal repayments on the equipment financing loans due to maturity are as follows:

| | |
|---|---|
| 2011 | 1,657 |
| 2012 | 1,378 |
| 2013 | 1,440 |
| | $ 4,475 |

b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was $nil (2009 - $nil).

## *6. Retirement Allowance, Vacation, and Compensated Absences*

| | **2010** | 2009 (Restated, Note 3) |
|---|---|---|
| Retirement allowance - accrued obligation | **$ 110** | $ 98 |
| Unamortized net actual loss | **(21)** | (19) |
| Retirement allowance - accrued liability (Note 7b) | **89** | 79 |
| Vacation | **122** | 135 |
| Compensated absences (Note 7b) | **16** | 15 |
| | **$ 227** | $ 229 |

## *7. 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, $84 thousand (2009 - $72 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, 2009 and it has an actuarial surplus.

### b) Retirement allowance and compensated absences

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, 2008. The results of this valuation were extrapolated to December 31, 2010.

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

## *7. Employee Benefits (continued)*

Information about the Agency's retirement allowance benefit plan and compensated absences are as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | Post-employment benefits | Compensated Absences | Post-employment benefits | Compensated Absences |
| Accrued benefit obligation: | | | | |
| Balance, beginning of year | **$ 98** | **$ 14** | $ 85 | $ 12 |
| Current service cost | **5** | **-** | 5 | - |
| Interest cost | **4** | **1** | 4 | 1 |
| Benefit payments | **-** | **-** | (19) | - |
| Net actuarial gain | **3** | **-** | 23 | 1 |
| Balance, end of year | **110** | **15** | 98 | 14 |
| Unamortized net actuarial gain/(loss) | **(21)** | **1** | (19) | 1 |
| Accrued benefit liability-end of year | **$ 89** | **$ 16** | $ 79 | $ 15 |
| Benefit expense: | | | | |
| Current service cost | **$ 5** | **$ -** | $ 5 | $ - |
| Interest cost | **4** | **1** | 4 | 1 |
| Amortization of net actuarial gain | **1** | **-** | 2 | - |
| | **$ 10** | **$ 1** | $ 11 | $ 1 |
| Reconciliation of accrued benefit liability: | | | | |
| Balance, beginning of year | **$ 79** | **$ 15** | $ 87 | $ 14 |
| Benefit expense | **10** | **1** | 11 | 1 |
| Benefit payments | **-** | **-** | (19) | - |
| | **$ 89** | **$ 16** | $ 79 | $ 15 |

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

| | **2010** | 2009 |
|---|---|---|
| Valuation interest rate | **3.90%** | 4.40% |
| General increases in pay | **3.00%** | 3.00% |

### *8. Tangible Capital Assets*

| | Net Book Value | |
|---|---|---|
| | **2010** | 2009 |
| Land | **$ 73** | $ 73 |
| Parkades | **2,374** | 9,987 |
| Authority assets | | |
| Leasehold improvements | **370** | 406 |
| Parking surfaces | **404** | 381 |
| | **774** | 787 |
| Equipment | | |
| Vehicles | **71** | 97 |
| Meters and pay stations | **6,635** | 7,500 |
| Equipment | **657** | 905 |
| Computer equipment | **33** | 26 |
| Office furniture and equipment | **54** | 86 |
| | **7,450** | 8,614 |
| | **$ 10,671** | $ 19,461 |

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

### *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 $149 thousand (2009 - $344 thousand) during 2010.

### *10. 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 $616 thousand (2009 - $664 thousand) to the City.

b) An amount of $36 thousand (2009 - $36 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 $123 thousand (2009 - $123 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space.

d) An amount of $272 thousand (2009 - $234 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of information technology, finance and human resources support services.

e) An amount of $162 thousand (2009 - $126 thousand) has been charged by The City of Winnipeg Building Services Fund for services provided at the various locations.

f) In Services, an amount of $48 thousand (2009 - $48 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.

***10. Related Party Transactions (continued)***

g) An amount of $591 thousand (2009 - $680 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.

h) In Services, an amount of $299 thousand (2009 - $367 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.

i) In accounts receivable, an amount of $25 thousand (2009 - $10 thousand) is included for parking charges owing from the City.

j) An amount of $127 thousand (2009 - $123 thousand) has been charged by The City of Winnipeg General Revenue Fund for the cost for 311 services.

k) An amount of $44 thousand (2009 - $nil) has been charged by The City of Winnipeg General Revenue Fund for the cost of assets transferred to the Agency.

# THE CITY OF WINNIPEG
# WINNIPEG PARKING AUTHORITY - SPECIAL OPERATING AGENCY

## SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

| | Land | Parkades | Authority Assets |
|---|---|---|---|
| **Cost** | | | |
| Balance, beginning of year | **$ 73** | **$ 11,067** | **$ 937** |
| Add: | | | |
| Additions during the year | **-** | **40** | **44** |
| Less: | | | |
| Disposals during the year | **-** | **(8,426)** | **-** |
| Balance, end of year | **73** | **2,681** | **981** |
| **Accumulated amortization** | | | |
| Balance, beginning of year | **-** | **1,080** | **150** |
| Add: | | | |
| Amortization | **-** | **119** | **57** |
| Less: | | | |
| Accumulated amortization on disposals | **-** | **(892)** | **-** |
| Balance, end of year | **-** | **307** | **207** |
| **Net Book Value of Tangible Capital Assets** | **$ 73** | **$ 2,374** | **$ 774** |

**Schedule 1**

| Equipment | Total 2010 | Total 2009 |
|---|---|---|
| **$ 11,582** | **$ 23,659** | $ 19,532 |
| **176** | **260** | 4,146 |
| **(480)** | **(8,906)** | (19) |
| **11,278** | **15,013** | 23,659 |
| **2,968** | **4,198** | 2,903 |
| **1,179** | **1,355** | 1,312 |
| **(319)** | **(1,211)** | (17) |
| **3,828** | **4,342** | 4,198 |
| **$ 7,450** | **$ 10,671** | $ 19,461 |


THE FORKS MARKET

# Wholly-Owned Corporations 2010
# Detailed Financial Statements

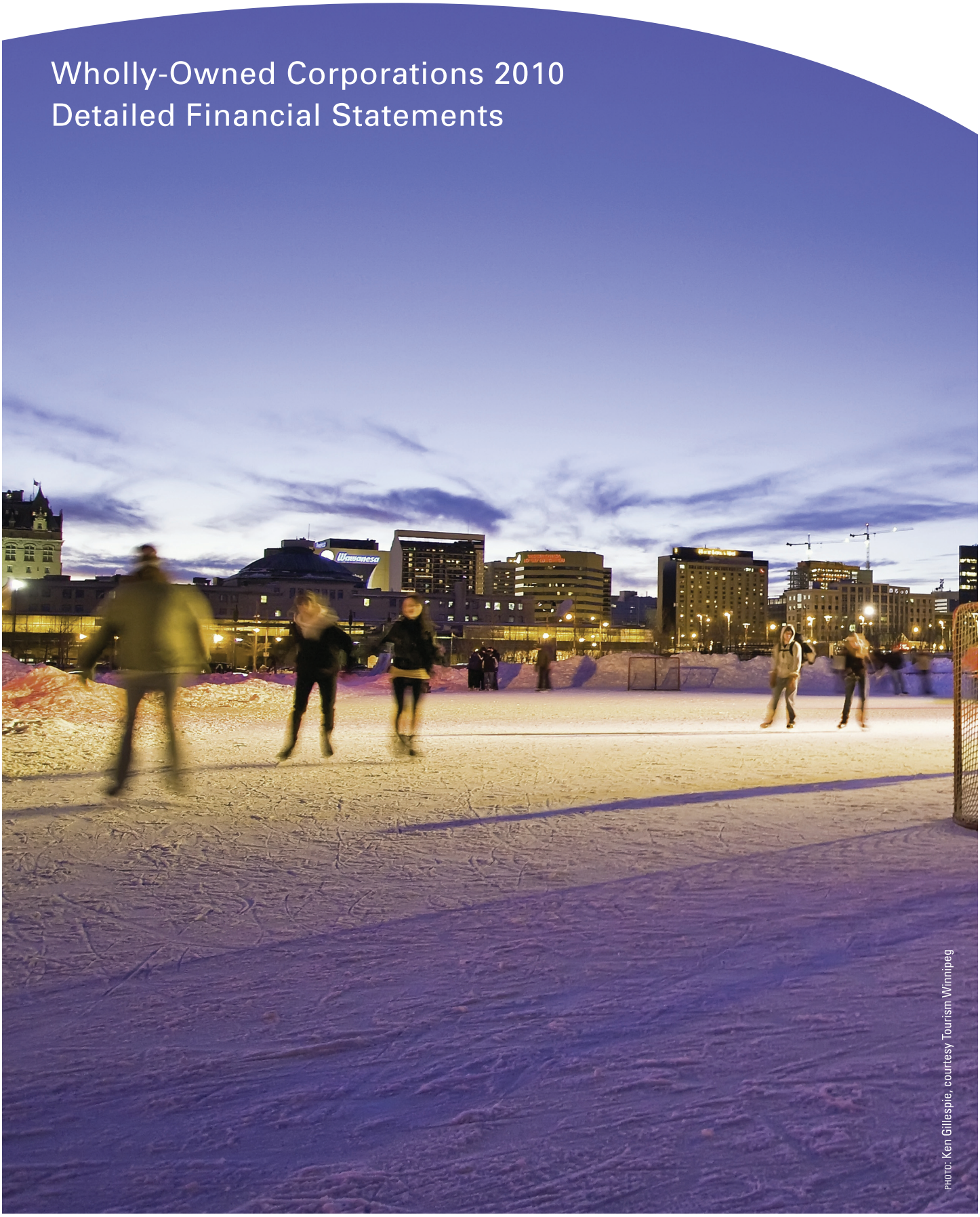


PHOTO: Ken Gillespie, courtesy Tourism Winnipeg



# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF FINANCIAL POSITION

*December 31, 2010*

| | 2010 | 2009 (Restated) |
|---|---|---|
| ***ASSETS*** | | |
| Current: | | |
| Cash | **$ 2,309,640** | $ 2,125,846 |
| Accounts receivable | **1,331,576** | 968,226 |
| Inventory | **173,557** | 160,570 |
| Prepaid expenses | **72,302** | 50,270 |
| | **3,887,075** | 3,304,912 |
| Capital assets (note 4) | **7,716,340** | 8,834,303 |
| | **$ 11,603,415** | $ 12,139,215 |
| ***LIABILITIES*** | | |
| Current: | | |
| Accounts payable and accrued liabilities | **$ 2,492,055** | $ 2,297,704 |
| Customer deposits and unearned revenue | **444,130** | 437,878 |
| Current portion of City of Winnipeg debentures (note 7) | **243,663** | 232,001 |
| Current portion of City of Winnipeg term loan (note 8) | **36,129** | 44,348 |
| | **3,215,977** | 3,011,931 |
| City of Winnipeg debentures (note 7) | **887,184** | 1,136,846 |
| City of Winnipeg term loan (note 8) | **-** | 36,129 |
| Deferred contributions related to capital assets (note 9) | **1,465,647** | 1,510,543 |
| Deferred funding - wall cladding replacement and stabilization (note 10) | **3,936,959** | 4,266,918 |
| | **9,505,767** | 9,962,367 |
| ***FUND BALANCES*** | | |
| Operating fund (note 11) | **107,002** | (456,435) |
| Restricted fund (note 12) | **807,681** | 950,913 |
| Invested in capital assets (note 13) | **1,182,965** | 1,682,370 |
| | **2,097,648** | 2,176,848 |
| | **$ 11,603,415** | $ 12,139,215 |

*The accompanying notes are an integral part of this Statement.*

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF FUND BALANCES

*Year ended December 31, 2010*

| | **2010** | 2009 (Restated) |
|---|---|---|
| **BALANCE**, beginning of year, as previously stated | **$ 2,633,283** | $ 3,604,334 |
| Adjustment for change in accounting policy (note 2) | **(456,435)** | (501,715) |
| **BALANCE**, beginning of year, as restated | **2,176,848** | 3,102,619 |
| Deficiency of revenue over expenditures | **(79,200)** | (925,771) |
| **BALANCE**, end of year | **$ 2,097,648** | $ 2,176,848 |

*The accompanying notes are an integral part of this Statement.*

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF REVENUE AND EXPENDITURES

*Year ended December 31, 2010*

| | **2010** | 2009 (Restated) |
|---|---|---|
| Operating revenue | **$ 12,981,571** | $ 11,111,332 |
| Operating costs | **6,032,457** | 5,023,510 |
| Net operating revenue | **6,949,114** | 6,087,822 |
| General operating grant (note 14): | | |
| City of Winnipeg | **1,302,630** | 1,379,997 |
| Province of Manitoba | **1,177,823** | 1,255,193 |
| | **2,480,453** | 2,635,190 |
| | **9,429,567** | 8,723,012 |
| Expenditures: | | |
| Accounting and financial services and human resources | **751,941** | 737,079 |
| Administration | **1,525,473** | 1,439,830 |
| Building maintenance | **3,963,819** | 4,003,458 |
| Client services | **1,213,896** | 1,104,837 |
| Interest on capital lease | **-** | 7,376 |
| Sales and promotion | **757,611** | 698,113 |
| Security | **503,396** | 503,034 |
| | **8,716,136** | 8,493,727 |
| Net operating revenue less expenditures before unusual item and the under-noted | **713,431** | 229,285 |
| Feasibility studies (note 5) | **(156,579)** | (479,202) |
| Excess (deficiency) of revenue over expenditures before the under-noted | **556,852** | (249,917) |
| City of Winnipeg debt servicing grants: | | |
| Debentures (note 14) | **434,451** | 499,497 |
| Term loan (note 14) | **44,348** | 44,348 |
| Recognition of deferred contributions related to capital assets (notes 9 and 10) | **831,208** | 841,860 |
| Amortization to expense of capital assets (note 4) | **(1,711,962)** | (1,822,788) |
| Interest on City of Winnipeg debentures | **(234,097)** | (238,771) |
| Deficiency of revenue over expenditures for the year | **$ (79,200)** | $ (925,771) |

*The accompanying notes are an integral part of this Statement.*

# THE CONVENTION CENTRE CORPORATION

## STATEMENT OF CASH FLOWS

*Year ended December 31, 2010*

| | **2010** | 2009 (Restated) |
|---|---|---|
| ***OPERATING ACTIVITIES*** | | |
| Deficiency of revenue over expenditures | **$ (79,200)** | $ (925,771) |
| Adjustments for: | | |
| - amortization of capital assets | **1,711,962** | 1,822,788 |
| - recognition of deferred contributions related to capital assets | **(831,208)** | (841,860) |
| | **801,554** | 55,157 |
| Net changes in working capital balances | | |
| Accounts receivable | **(363,350)** | 693,972 |
| Inventory | **(12,987)** | (10,603) |
| Prepaid expenses | **(22,032)** | (17,185) |
| Accounts payable and accrued liabilities | **194,351** | (77,980) |
| Customer deposits and unearned revenue | **6,252** | (25,519) |
| | **603,788** | 617,842 |
| ***FINANCING ACTIVITIES*** | | |
| Capital lease obligation | **-** | (66,309) |
| City of Winnipeg term loan repayments | **(44,348)** | (44,348) |
| City of Winnipeg debenture repayments | **(238,000)** | (257,929) |
| City of Winnipeg/Province of Manitoba major repair and replacement grant received | **456,353** | 301,615 |
| | **174,005** | (66,971) |
| ***INVESTING ACTIVITIES*** | | |
| Feasibility studies - future expansion | **-** | 464,082 |
| Major repair and replacement expenditures | **(599,585)** | (1,369,266) |
| Proceeds on disposition, net | **5,586** | - |
| | **(593,999)** | (905,184) |
| ***INCREASE (DECREASE) IN CASH DURING THE YEAR*** | **183,794** | (354,313) |
| **CASH**, beginning of year | **2,125,846** | 2,480,159 |
| **CASH**, end of year | **$ 2,309,640** | $ 2,125,846 |

*The accompanying notes are an integral part of this Statement.*

# THE CONVENTION CENTRE CORPORATION

## NOTES TO FINANCIAL STATEMENTS

*December 31, 2010*

### *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. Change in Accounting Policies*

During the year, the corporation elected to change its accounting policy with regard to Employee Sick Leave Benefits. Certain employees hired before 1996 are entitled to a cash payment for unused sick leave credits upon death or retirement. The amount of these sick leave credits had previously been expensed in the financial statements of the corporation in the year the amounts were paid out. In the current year, a resolution was passed by the Board of Directors to reflect the liability for unused sick leave credits within the financial statements of the organization.

This change in accounting policy has been adopted on a retrospective basis and as such the previous year's opening net assets have been reduced by $501,715, accounts payable and accrued liabilities have increased by $456,435 and administrative expenses have decreased by $45,280 to reflect the impact of this change in accounting policy on prior periods. Had this accounting policy been adopted on a prospective basis the current year's financial results would have reflected an additional charge to income in the current year of $456,435.

### *3. Significant Accounting Policies*

**Fund Method of Accounting:**

Under the fund method of accounting the excess of revenue over expenses is allocated to the Operating Fund. Any additions to the Operating Fund may be transferred to the Restricted Fund for future expenditures or major repairs and replacements by Board of Directors resolution.

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 |

*3. Significant Accounting Policies (continued)*

**Vacation Pay and Sick Leave Entitlement:**

Vacation pay and sick leave entitlement are accrued and expensed as the amounts are earned.

**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 and City of Winnipeg debentures and term loan. 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.

**Capital Disclosures:**

In managing capital, the corporation focuses on liquid resources available to fund operations. The corporation's objective is to have sufficient liquid resources available to fund operations as well as capital expenditures. The need for liquid resources is considered in the preparation of an annual budget and in the monitoring of cash flows and actual operating results compared to budget. As at December 31, 2010, the corporation has met its objective of having sufficient liquid resources to meet its current obligations.

*4. Capital Assets*

| | Cost | Accumulated Amortization | Net Carrying Value 2010 | 2009 |
|---|---|---|---|---|
| Major capital expenditures | **$ 2,000,000** | **$ 1,838,374** | **$ 161,626** | $ 208,461 |
| Revitalization program: | | | | |
| -City of Winnipeg portion | **3,000,000** | **2,030,779** | **969,221** | 1,160,387 |
| -Province of Manitoba portion | **2,000,000** | **1,346,737** | **653,263** | 780,707 |
| Major repair and replacement | **12,661,346** | **10,666,075** | **1,995,271** | 2,417,830 |
| Wall cladding replacement | **6,599,175** | **2,662,216** | **3,936,959** | 4,266,918 |
| | **$ 26,260,521** | **$ 18,544,181** | **$ 7,716,340** | $ 8,834,303 |

*4. Capital Assets (continued)*

**Major Capital Expenditures:**

Major capital expenditures represent expenditures for major capital projects incurred in the years 1987 to 1995 inclusive.

Major capital expenditures are carried at cost and are equal to the related debentures (note 7). 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 7). The costs are amortized in an amount equal to the principal repayments on the debentures, which approximates the estimated useful life of the assets.

- **Province of Manitoba Portion**

  The revitalization programs funded by the Province are carried at cost and amortized at the same rate as the City of Winnipeg revitalization program assets.

**Major Repair and Replacement:**

A portion of major repairs and replacements incurred after 1993 have been funded by grants from the City of Winnipeg and the Province of Manitoba. The assets are recorded at cost and amortized over their estimated useful life. The funded portion included with deferred contributions related to capital assets, is recognized on the same basis.

**Wall Cladding Replacement and Stabilization:**

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. Pursuant to a funding agreement dated March 21, 2002, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to $6.6 million.

The expenditures are carried at cost and are being amortized on a straight line basis over 20 years. The funding for this project is recorded as deferred revenue and will be amortized to income at the same rate as the asset is amortized.

**Amortization Expense:**

The amortization of the capital assets is as follows:

| | **2010** | 2009 |
|---|---|---|
| Major capital expenditures | **$ 52,517** | $ 81,490 |
| Revitalization program: | | |
| - City of Winnipeg portion | **185,368** | 176,541 |
| - Province of Manitoba portion | **127,599** | 117,700 |
| Major repair and replacement | **1,016,519** | 1,080,791 |
| Wall cladding replacement | **329,959** | 329,959 |
| Equipment under capital lease | **-** | 36,307 |
| | **$ 1,711,962** | $ 1,822,788 |

### *5. Feasibility Studies - Future Expansion*

The corporation continues to incur certain costs to evaluate the feasibility of expanding its existing facility. Prior to 2009 these costs had been deferred and were to be capitalized at the time the expansion occurred. The policy was revised that year to expense costs incurred and to expense all previously deferred amounts.

As at December 31, 2010, the corporation has incurred cumulative costs related to the feasibility of future expansion of $635,781 (2009 - $479,202).

### *6. Demand Operating Loan*

The corporation has a demand operating loan credit facility from the Royal Bank of Canada of $250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2010 and 2009 is nil.

### *7. City of Winnipeg Debentures*

| | **2010** | | | 2009 |
|---|---|---|---|---|
| | **Debenture** | **Sinking Fund** | **Net** | Net |
| **For major capital expenditures:** | | | | |
| 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 | **$ 82,962** | **$ -** | **$ 82,962** | $ 107,905 |
| 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** | **183,613** | **41,387** | 56,898 |
| Sinking Fund Debenture, bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $3,024 earning interest at 5% | **100,000** | **67,342** | **32,658** | 38,837 |
| | **407,962** | **250,955** | **157,007** | 203,640 |

*7. City of Winnipeg Debentures (continued)*

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | **Debenture** | **Sinking Fund** | **Net** | Net |
| **For revitalization program expenditures:** | | | | |
| Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of $90,728 earning interest at 5% | **3,000,000** | **2,026,160** | **973,840** | 1,165,207 |
| | **$ 3,407,962** | **$ 2,277,115** | **1,130,847** | 1,368,847 |
| Current portion | | | **243,663** | 232,001 |
| | | | **$ 887,184** | $ 1,136,846 |

Principal due within each of the next five years is as follows:

| | |
|---|---|
| 2011 | $ 243,663 |
| 2012 | $ 255,911 |
| 2013 | $ 258,821 |
| 2014 | $ 232,827 |
| 2015 | $ 145,522 |

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.

*8. City of Winnipeg - Term Loan*

| | **2010** | 2009 |
|---|---|---|
| Term loan | **$ 36,129** | $ 80,477 |
| Less: current portion | **(36,129)** | (44,348) |
| | **$ -** | $ 36,129 |

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.

### *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.

| | **2010** | 2009 |
|---|---|---|
| Beginning balance | **$ 1,510,543** | $ 1,720,829 |
| Deferred contributions for major repair and replacement expended on major repair and replacement assets during the year (note 14) | **456,353** | 301,615 |
| Deduct amounts recognized as revenue: | | |
| - Major repair and replacement expenditures | **(373,882)** | (394,278) |
| - Provincial portion of revitalization program expenditures | **(127,367)** | (117,623) |
| | **$ 1,465,647** | $ 1,510,543 |

### *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 4. This amount is being amortized into income as the related asset is amortized.

| | **2010** | 2009 |
|---|---|---|
| Beginning balance | **$ 4,266,918** | $ 4,596,877 |
| Deduct amount amortized to revenue | **(329,959)** | (329,959) |
| | **$ 3,936,959** | $ 4,266,918 |

### *11. Operating Fund*

Transactions in the operating fund during the year are as follows:

| | **2010** | 2009 (restated) |
|---|---|---|
| Opening balance | **$ (456,435)** | $ (501,715) |
| Deficiency of revenues over expenditures | **(79,200)** | (925,771) |
| Amortization of invested in capital assets | **642,637** | 686,690 |
| Amounts transferred from the restricted fund by board resolution | **-** | 284,361 |
| | **$ 107,002** | $ (456,435) |

### *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.

| | **2010** | 2009 |
|---|---|---|
| Opening balance | **$ 950,913** | $ 2,302,925 |
| Capital assets purchased in the year, net of externally restricted amounts ($456,353-2010; $301,615-2009) | **(143,232)** | (1,067,651) |
| Amounts internally transferred by board resolution (note 11) | **-** | (284,361) |
| | **$ 807,681** | $ 950,913 |

### *13. Invested in Capital Assets*

Invested in capital assets represents total capital assets less amounts amortized less specific deferred contributions.

| | **2010** | 2009 |
|---|---|---|
| Opening balance | **$ 1,682,370** | $ 1,301,409 |
| Capital assets purchased in the year, net of disposals | **599,585** | 1,369,266 |
| Externally restricted amounts (note 9) | **(456,353)** | (301,615) |
| | **143,232** | 1,067,651 |
| Amortization of invested in capital assets | **(642,637)** | (686,690) |
| | **$ 1,182,965** | $ 1,682,370 |

### *14. Grants*

The corporation operates with the assistance of grants from the City of Winnipeg and the Province of Manitoba.

| | **2010** | 2009 |
|---|---|---|
| City of Winnipeg | **$ 2,009,605** | $ 2,074,650 |
| Province of Manitoba | **1,406,000** | 1,406,000 |
| | **$ 3,415,605** | $ 3,480,650 |
| The grants are allocated as follows: | | |
| General operating grant | **$ 2,480,453** | $ 2,635,190 |
| Debt service | | |
| - City of Winnipeg debenture | **434,451** | 499,497 |
| - City of Winnipeg term loan | **44,348** | 44,348 |
| Major repairs and replacement expenditures | **456,353** | 301,615 |
| | **$ 3,415,605** | $ 3,480,650 |

### *15. Comparison to Budgeted Results*

| | **Actual 2010** | Budget 2010 (Unaudited) | Variance |
|---|---|---|---|
| Operating revenue | **$ 12,981,571** | $ 12,845,711 | $ 135,860 |
| Operating costs | **6,032,457** | 6,120,326 | (87,869) |
| Net operating revenue | **6,949,114** | 6,725,385 | 223,729 |
| General Operating Grant | **2,480,453** | 2,480,453 | - |
| | **9,429,567** | 9,205,838 | 223,729 |
| Expenditures | **8,716,136** | 9,253,506 | (537,370) |
| Net operating revenue less expenditures | **$ 713,431** | $ (47,668) | $ 761,099 |

### *16. Commitments*

The corporation has a service contract with Winnipeg Elevator (1978) Ltd. for the provision of elevator services. This contract expires in November 2013.

Future minimum payments to the expiry of the contracts are as follows:

| | |
|---|---|
| 2011 | $ 32,772 |
| 2012 | $ 32,772 |
| 2013 | $ 30,041 |

### *17. 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 Payments:**

Total cash payments by the corporation for employee future benefits for fiscal year 2010, were $358,654 (2009 - $276,317).

### *18. 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.

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## BALANCE SHEET

*December 31, 2010, with comparative figures for 2009*

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current assets: | | |
| Cash | **$ 193,993** | $ 149,476 |
| Investments (note 3) | **825,894** | 789,364 |
| Accounts receivable | **33,148** | 81,060 |
| Prepaid expenses | **77,664** | 159,682 |
| | **1,130,699** | 1,179,582 |
| Capital assets (note 4) | **176,798** | 208,074 |
| | **$ 1,307,497** | $ 1,387,656 |
| ***LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS*** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **$ 68,119** | $ 97,752 |
| Deferred rent | **31,416** | 39,318 |
| Deferred contributions: | | |
| Future expenses (note 5) | **71,932** | 34,057 |
| Capital assets (note 6) | **89,528** | 121,126 |
| | **161,460** | 155,183 |
| Net assets: | | |
| Invested in capital assets (note 7) | **87,270** | 86,948 |
| Unrestricted | **503,795** | 278,912 |
| | **591,065** | 365,860 |
| Internally restricted: | | |
| Appropriated for contingency reserve (note 8) | **455,437** | 424,469 |
| Appropriated for homecoming initiative reserve (note 9) | **-** | 105,074 |
| Appropriated for Canadian Museum Marketing Partnership Fund (note 10) | **-** | 200,000 |
| | **1,046,502** | 1,095,403 |
| Commitments (note 11) | | |
| Subsequent event (note 15) | | |
| | **$ 1,307,497** | $ 1,387,656 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENT OF REVENUE AND EXPENDITURES

*Year ended December 31, 2010, with comparative figures for 2009*

| | 2010 | 2009 |
|---|---|---|
| ***REVENUE:*** | | |
| Funding: | | |
| The City of Winnipeg | **$ 2,000,000** | $ 2,160,000 |
| Province of Manitoba | **1,277,000** | 1,248,000 |
| Partners on projects | **307,893** | 561,067 |
| Other | **34,915** | 44,564 |
| Interest | **7,380** | 9,043 |
| Amortization of deferred contributions - capital assets (note 6) | **31,598** | 31,598 |
| | **3,658,786** | 4,054,272 |
| ***EXPENDITURES:*** | | |
| Initiatives and marketing | **1,251,984** | 1,832,746 |
| Personnel | **1,867,389** | 1,707,142 |
| Administrative | **248,930** | 214,821 |
| Occupancy and facilities | **234,310** | 216,360 |
| | **3,602,613** | 3,971,069 |
| Excess of revenue over expenditures before the undernoted | **56,173** | 83,203 |
| Homecoming 2010 initiative expenditures (note 9) | **105,074** | 47,619 |
| ***EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES*** | **$ (48,901)** | $ 35,584 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENT OF CHANGES IN NET ASSETS

*Year ended December 31, 2010, with comparative figures for 2009*

| | Invested in Capital Assets | Unrestricted | Contingency Reserve | Homecoming Initiative Reserve | Canadian Museum Marketing Partnership Fund | 2010 Total | 2009 Total |
|---|---|---|---|---|---|---|---|
| Balances, beginning of year | **$ 86,948** | **$ 278,912** | **$ 424,469** | **$ 105,074** | **$ 200,000** | **$ 1,095,403** | $ 1,059,819 |
| Excess (deficiency) of revenue over expenditures | **(42,529)** | **98,702** | **-** | **(105,074)** | **-** | **(48,901)** | 35,584 |
| Transfer of funds for internally restricted purposes (notes 8 and 10) | **-** | **169,032** | **30,968** | **-** | **(200,000)** | **-** | - |
| Transfer for acquisition of capital assets | **42,851** | **(42,851)** | **-** | **-** | **-** | **-** | - |
| Balances, end of year | **$ 87,270** | **$ 503,795** | **$ 455,437** | **$ -** | **$ -** | **$ 1,046,502** | $ 1,095,403 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## STATEMENT OF CASH FLOWS

*Year ended December 31, 2010, with comparative figures for 2009*

| Cash provided by (used in): | **2010** | 2009 |
|---|---|---|
| ***OPERATING ACTIVITIES:*** | | |
| Excess (deficiency) of revenue over expenditures | **$ (48,901)** | $ 35,584 |
| Adjustments for: | | |
| Amortization of capital assets | **74,127** | 62,901 |
| Amortization of deferred contributions - capital assets | **(31,598)** | (31,598) |
| Amortization of deferred rent | **(7,902)** | (7,902) |
| Change in the following: | | |
| Accounts receivable | **47,912** | (4,552) |
| Prepaid expenses | **82,018** | (27,697) |
| Accounts payable and accrued liabilities | **(29,633)** | 19,984 |
| Increase (decrease) in deferred contributions - future expenses | **37,875** | (3,456) |
| | **123,898** | 43,264 |
| ***INVESTING ACTIVITIES:*** | | |
| Acquisition of capital assets | **(42,851)** | (80,444) |
| Investments, net | **(36,530)** | (26,145) |
| | **(79,381)** | (106,589) |
| ***INCREASE (DECREASE) IN CASH*** | **44,517** | (63,325) |
| ***CASH, beginning of year*** | **149,476** | 212,801 |
| ***CASH, end of year*** | **$ 193,993** | $ 149,476 |
| ***SUPPLEMENTARY CASH FLOW INFORMATION:*** | | |
| ***Interest received*** | **$ 5,948** | $ 13,930 |

*See accompanying notes to financial statements*

# ECONOMIC DEVELOPMENT WINNIPEG INC.

## NOTES TO FINANCIAL STATEMENTS

*Year ended December 31, 2010*

### *1. General:*

Economic Development Winnipeg Inc. (formerly 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 organization.

### *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) Financial instruments:**

Initially, all financial assets and liabilities must be recorded on the balance sheet at fair value. Subsequent measurement is determined by the classification of each financial asset and liability. Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value recognized in excess of revenue over expenditures. Financial instruments classified as held-to-maturity, 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. Available-for-sale financial instruments are measured at fair value, with unrealized gains and losses recognized directly in net asset balances.

The organization has designated cash and investments as held-for-trading; accounts receivable as loans and receivables; and accounts payable and accrued liabilities as other liabilities. The organization has neither held-to-maturity nor available-for-sale instruments.

Except for held-for-trading designated financial instruments, transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities are accounted for as part of the respective asset or liability's carrying value at inception and amortized over the expected life of the financial instrument using the effective interest method. For held-for-trading financial assets and liabilities, transaction costs are recorded in the statement of revenue and expenditures as incurred.

***2. Significant accounting policies (continued):***

The organization has adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3861, *Financial Instruments - Disclosure and Presentation* . In accordance with the Accounting Standards Board's decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained within Section 3862, *Financial Instruments - Disclosures* , and Section 3863, *Financial Instruments - Presentation* , the organization has elected not to adopt these standards in its financial statements.

**c) 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 |

**d) Deferred rent:**

As part of the organization's operating premises lease, a period of free rent was incurred and is being amortized over the term of the related lease.

**e) Investments:**

Investments are classified as held-for-trading financial instruments and are carried at fair value. The change in the difference between the fair value and the cost of investments at the beginning and end of each year is reflected in excess of revenue over expenditures. 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.

**f) 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.

**g) Use of estimates:**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

***3. Investments:***

Investments consist of investments in money market instruments aggregating $367,828 (2009 - $363,698) and guaranteed investment certificates aggregating $458,066 (2009 - $425,666) to fund the contingency reserve (note 8) and other expenses. Interest receivable on the guaranteed investment certificates total $2,629 at December 31, 2010.

***4. Capital assets:***

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | **Net Book Value** | Net Book Value |
| Computer hardware and software | **$ 147,334** | **$ 115,091** | **$ 32,243** | $ 21,930 |
| Office furniture and fixtures | **110,949** | **92,733** | **18,216** | 21,470 |
| Leasehold improvements | **349,092** | **222,753** | **126,339** | 164,674 |
| | **$ 607,375** | **$ 430,577** | **$ 176,798** | $ 208,074 |

***5. Deferred contributions - future expenses:***

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

| | **2010** | 2009 |
|---|---|---|
| Balance, beginning of year | **$ 34,057** | $ 37,513 |
| Amounts received during the year | **130,059** | 140,890 |
| | **164,116** | 178,403 |
| Less: amounts recognized into revenue in the year | **(92,184)** | (144,346) |
| Balance, end of year | **$ 71,932** | $ 34,057 |

***6. Deferred contributions - capital assets:***

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of revenue and expenditures.

| | **2010** | 2009 |
|---|---|---|
| Balance, beginning of year | **$ 121,126** | $ 152,724 |
| Amount amortized to revenue | **(31,598)** | (31,598) |
| Balance, end of year | **$ 89,528** | $ 121,126 |

***7. Invested in capital assets:***

| | **2010** | 2009 |
|---|---|---|
| Capital assets | **$ 176,798** | $ 208,074 |
| Deferred contributions - capital assets | **(89,528)** | (121,126) |
| Invested in capital assets | **$ 87,270** | $ 86,948 |

***8. Contingency reserve:***

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the organization is terminated by the City of Winnipeg and the Province of Manitoba. As at December 31, 2010, $30,968 (2009 - $23,938) was added to the contingency reserve and deducted from unrestricted net assets, based on the calculation of the contingency reserve requirement as at December 31, 2010.

### *9. Homecoming initiative reserve:*

The homecoming initiative reserve was established by the Board of Directors in prior years to internally restrict net assets of the organization to be used for the Manitoba Homecoming 2010 initiative. During the year, the organization incurred expenditures of $105,074 (2009 - $47,619) related to this initiative which are included in the statement of revenue and expenditures. The internally restricted net assets for this initiative were utilized to fund these expenditures during the year as disclosed in the statement of changes in net assets.

### *10. Canadian Museum Marketing Partnership Fund:*

The Canadian Museum Marketing Partnership Fund was established in the prior year to fund partnership activities with the Canadian Museum for Human Rights. Pursuant to a Board motion passed during the year, the Canadian Museum Marketing Partnership funds were allocated to the Unrestricted net assets.

### *11. Commitments:*

The organization is committed under leases for office premises and equipment for a total of $514,401. The minimum lease payments until maturity are as follows:

| | |
|---|---|
| 2011 | $ 179,119 |
| 2012 | 182,881 |
| 2013 | 152,401 |

### *12. Segregated funds:*

The organization holds funds that are segregated for partners (including the organization) in separate accounts; a convention development fund and a special event marketing fund. These funds are held in interest-bearing accounts for the benefit of convention development and special event marketing activities, respectively. Payments to the special event marketing fund are based on recommendations approved by the City of Winnipeg's council on October 22, 2008.

The balances of these funds and the income and expenditures associated therewith are not included in these financial statements.

| | **2010** | 2009 |
|---|---|---|
| Convention development fund: | | |
| Balance, beginning of year | **$ 117,161** | $ 132,053 |
| Funds used during the year | **(29,947)** | (15,000) |
| Interest earned | **-** | 108 |
| Balance, end of year, and amount of funds held | **$ 87,214** | $ 117,161 |

| | **2010** | 2009 |
|---|---|---|
| Special event marketing fund: | | |
| Balance, beginning of year | **$ 741,670** | $ - |
| Funds received during the year | **637,843** | 926,347 |
| Funds used during the year | **(275,014)** | (186,986) |
| Interest earned | **5,250** | 2,309 |
| Balance, end of year, and amount of funds held | **$ 1,109,749** | $ 741,670 |

***12. Segregated funds (continued):***

At December 31, 2010, funds of $345,000 have been committed from the special event marketing fund towards several marketing activities over the next six years as follows:

| | |
|---|---|
| 2011 | $ 195,000 |
| 2012 | 37,500 |
| 2013 | 45,000 |
| 2014 | 7,500 |
| 2016 | 60,000 |

***13. Financial instruments:***

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 organization 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.

***14. Defined contribution plan:***

The employees of the organization are members of a voluntary group registered retirement savings plan administered by Investors Group and RBC Asset Management Inc.

Employer contributions made to the plan during the year amounted to $51,179 (2009 - $52,475).

***15. Subsequent event:***

A Memorandum of Understanding agreement was entered into in 2010 between the organization and the Winnipeg Chamber of Commerce for the transfer of the net assets of Yes! Winnipeg. The transfer of the net assets of Yes! Winnipeg to the organization became effective January 1, 2011.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# WINNIPEG HOUSING REHABILITATION CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*March 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current Assets | | |
| Cash (Note 7) | **$ 1,555,469** | $ 1,400,896 |
| Rents receivable | **22,739** | 19,468 |
| Other receivables | **111,968** | 82,121 |
| Grants receivable | **51,970** | 93,415 |
| GST receivable | **-** | 38,045 |
| Subsidy due from CMHC (Note 3) | **3,184** | 3,184 |
| Subsidy due from MHRC (Note 3) | **253,886** | 262,189 |
| Operating deficiency recoverable from MHRC (Note 4) | **-** | 55,102 |
| Prepaid expenses | **105,915** | 90,856 |
| Housing inventory (Note 2(a)) | **83,472** | 419,656 |
| | **2,188,603** | 2,464,932 |
| Restricted Cash and Deposits | | |
| Replacement Reserve Fund (Notes 2(b) and 5) | | |
| CMHC funded | **103,419** | 107,920 |
| MHRC funded | **3,323,275** | 3,253,440 |
| WHRC funded | **228,964** | 210,743 |
| | **3,655,658** | 3,572,103 |
| Capital Assets (Notes 2(c) and 6) | **29,506,048** | 30,521,111 |
| | **$ 35,350,309** | $ 36,558,146 |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

*March 31, 2010*

| | 2010 | 2009 |
|---|---|---|
| ***LIABILITIES AND NET ASSETS*** | | |
| Current Liabilities | | |
| Accounts payable and accrued liabilities | **$ 470,141** | $ 562,303 |
| Accrued interest payable | **212,098** | 221,335 |
| Security deposits and prepaid rent | **202,667** | 210,631 |
| Operating excess payable to MHRC (Note 4) | **50,678** | - |
| Current portion of forgivable loans (Notes 2(d) and 8) | **174,986** | 180,986 |
| Current portion of long-term debt (Note 9) | **1,100,667** | 944,711 |
| | **2,211,237** | 2,119,966 |
| Deferred Revenue | **-** | 61,800 |
| Forgivable Loans (Notes 2(d) and 8) | **1,824,774** | 1,999,760 |
| Long-term Debt (Note 9) | **27,058,863** | 28,220,570 |
| Replacement Reserves | | |
| Replacement Reserves - CMHC | **103,419** | 107,920 |
| Replacement Reserves - MHRC | **3,323,275** | 3,253,440 |
| Replacement Reserves - WHRC | **228,964** | 210,743 |
| | **3,655,658** | 3,572,103 |
| WHRC Building and Acquisition Reserve (Note 10) | **976,923** | 319,914 |
| ***NET ASSETS*** | | |
| Internally Restricted Net Assets (Note 11) | **-** | 615,013 |
| Unrestricted Net Assets | **(377,146)** | (350,980) |
| | **(377,146)** | 264,033 |
| | **$ 35,350,309** | $ 36,558,146 |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

*Year ended March 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| ***REVENUE*** | | |
| City of Winnipeg operating grant | **$ 200,000** | $ 200,000 |
| CMHC subsidy (Note 3) | **38,207** | 38,207 |
| Development fees | **55,700** | 64,300 |
| Home Ownership Training Initiative grant | **19,412** | 38,707 |
| Interest and other income | **13,430** | 25,297 |
| Loan forgiveness | **-** | 1,200 |
| MHRC subsidy (Note 3) | **3,761,674** | 3,715,101 |
| Other grants | **150** | 33,017 |
| Parking and laundry | **76,440** | 75,807 |
| Property management fees | **305,221** | 255,649 |
| Rental revenue | | |
| Residential | **2,706,189** | 2,690,636 |
| Commercial | **66,959** | 53,605 |
| Gain on sale of rental properties | **-** | 1,967 |
| | **7,243,382** | 7,193,493 |
| ***EXPENDITURES*** | **7,186,243** | 7,136,218 |
| **Excess of revenue over expenditures** | **57,139** | 57,275 |
| **Unrestricted net assets, beginning of year** | **(350,980)** | (387,771) |
| Operating deficiency recoverable from MHRC (Note 4) | **(50,678)** | 14,318 |
| Transfer to Building and Acquisition Reserve | **(32,627)** | - |
| Transfer to internally restricted net assets | **-** | (34,802) |
| **Unrestricted net assets, end of year** | **$ (377,146)** | $ (350,980) |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (continued)

*Year ended March 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| ***EXPENDITURES*** | | |
| Administration | **$ 295,528** | $ 283,956 |
| Advertising | **424** | 91 |
| Allocation to Replacement Reserve (Note 5) | **283,632** | 283,632 |
| Amortization (Note 2(c)) | **1,011,574** | 923,802 |
| Bad debts | **29,587** | 18,122 |
| Bank charges and other interest | **2,328** | 3,052 |
| Cable T.V. | **767** | 748 |
| Collection fees | **1,236** | 2,314 |
| Disallowed GST | **-** | 78 |
| Garbage removal | **9,667** | 9,328 |
| Heat | **256,337** | 299,264 |
| Home Ownership Training Initiative | **19,412** | 37,657 |
| Hydro | **327,703** | 327,473 |
| Insurance | **116,351** | 116,291 |
| Janitorial services | **283,581** | 269,776 |
| Maintenance and repairs | **659,656** | 639,675 |
| Mortgage interest (Note 9) | **2,547,373** | 2,649,607 |
| Office operations | **69,213** | 55,507 |
| Office salaries and benefits | **473,373** | 439,599 |
| Other grants | **141** | 33,017 |
| Pest control | **-** | 180 |
| Professional fees | **45,170** | 28,009 |
| Property taxes | **330,099** | 299,418 |
| Security | **-** | 322 |
| Snow removal | **10,503** | 9,777 |
| Tenant charge backs | **-** | 392 |
| Water | **412,588** | 405,131 |
| Total Expenditures | **$ 7,186,243** | $ 7,136,218 |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOW

*Year ended March 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| ***CASH PROVIDED BY (USED IN):*** | | |
| ***OPERATING ACTIVITIES*** | | |
| Excess of revenue over expenditures | **$ 57,139** | $ 57,275 |
| Add non cash item(s): | | |
| Amortization | **1,011,574** | 923,802 |
| Loan forgiveness | **-** | (1,200) |
| Gain on sale of rental properties | **-** | (1,967) |
| | **1,068,713** | 977,910 |
| Change in non-cash working capital: | | |
| Rents receivable | **(3,271)** | 3,222 |
| Other receivables | **996** | (27,305) |
| Grants receivable | **41,445** | (36,925) |
| GST receivable | **7,202** | (13,027) |
| Subsidy due from MHRC | **8,303** | 6,200 |
| Prepaid expenses | **(15,059)** | 7,809 |
| Housing inventory | **336,184** | (337,893) |
| Accounts payable and accrued liabilities | **(92,163)** | 101,238 |
| Accrued interest payable | **(9,237)** | (7,327) |
| Security deposits and prepaid rent | **(7,964)** | 21,812 |
| Deferred revenue | **(61,800)** | 60,127 |
| | **1,273,349** | 755,841 |
| ***INVESTING ACTIVITIES*** | | |
| Purchase of capital assets | **(204,894)** | - |
| Proceeds on sale of capital assets | **-** | 128,248 |
| Increase in MHRC replacement reserve | **69,835** | 118,483 |
| Decrease in CMHC replacement reserve | **(4,501)** | (32,730) |
| Increase (Decrease) in WHRC replacement reserve | **18,221** | (264) |
| Increase in WHRC building and acquisition reserve | **2,316** | 7,867 |
| | **(119,023)** | 221,604 |
| ***FINANCING ACTIVITIES*** | | |
| Decrease in forgivable loans | **(12,724)** | (12,724) |
| Advance of long-term debt | **40,120** | - |
| Repayment of long-term debt | **(1,005,749)** | (1,041,808) |
| Interest on internally restricted net assets | **7,053** | 14,324 |
| MHRC recoveries | **55,102** | 78,873 |
| | **(916,198)** | (961,335) |
| Increase in cash | **238,128** | 16,110 |
| Cash, beginning of year | **4,972,999** | 4,956,889 |
| Cash, end of year (Note 12) | **$ 5,211,127** | $ 4,972,999 |

# WINNIPEG HOUSING REHABILITATION CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Year ended March 31, 2010*

### *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 three years |
| Furniture and equipment | - straight-line over five years |
| Office building | - straight-line over twenty 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.

Rental, parking and laundry revenue and property management fees are recognized over the term of the lease.

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.

## *3. Subsidy Due from CMHC and MHRC*

The CMHC properties are subsidized for mortgage interest on a monthly basis through the reduction of the interest rates from market to 2%, in order to provide housing to low income individuals. The MHRC properties are subsidized for mortgage interest and property taxes on a monthly basis.

## *4. Operating Deficiency Recoverable from (Excess Payable To) 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.

| | **2010** | 2009 |
|---|---|---|
| Operating deficiency recoverable from (excess payable to) MHRC | **$ (50,678)** | $ 55,102 |

### *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.

| | **2010** | 2009 |
|---|---|---|
| Allocation | | |
| Annual charge | **$ 283,632** | $ 283,632 |
| Security and safety - maintenance and repairs charge | **-** | 110,000 |
| Flooring and painting - maintenance and repairs charge | **49,369** | - |
| | **$ 333,001** | $ 393,632 |
| Year end balance | | |
| Cash | **$ 26,105** | $ (436,379) |
| Canadian Treasury Bills, Bonds and Guaranteed Investment Certificates | **3,629,553** | 4,008,482 |
| | **$ 3,655,658** | $ 3,572,103 |

### *6. Capital Assets*

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | Cost | Accumulated Amortization |
| Rental properties | **$ 39,803,094** | **$ 10,298,739** | $ 39,806,583 | $ 9,290,551 |
| Furniture and equipment | **201,742** | **200,049** | 201,742 | 196,663 |
| | **$ 40,004,836** | **$ 10,498,788** | $ 40,008,325 | $ 9,487,214 |
| Net book value | **$ 29,506,048** | | $ 30,521,111 | |

### *7. Cash and Line of Credit*

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. Included in cash, the corporation has utilized $72,392 of this line of credit as at March 31, 2010 (2009 - $299,382).

### *8. Forgivable Loans*

| | **2010** | 2009 |
|---|---|---|
| Forgivable loans | **$ 1,999,760** | $ 2,180,746 |
| Less: current portion | **174,986** | 180,986 |
| | **$ 1,824,774** | $ 1,999,760 |

WHRC has entered into various forgivable loan agreements with MHRC under various programs. These loans are forgivable over a period of fifteen years period, 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.

### *8. Forgivable Loans (continued)*

These loans will be forgiven for the years ended as follows:

| | | |
|---|---|---|
| March 31, | 2011 | $ 174,986 |
| | 2012 | 166,986 |
| | 2013 | 166,986 |
| | 2014 | 166,986 |
| | 2015 | 166,986 |
| | Thereafter | 1,156,830 |
| | | $ 1,999,760 |

### *9. Long-Term Debt*

| Lender | Interest Rate | Maturity Dates | **2010** | 2009 |
|---|---|---|---|---|
| Royal Bank of Canada | 4.64% | 2010 | **$ 8,060** | $ 11,666 |
| Assiniboine Credit Union | 2.75% - 6.50% | 2010-2013 | **301,344** | 311,919 |
| TD Canada Trust | 5.10% | 2017 | **803,895** | 822,307 |
| Canada Mortgage and Housing Corporation | 4.52% - 5.50% | 2017-2021 | **2,622,122** | 4,699,541 |
| Manitoba Housing and Renewal Corporation | 6.63% - 12.50% | - | **24,424,109** | 23,319,848 |
| | | | **28,159,530** | 29,165,281 |
| Less: current portion | | | **1,100,667** | 944,711 |
| | | | **$ 27,058,863** | $ 28,220,570 |

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.

The principal portion of long-term debt is repayable for the years ended as follows:

| | | |
|---|---|---|
| March 31, | 2011 | $ 1,100,667 |
| | 2012 | 1,198,155 |
| | 2013 | 1,301,636 |
| | 2014 | 1,419,036 |
| | 2015 | 1,548,702 |
| | Thereafter | 20,495,462 |
| | CMHC second mortgages | 1,095,872 |
| | | $ 28,159,530 |

### *10. WHRC Building and Acquisition Reserve*

The WHRC building and acquisition reserve consists 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 acquiring or building properties and adding them to WHRC's rental portfolio.

### *11. 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. In the current year, these funds were transferred to the WHRC Building and Acquisition Reserve.

### *12. Additional Information to Cash Flow Statement*

| | **2010** | 2009 |
|---|---|---|
| Cash is represented by: | | |
| Cash | **$ 1,555,469** | $ 1,400,896 |
| Restricted cash and deposits | **3,655,658** | 3,572,103 |
| | **$ 5,211,127** | $ 4,972,999 |
| Additional information: | | |
| Interest received | **$ 106,737** | $ 195,484 |
| Interest paid | **2,556,759** | 2,657,079 |

### *13. 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.

### *14. Financial Instruments*

The corporation has designated all of its financial instruments as held-for-trading which means that they are measured at fair value with gains or losses recognized in operations with the exception of the WHRC Rental and Development long-term debt which is classified as other liabilities and recorded at amortized cost. Due to the short-term nature of the following financial instruments held by the corporation, including cash, rents receivable, other receivables, grants receivable, subsidy due from CMHC, subsidy due from MHRC, operating deficiency recoverable from MHRC, restricted cash and deposits, accounts payable and accrued liabilities and accrued interest payable, the carrying values as presented in the financial statements are reasonable estimates of fair value. The carrying value of the long-term debt at the balance sheet date approximates the fair market value as represented by the present value of future cash flows given that the interest rate risk is protected by agreements with CMHC and MHRC. The carrying value of the WHRC Rental and Development long-term debt at the balance sheet date approximates the fair market value as represented by the present value of future cash flows. The carrying value of Winnipeg Partners in Housing Inc. long-term debt approximates the fair market value as represented by the present value of future cash flows. The carrying value of the forgivable loans approximates fair market value as management intends to fulfill the requirements of the loan forgiveness. It is management's opinion that the corporation is not exposed to significant interest rate, currency or credit risk arising from any of its financial instruments.

# WINNIPEG ENTERPRISES CORPORATION

## STATEMENT OF FINANCIAL POSITION

*As at December 31*
*(unaudited)*

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Cash | **$ 126,121** | $ 180,394 |
| Due from City of Winnipeg (Note 3) | **3,239,136** | 3,972,525 |
| | **$ 3,365,257** | $ 4,152,919 |
| ***LIABILITIES*** | | |
| Due to City of Winnipeg - General Revenue Fund (Note 4) | **$ 768,153** | $ 1,167,841 |
| Accounts payable and accrued liabilities | **4,600** | 4,600 |
| Debt (Note 5) | **988,614** | 1,273,674 |
| | **1,761,367** | 2,446,115 |
| ***NET ASSETS*** | **1,603,890** | 1,706,804 |
| | **$ 3,365,257** | $ 4,152,919 |

*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)*

| | **2010** | 2009 |
|---|---|---|
| ***REVENUES*** | | |
| Entertainment funding tax - Winnipeg Football Club (Note 6) | **$ 708,650** | $ 683,093 |
| Other | **-** | 118 |
| | **708,650** | 683,211 |
| ***EXPENSES*** | | |
| Write-off of long-term receivable (Note 3) | **733,389** | 733,390 |
| Interest on debt and other finance charges | **77,876** | 97,683 |
| Professional fees | **299** | 295 |
| | **811,564** | 831,368 |
| ***NET LOSS FOR THE YEAR*** | **(102,914)** | (148,157) |
| ***NET ASSETS - BEGINNING OF YEAR*** | **1,706,804** | 1,854,961 |
| ***NET ASSETS - END OF YEAR*** | **$ 1,603,890** | $ 1,706,804 |

*See accompanying notes to the financial statements*

# WINNIPEG ENTERPRISES CORPORATION

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(unaudited)*

### *1. Entity Definition and Wind-Up of Operations*

Winnipeg Enterprises Corporation ("the Corporation") 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, the Corporation has wound-down its operations and is being managed by The City of Winnipeg ("the City"), its sole director. The City has assumed all remaining and prospective debt and liabilities of the Corporation.

### *2. Significant Accounting Policies*

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

**Financial instruments**

Financial instruments include cash, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, debt and an interest rate swap on 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 its 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 City of Winnipeg*

The due from City of Winnipeg represents the net book value of the property and equipment that was owned by the Corporation and transferred to the City based on the assignment agreement dated June 1, 2004 between the City, the Corporation and the Winnipeg Football Club ("WFC"). 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.

### *4. Due to City of Winnipeg - General Revenue Fund*

The City 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" 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, 2010 effective interest rate was 0.9% (2009 - 0.2%).

***5. Debt***

| | **2010** | 2009 |
|---|---|---|
| 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 $70,833 plus interest | **$ 988,614** | $ 1,273,674 |

Credit facility A is secured by a limited guarantee from the City of Winnipeg of $7,650,000.

***6. Entertainment Funding Tax - Winnipeg Football Club***

On May 18, 2005, City Council approved the amendment to the Canad Inns Stadium lease with the Corporation. The amendment included a provision which allows the City to use the entertainment funding tax, which relates to one pre-season game and nine regular season games, to first repay the remaining amount invested by the Corporation in the WFC by way of income debentures totalling $1,194,000. This has been repaid in its entirety. Thereafter, this entertainment funding tax will be used to reduce the debt in the Corporation associated with WFC, which totalled approximately $3,265,244 as at December 31, 2004. The unamortized amount of this debt, based on an interest rate of 5% net of the entertainment funding tax applied against the debt, as at December 31, 2010 is $1,689,364 (2009 - $2,281,299).

On December 15, 2010, City Council approved an amendment to the Economic Development Initiative for the re-development of the existing Stadium site and the new Stadium development at the University of Manitoba. All the entertainment funding tax remitted to the City in relation to the new Stadium will be used to repay this debt. Once the debt has been repaid, the entertainment funding tax on regular season and exhibition Blue Bomber football games will be used as follows:

- The first $2.0 million shall be paid by WFC to BBB Stadium Inc. ("BBB") to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC;
- The next $0.5 million shall be paid by WFC to BBB to be applied by BBB to a Stadium Capital Fund; and
- The balance, if any, shall be paid by WFC to BBB to be applied by BBB to pay down the outstanding balance of the Provincial loan required to be repaid by WFC.

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*December 31*

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current Assets | | |
| Restricted cash (Note 3) | **$ 37,620** | $ 223,065 |
| Accounts receivable (Note 4) | **4,114,442** | 1,392,007 |
| Prepaid expenses | **11,106** | 14,812 |
| Property held for resale (Note 5) | **2,785,242** | 1,356,744 |
| Current portion of mortgages receivable (Note 6) | **693,957** | 509,087 |
| Current portion of loans receivable (Note 7) | **1,014,847** | 2,231,513 |
| | **8,657,214** | 5,727,228 |
| Mortgages receivable (Note 6) | **928,594** | 986,447 |
| Loans receivable (Note 7) | **3,069,971** | 3,528,664 |
| Capital assets (Note 8) | **4,634,342** | 2,452,384 |
| | **$ 17,290,121** | $ 12,694,723 |
| ***LIABILITIES AND NET ASSETS*** | | |
| Current Liabilities | | |
| Bank indebtedness (Note 2) | **$ 482,383** | $ 76,692 |
| Accounts payable and accrued liabilities | **634,976** | 742,768 |
| Holdbacks payable (Note 3) | **37,620** | 223,065 |
| Deferred grant revenue (Note 9) | **746,617** | 432,661 |
| Current portion of long-term debt (Note 10) | **148,908** | - |
| | **2,050,504** | 1,475,186 |
| Long-term debt (Note 10) | **4,449,880** | - |
| | **6,500,384** | 1,475,186 |
| Commitments and contingencies (Note 11) | | |
| ***NET ASSETS*** | | |
| Invested in capital assets (Note 14) | **1,138,137** | 1,738,035 |
| General | **97,000** | 97,000 |
| Urban Development Bank | **9,554,600** | 9,384,502 |
| | **10,789,737** | 11,219,537 |
| | **$ 17,290,121** | $ 12,694,723 |

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

*For the year ended December 31*

| | **Invested in Capital Assets** | **General** | **Urban Development Bank** | **Total 2010** | Total 2009 |
|---|---|---|---|---|---|
| Balance, beginning of year | **$ 1,738,035** | **$ 97,000** | **$ 9,384,502** | **$ 11,219,537** | $ 12,212,653 |
| Excess (deficiency) of revenue over expenditures for the year | **(129,645)** | **110,113** | **(410,268)** | **(429,800)** | (993,116) |
| Fund transfers | **-** | **(110,113)** | **110,113** | **-** | - |
| Net change in invested in capital assets | **(470,253)** | **-** | **470,253** | **-** | - |
| Balance, end of year | **$ 1,138,137** | **$ 97,000** | **$ 9,554,600** | **$ 10,789,737** | $ 11,219,537 |

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF OPERATIONS

*For the year ended December 31*

| | 2010 | | | 2009 |
|---|---|---|---|---|
| | General | Urban Development Bank | Total | Total |
| ***Revenue*** | | | | |
| Grant | | | | |
| City of Winnipeg | **$ 100,000** | **$ -** | **$ 100,000** | $ 100,000 |
| Designated grants | **-** | **217,616** | **217,616** | 880,721 |
| Interest | **519,366** | **-** | **519,366** | 466,554 |
| Commissions and development fees | **258,382** | **-** | **258,382** | 188,492 |
| Rental | **22,116** | **190,178** | **212,294** | 29,527 |
| Sale of properties | **-** | **1,759,684** | **1,759,684** | 543,318 |
| | **899,864** | **2,167,478** | **3,067,342** | 2,208,612 |
| ***Expenditures*** | | | | |
| Administration | **653,534** | **-** | **653,534** | 611,206 |
| Amortization | **71,485** | **58,160** | **129,645** | 62,324 |
| Bank charges and interest | **25,479** | **-** | **25,479** | 839 |
| Interest on long-term debt | **-** | **15,335** | **15,335** | - |
| Cost of properties | **-** | **2,072,537** | **2,072,537** | 1,260,411 |
| Grants paid out | | | | |
| Designated revenues | **-** | **217,616** | **217,616** | 865,834 |
| General | **-** | **-** | **-** | 4,000 |
| Insurance | **9,828** | **-** | **9,828** | 11,075 |
| Office | **60,899** | **-** | **60,899** | 64,404 |
| Professional fees | | | | |
| Contract management | **-** | **21,317** | **21,317** | 108,518 |
| IT and other | **9,006** | **-** | **9,006** | 15,527 |
| Accounting, legal and transaction costs | **17,781** | **97,342** | **115,123** | 114,498 |
| Marketing | **11,724** | **17,355** | **29,079** | 35,588 |
| Project development | **-** | **80,340** | **80,340** | 26,952 |
| Property rental | **-** | **44,404** | **44,404** | 9,622 |
| Public destinations | **1,500** | **-** | **1,500** | 5,930 |
| Community investment | **-** | **11,500** | **11,500** | 5,000 |
| | **861,236** | **2,635,906** | **3,497,142** | 3,201,728 |
| **Excess (deficiency) of revenue over expenditures for the year** | **$ 38,628** | **$ (468,428)** | **$ (429,800)** | $ (993,116) |
| **Allocated to:** | | | | |
| General | **$ 110,113** | **$ -** | **$ 110,113** | $ 30,074 |
| Urban Development Bank | **-** | **(410,268)** | **(410,268)** | (960,866) |
| Invested in capital assets | **(71,485)** | **(58,160)** | **(129,645)** | (62,324) |
| **Excess (deficiency) of revenue over expenditures for the year** | **$ 38,628** | **$ (468,428)** | **$ (429,800)** | $ (993,116) |

*The accompanying summary of significant accounting policies and notes are an integral part of these financial statements*

# CENTREVENTURE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended December 31*

| | **2010** | 2009 |
|---|---|---|
| ***CASH FLOWS FROM OPERATING ACTIVITIES*** | | |
| Excess (deficiency) of revenue over expenditures for the year | **$ (429,800)** | $ (993,116) |
| Adjustments for: | | |
| Amortization of capital assets | **129,645** | 62,324 |
| Gain on disposal of properties | **(879,626)** | - |
| Accrued interest on mortgages | **1,885** | 4,846 |
| Accrued interest on loans receivable | **2,051** | (18,595) |
| | **(1,175,845)** | (944,541) |
| Changes in non-cash working capital balances | | |
| Accounts receivable | **(2,722,435)** | 1,678,052 |
| Prepaid expenses | **3,706** | (2,541) |
| Property held for resale | **(1,428,498)** | 761,044 |
| Accounts payable and accrued liabilities | **(107,792)** | (464,178) |
| Holdbacks payable | **(185,445)** | 200,577 |
| Deferred grant revenue | **313,956** | (880,720) |
| | **(4,126,508)** | 1,292,234 |
| | **(5,302,353)** | 347,693 |
| ***CASH FLOWS FROM INVESTING ACTIVITIES*** | | |
| Purchase of capital assets | **(3,181,977)** | (1,528,601) |
| Proceeds on sale of capital assets | **1,750,000** | - |
| Advances of mortgages receivable | **(433,283)** | (149,991) |
| Receipts from mortgages receivable | **304,381** | 687,725 |
| Advances of loans receivable | **(562,438)** | (3,885,116) |
| Receipts from loans receivable | **2,235,746** | 669,888 |
| | **112,429** | (4,206,095) |
| ***CASH FLOWS FROM FINANCING ACTIVITIES*** | | |
| Proceeds from long-term debt | **4,598,788** | - |
| **Decrease in cash and cash equivalents during the year** | **(591,136)** | (3,858,402) |
| **Cash and cash equivalents**, beginning of year | **146,373** | 4,004,775 |
| **Cash and cash equivalents**, end of year | **$ (444,763)** | $ 146,373 |
| **Comprised of** | | |
| Bank indebtedness | **$ (482,383)** | $ (76,692) |
| Restricted cash | **37,620** | 223,065 |
| | **$ (444,763)** | $ 146,373 |

*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

*For the year ended December 31, 2010*

### Principles of Consolidation

These consolidated financial statements include the accounts of CentreVenture Development Corporation ("corporation") and its wholly-owned subsidiary Centre Village Housing Inc., which operate under common management. Intra-company and inter-company transactions and balances have been eliminated upon consolidation.

### 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 was initiated in 1999 through a contribution by the City of Winnipeg. Funds are 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 assets of the Urban Development Bank are invested in loans, receivables and property held for development.

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. A transaction fee is levied by the corporation on these sales.

### 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:

**Special Projects - Restricted Funding Arrangements (continued)**

**Province of Manitoba:**

**North Main Economic Development Program Grant**
The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

**City of Winnipeg:**

**Downtown Housing Strategy**
The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

**City of Winnipeg:**

**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 CentreVenture Development Corporation utilizes various financial instruments. Unless otherwise noted, it is management's opinion that the CentreVenture Development Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments and the carrying amounts approximate fair values.

All transactions related to financial instruments are recorded on a settlement date basis.

The CentreVenture Development Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The CentreVenture Development Corporation's accounting policy for each category is as follows:

**Financial Instruments (continued)**

| Asset/Liability | Category | Measurement |
|---|---|---|
| Restricted cash | Held for trading | Fair value |
| Accounts receivable | Loans and receivables | Amortized cost |
| Mortgages receivable | Loans and receivables | Amortized cost |
| Loans receivable | Loans and receivables | Amortized cost |
| Bank indebtedness | Held for trading | Fair value |
| Accounts payable and accrued liabilities | Other financial liabilities | Amortized cost |
| Long-term debt | Other financial liabilities | Amortized cost |
| Holdbacks payable | Other financial liabilities | Amortized cost |

- Held for trading items are carried at fair value, with changes in their fair value recognized in the statement of operations.

- Other financial liabilities are carried at amortized cost, using the effective interest method.

- Loans and receivables are carried at amortized cost, using the effective interest rate method, less any provision for impairment.

Transaction costs are expensed as incurred.

**Capital Assets**

Purchased capital assets are recorded at cost less accumulated amortization. Amortization is provided for on a straight-line basis in accordance with the following estimated useful life of the assets:

| | |
|---|---|
| Building | 25 years |
| Computer equipment | 3 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | 3 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.

**New Accounting Pronouncements**

Recent accounting pronouncements that have been issued but are not yet effective, and have a potential implication for the corporation, are as follows:

Accounting Standards for Not-for-Profit Organizations (NPO)

In December 2010, the Accounting Standards Board (AcSB) and the Public Sector Accounting Board (PSAB) issued new standards for not-for-profit organizations (NPOs) as follows:

Government (public sector) NPOs they have a choice of:

1. Public Sector Accounting Standards with the current series of NPO-specific standards added with some minor changes; or

2. Public Sector Accounting standards.

The Boards require NPOs to adopt their respective standards for year ends beginning on or after January1, 2012; early adoption is allowed. Until the date of transition to the new standards, all NPOs will continue to follow the current Canadian Institute of Chartered Accountants Handbook - Accounting Part V - Pre-Changeover Standards.

# CENTREVENTURE DEVELOPMENT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended December 31, 2010*

### *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. The corporation is exempt from income tax by virtue of p. 149(1)(e) of the Income Tax Act. The corporation files a corporate tax return and a non-profit organization information return annually as required by the Canada Revenue Agency.

### *2. Cash and Bank/Bank Indebtedness*

The corporation has an approved operating line of credit with the Royal Bank of Canada to a maximum amount of $10,400,000. The line of credit bears interest at Royal Bank prime rate minus 0.75% per annum and is secured by an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000 and a general security agreement on all personal property of the corporation. As at December 31, 2010, the line of credit had a balance owing of $557,876 (2009 - $nil). The bank indebtedness of $214,432 at December 31, 2009 was owed to another financial institution.

### *3. Restricted Cash/Holdbacks Payable*

The corporation has a holdback account that is jointly controlled with one of its contractors for a specific project.

### *4. Accounts Receivable*

| | **2010** | 2009 |
|---|---|---|
| Land sale receivable | **$ 1,750,000** | $ - |
| Central Park Project | **1,564,497** | 918,138 |
| Other | **750,232** | 350,487 |
| GST receivable | **49,713** | 123,382 |
| | **$ 4,114,442** | $ 1,392,007 |

### *5. 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. The land inventory available under the asset agreement has been substantially depleted.

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:

## 5. *Property Held for Resale (continued)*

| | 2010 | 2009 |
|---|---|---|
| Property for sale | **$ 2,780,101** | $ 1,352,891 |
| Property development costs | **5,141** | 3,853 |
| | **$ 2,785,242** | $ 1,356,744 |

## 6. *Mortgages Receivable*

| | 2010 | 2009 |
|---|---|---|
| Mortgages receivable | **$ 1,636,462** | $ 1,507,560 |
| Accrued interest receivable | **6,089** | 7,974 |
| Allowance for doubtful loans | **(20,000)** | (20,000) |
| | **1,622,551** | 1,495,534 |
| Current portion of mortgages receivable | **693,957** | 509,087 |
| | **$ 928,594** | $ 986,447 |

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 of Canada's prime rate of lending at the time of loan disbursement.

Mortgage principal receipts are expected as follows:

| | |
|---|---|
| 2011 | **$ 693,957** |
| 2012 | **592,889** |
| 2013 | **141,636** |
| 2014 | **44,889** |
| 2015 | **163,091** |
| Accrued interest | **6,089** |
| | **1,642,551** |
| Allowance | **(20,000)** |
| | **$ 1,622,551** |

The above schedule lists the expected receipts based on mortgages maturing during the year. Negotiations to renew mortgages may occur as terms expire throughout 2011.

## 7. *Loans Receivable*

| | 2010 | 2009 |
|---|---|---|
| Loans receivable | **$ 4,183,822** | $ 5,857,127 |
| Accrued interest receivable | **30,996** | 33,050 |
| Allowance for doubtful loans | **(130,000)** | (130,000) |
| | **4,084,818** | 5,760,177 |
| Current portion of loans receivable | **1,014,847** | 2,231,513 |
| | **$ 3,069,971** | $ 3,528,664 |

## *7. Loans Receivable (continued)*

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 5.0% to 8.5%, are both fixed and variable in reference to the bank of Canada's prime rate of lending at the time of loan disbursement.

Loan principal receipts are expected as follows:

| | |
|---|---|
| 2011 | **$ 1,014,847** |
| 2012 | **740,984** |
| 2013 | **445,660** |
| 2014 | **376,850** |
| 2015 | **299,960** |
| Thereafter | **1,305,521** |
| Accrued interest | **30,996** |
| | **4,214,818** |
| Allowance | **(130,000)** |
| | **$ 4,084,818** |

The above schedule lists the expected receipts based on loans maturing during the year. Negotiations to renew loans may occur as terms expire throughout 2011.

## *8. Capital Assets*

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated Amortization** | Cost | Accumulated Amortization |
| Land | **$ -** | **$ -** | $ 870,374 | $ - |
| Building | **4,226,719** | **29,593** | 611,029 | - |
| Computer equipment | **97,728** | **78,770** | 70,704 | 66,265 |
| Furniture and fixtures | **106,200** | **26,687** | 26,037 | 18,836 |
| Leasehold improvements | **521,059** | **182,314** | 347,610 | 102,618 |
| Construction in progress | **-** | **-** | 714,349 | - |
| | **$ 4,951,706** | **$ 317,364** | $ 2,640,103 | $ 187,719 |
| Net book value | **$ 4,634,342** | | $ 2,452,384 | |

## *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.

### *9. Deferred Grant Revenue (continued)*

Deferred grant revenue for externally restricted projects during the year is as follows:

| | **2010** | 2009 |
|---|---|---|
| Gail Parvin Hammerquist 2004 | **$ 5,747** | $ 136,869 |
| Gail Parvin Hammerquist 2005 | **-** | 35,544 |
| Gail Parvin Hammerquist 2006/2007 | **150,050** | 184,750 |
| Gail Parvin Hammerquist 2008 | **67,898** | 72,898 |
| Gail Parvin Hammerquist 2009 | **520,322** | - |
| North Main Economic Development Program Grant | **2,600** | 2,600 |
| | **$ 746,617** | $ 432,661 |

### *10. Long-term Debt*

| | **2010** | 2009 |
|---|---|---|
| Royal Bank of Canada Insurance, term loan payable at the fixed rate of 4.47%, due October 2025, blended yearly payments of $241,597, secured by a general security agreement constituting a first ranking security interest in all personal property, and an unconditional and irrevocable guarantee signed by the City of Winnipeg in the amount of $13,000,000. | **$ 2,602,583** | $ - |
| Mortgage payable at the rate of 4.59%, due January 2015, blended monthly payments of $9,565, the balance is unsecured. | **1,996,205** | - |
| | **4,598,788** | - |
| Current portion of long-term debt | **148,908** | - |
| | **$ 4,449,880** | $ - |

Principal repayments for the next five years and thereafter are as follows:

| | |
|---|---|
| 2011 | **$ 148,908** |
| 2012 | **155,617** |
| 2013 | **162,627** |
| 2014 | **169,952** |
| 2015 | **2,043,959** |
| Thereafter | **1,917,725** |
| | **$ 4,598,788** |

### *11. Commitments and Contingencies*

The corporation has made commitments for grants that had not been disbursed by the December 31, 2010 year end in the approximate amount of $941,737 (2009 - $1,003,166).

The corporation has made commitments for loans that had not been disbursed by the December 31, 2010 year end in the approximate amount of $1,309,221 (2009 - $134,221).

The corporation has made commitments for property development and property purchases with the maximum amount committed to be $nil (2009 - $2,686,001) pending the recipient's ability to meet the requirements of the agreement.

### *11. Commitments and Contingencies (continued)*

The corporation has made commitments for leases for the next three years as follows:

| | |
|---|---|
| 2011 | **$ 21,050** |
| 2012 | **21,050** |
| 2013 | **21,050** |
| 2014 | **1** |
| 2015 | **1** |

### *12. Related Party Transactions*

The following table summarizes the corporation's related party transactions for the year:

| | **2010** | 2009 |
|---|---|---|
| ***REVENUE*** | | |
| City of Winnipeg (parent) - operating grant | **$ 100,000** | $ 100,000 |
| City of Winnipeg (parent) - miscellaneous | **20,125** | 21,320 |
| ***SELLING, GENERAL AND ADMINISTRATIVE EXPENSES*** | | |
| City of Winnipeg (parent) - Property taxes | **105,376** | 68,166 |
| City of Winnipeg (parent) - Property purchases | **-** | 1 |
| City of Winnipeg (parent) - Cost of Land | **-** | 50,000 |
| ***OTHER*** | | |
| City of Winnipeg (parent) - Assigned Heritage Tax Credits applied against loans receivable | **232,919** | 222,598 |

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).

### *13. Capital Management*

The corporation has managed its capital according to the plan approved by the City of Winnipeg for the 2008 to 2010 period. That plan contained the following principles:

- Each year's operations are budgeted on a break-even basis, so that the corporation's equity over the long-term neither grows nor diminishes on account of annual operations.

- The corporation's invested equity includes the land included in "invested in capital assets", as well as its general net assets and the balance of the Urban Development Bank. The corporation uses some of this equity to make community investments in the revitalization of Winnipeg's downtown. The approved plan called for equity of $12 million at the start of the period to be reduced by these investments. At December 31, 2010, the equity level was $10.8 million.

The corporation is in discussions with the City of Winnipeg on its business plan for the 2011 to 2013 period. That plan, which will include continuing community investments, will, once approved, set out the corporation's operational and capital management plan for the next three year period.

### *14. Invested in Capital Assets*

| | **2010** | 2009 |
|---|---|---|
| a) Investment in capital assets is calculated as follows: | | |
| Capital assets | **$ 4,634,342** | $ 2,452,384 |
| Amounts to be financed by | | |
| Approved grants and mortgage advances | **3,496,205** | 714,349 |
| | **$ 1,138,137** | $ 1,738,035 |

### *14. Invested in Capital Assets (continued)*

b) Change in net assets invested in capital assets is calculated as follows:

| | **2010** | 2009 |
|---|---|---|
| Deficiency of revenue over expenditures | | |
| Amortization of capital assets | **$ (129,645)** | $ (62,324) |
| Net changes in investment in capital assets | | |
| Purchase of capital assets | **$ 3,181,977** | $ 1,528,601 |
| Disposal of assets | **(870,374)** | - |
| Amounts to be funded | | |
| Approved grants and mortgage advances | **(2,781,856)** | (714,349) |
| | **$ (470,253)** | $ 814,252 |

### *15. 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.

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF OPERATIONS

*Year ended December 31*

| | **2010** | 2009 (Note 12) |
|---|---|---|
| ***REVENUES*** | | |
| City of Winnipeg | **$ 4,032,552** | $ 4,032,552 |
| Arts Development | **19,571** | 74,772 |
| Winnipeg Foundation | **17,500** | 17,500 |
| Other income | **12,450** | - |
| Interest income | **11,093** | 4,720 |
| | **4,093,166** | 4,129,544 |
| ***EXPENSES*** | | |
| Program expenses (Schedule of Expenses) | **3,561,126** | 3,776,342 |
| Administrative expenses (Schedule of Expenses) | **282,647** | 344,850 |
| | **3,843,773** | 4,121,192 |
| ***OTHER PROJECTS*** | | |
| Cultural Capital of Canada revenues | | |
| Contributions | **1,390,322** | 36,525 |
| City of Winnipeg | **150,000** | - |
| Cultural Capital of Canada expenses | **(1,780,322)** | (36,525) |
| Public Art revenues | **309,929** | 432,700 |
| Public Art expenses (Schedule of Expenses) | **(309,929)** | (432,700) |
| | **(240,000)** | - |
| ***EXCESS OF REVENUES OVER EXPENSES BEFORE AMORTIZATION*** | **9,393** | 8,352 |
| ***AMORTIZATION*** | **(15,157)** | (19,231) |
| ***DEFICIENCY OF REVENUES OVER EXPENSES AFTER AMORTIZATION*** | **$ (5,764)** | $ (10,879) |

*See accompanying notes to the financial statements*

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF CHANGES IN NET ASSETS

*Year ended December 31*

| | Unrestricted | Invested in Capital Assets | Internally Restricted | **Total 2010** | Total 2009 (Note 12) |
|---|---|---|---|---|---|
| Net assets, beginning of year | | | | | |
| As previously reported | $ 957,490 | $ 100,027 | $ 271,470 | **$ 1,328,987** | $ 1,323,597 |
| Prior period adjustment (Note 6) | (957,490) | - | (39,825) | **(997,315)** | (981,046) |
| As restated | - | 100,027 | 231,645 | **331,672** | 342,551 |
| Excess (deficiency) of revenues over expenses | 9,393 | (15,157) | - | **(5,764)** | (10,879) |
| Transfers (Note 7) | 32,994 | 3,960 | (36,954) | **-** | - |
| Net assets, end of year | $ 42,387 | $ 88,830 | $ 194,691 | **$ 325,908** | $ 331,672 |

*See accompanying notes to the financial statements*

# WINNIPEG ARTS COUNCIL INC.

## STATEMENT OF FINANCIAL POSITION

*December 31*

| | **2010** | 2009 (Note 12) |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 59,550** | $ 37,230 |
| Term deposits | **1,446,000** | 1,402,993 |
| Receivables | **27,332** | 3,872 |
| GST receivable | **19,529** | 12,075 |
| Prepaid expenses | **3,475** | 4,636 |
| | **1,555,886** | 1,460,806 |
| Equipment and leasehold improvements (Note 3) | **88,830** | 100,027 |
| | **$ 1,644,716** | $ 1,560,833 |
| ***LIABILITIES*** | | |
| Current | | |
| Payables and accruals | **$ 46,590** | $ 37,129 |
| Grant holdbacks (Note 4) | **61,340** | 194,717 |
| Deferred contributions (Note 5) | **1,210,878** | 997,315 |
| | **1,318,808** | 1,229,161 |
| ***NET ASSETS*** | | |
| Unrestricted | **42,387** | - |
| Invested in Capital Assets | **88,830** | 100,027 |
| Internally Restricted (Note 9) | **194,691** | 231,645 |
| | **325,908** | 331,672 |
| | **$ 1,644,716** | $ 1,560,833 |

Commitment (Note 8)

*See accompanying notes to the financial statements*

# WINNIPEG ARTS COUNCIL INC.

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*

### *1. Nature of operations*

Winnipeg Arts Council Inc. (the Organization) funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

The Organization is an incorporated not-for-profit entity and is a registered charity under the Income Tax Act.

### *2. Summary of significant accounting policies*

The Organization follows accounting principles generally accepted in Canada in preparing its financial statements. The significant accounting policies used are as follows:

#### a) Equipment and leasehold improvements

Equipment and leasehold improvements are recorded at cost. The Organization provides for amortization using the following methods at rates designed to amortize the cost of the equipment and leasehold improvements over their estimated useful lives. The annual amortization rates and methods are as follows:

| | |
|---|---|
| Office equipment | 5 years Straight-line |
| Furniture and fixtures | 10 years Straight-line |
| Computer equipment | 3 years Straight-line |

Amortization of leasehold improvements is recorded over the term of the lease.

#### b) Revenue recognition

The Organization 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 estimated and collection is reasonably assured.

#### c) Accounting estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reported period. These estimates are reviewed periodically and are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

#### d) Financial instruments

The Organization's financial instruments consist of cash, term deposits, receivables, GST receivable, payables and accruals and grant holdbacks. Unless otherwise noted it is management's opinion that the Organization is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

### *3. Equipment and leasehold improvements*

| | Cost | Accumulated Amortization | 2010 Net Book Value | 2009 Net Book Value |
|---|---|---|---|---|
| Office equipment | **$ 6,574** | **$ 5,482** | **$ 1,092** | $ 2,447 |
| Furniture and fixtures | **27,013** | **9,703** | **17,310** | 20,012 |
| Leasehold improvements | **104,258** | **37,296** | **66,962** | 77,387 |
| Computer equipment | **24,477** | **21,011** | **3,466** | 181 |
| | **$ 162,322** | **$ 73,492** | **$ 88,830** | $ 100,027 |

### *4. Grant Holdbacks*

The Organization 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 are as follows:

| | 2010 | 2009 |
|---|---|---|
| Project grants | **$ 25,878** | $ 55,579 |
| Youth Arts Initiative | **16,400** | 7,700 |
| New Creations | **11,138** | 108,425 |
| Audience Development | **6,424** | 9,963 |
| Professional development | **1,500** | - |
| Operating grant | **-** | 8,500 |
| Downtown Festivals | **-** | 4,550 |
| | **$ 61,340** | $ 194,717 |

### *5. Deferred contributions*

Deferred contributions represent restricted funding and unspent externally restricted resources which relate to the subsequent year.

Public Art relates to the design and execution of particular artworks to be created in public areas of Winnipeg. The commissioning and installation of public art projects is a multi-year process. This project is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendation of juries selected by the Organization.

In 2009, Winnipeg was designated as the Cultural Capital of Canada 2010 by the department of Canadian Heritage. Various governments have committed funds in excess of two million dollars to the City for use by the Organization for community arts projects as designated and approved by Canadian Heritage.

***5. Deferred contributions (continued)***

| | 2010 | 2009 |
|---|---|---|
| Public Art | | |
| Balance, beginning of year | **$ 957,490** | $ 945,188 |
| Contributions | | |
| City of Winnipeg | **452,372** | 445,002 |
| Other | **84,364** | - |
| Allocation to Cultural Capital of Canada | **(508,352)** | - |
| Transferred to revenue | **(309,929)** | (432,700) |
| | **675,945** | 957,490 |
| Cultural Capital of Canada | | |
| Balance, beginning of year | **39,825** | - |
| Contributions | **1,767,078** | 76,350 |
| Allocation from Public Art | **508,352** | - |
| Transferred to revenue | **(1,780,322)** | (36,525) |
| | **534,933** | 39,825 |
| Increase during the year | **213,563** | 52,127 |
| Deferred contributions, beginning of year | **997,315** | 945,188 |
| Deferred contributions, end of year | **$ 1,210,878** | $ 997,315 |

The following provides a breakdown by project of the unexpended balance:

| | 2010 | 2009 |
|---|---|---|
| Public Arts Projects | | |
| Osborne Bridge | **$ 121,538** | $ 122,237 |
| Central Park | **120,438** | 138,700 |
| With Art: Community Arts Projects | **119,136** | 90,801 |
| Millennium Park Literary Fence | **95,953** | 92,200 |
| Community Gardens | **85,013** | 58,000 |
| BIZ Collaboration | **69,559** | 44,059 |
| Transit Project | **3,535** | 18,411 |
| Bishop Grandin Greenway | **2,508** | 2,508 |
| St. Boniface Museum | **290** | 1,616 |
| Artwork for a Major Street | **-** | 197,000 |
| Private-Public Collaboration | **-** | 64,246 |
| Playground Project | **-** | 42,000 |
| Public Education Program | **-** | 10,494 |
| La Maison des Artistes | **-** | 753 |
| Public Art Contingency | **57,975** | 74,465 |
| | **675,945** | 957,490 |
| Cultural Capital of Canada | **534,933** | 39,825 |
| | **$ 1,210,878** | $ 997,315 |

### *6. Prior period adjustment*

These financial statements include prior period adjustments for contributions previously disclosed as net asset balances instead of as deferred contributions in accordance with the deferral method of accounting for contributions. As a result, net asset balances were previously overstated and the deferred contributions balance was understated. The cumulative effect is a decrease to the 2010 opening net assets of $997,315 (2009 - $981,046) and an increase in deferred contributions of the same amount.

In addition, the 2009 statement of operations did not report Arts Development revenue of $74,772 and Arts Development expenses of $102,835, resulting in a decrease to excess of revenues over expenses of $28,063. The Arts Development program was previously recorded directly through internally restricted net assets.

### *7. Transfers*

In 2010, $3,960 (2009 - $Nil) was transferred from unrestricted net assets to invested in capital assets in order to fund cash outlays for capital asset acquisitions.

Additionally, $36,954 (2009 - $28,063) was transferred from internally restricted net assets to unrestricted net assets in order to fund the Arts Development program.

### *8. Commitment*

The Organization has entered into a lease agreement at an annual cost of $35,464 until March 31, 2012. Commencing April 1, 2012, the rent will increase annually by the Consumer Price Index. The lease expires in 2017.

### *9. Internally restricted net assets*

| | **2010** | 2009 |
|---|---|---|
| Cash flow assistance | **$ 100,000** | $ 100,000 |
| Future programs | **62,667** | 72,667 |
| Municipal Arts and Cultural Development | **32,024** | 58,978 |
| | **$ 194,691** | $ 231,645 |

The allocation for cash flow assistance 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.

The allocation for Future Programs is available for the development of new programs at the discretion of the Board of Directors.

The allocation to Municipal Arts and Cultural Development was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg.

### *10. Economic dependence*

The Organization is financially dependent upon an annual allocation from the City of Winnipeg.

### *11. Capital disclosure*

The Organization considers its capital to be the balance maintained in its unrestricted net assets. Capital is invested under the direction of the Board of Directors. The primary objective of the Organization is to invest its capital in a manner that will allow it to continue as a going concern and comply with its stated objectives. The Organization is not subject to any externally imposed requirements of its capital.

### *12. Comparative figures*

Certain comparative figures have been reclassified from those previously presented to conform to the presentation of the 2010 financial statements.

### *13. Statement of cash flows*

This statement has not been presented as management does not believe it provides additional meaningful information.

# WINNIPEG ARTS COUNCIL INC.

## SCHEDULE OF EXPENSES

*Year ended December 31*

| | 2010 | 2009 (Note 12) |
|---|---|---|
| ***PROGRAM EXPENSES*** | | |
| Operating grants | **$ 2,973,750** | $ 2,918,650 |
| Project grants | **227,281** | 193,294 |
| Individual artists grants | **150,000** | 153,300 |
| Professional development grants | **69,891** | 69,945 |
| Arts Development | **56,524** | 102,835 |
| Youth initiative grants | **46,000** | 45,000 |
| Jury honoraria and expenses | **17,357** | 11,800 |
| Translation services | **14,073** | 10,606 |
| Carol Shields Winnipeg Book Award | **6,250** | 6,250 |
| New Creations grants | **-** | 170,025 |
| Audience Development grants | **-** | 94,637 |
| | **$ 3,561,126** | $ 3,776,342 |
| ***ADMINISTRATIVE EXPENSES*** | | |
| Board and committee meetings | **$ 6,181** | $ 4,243 |
| Hospitality and promotion | **6,991** | 15,486 |
| Professional and consultant fees | **7,540** | 18,017 |
| Professional development, memberships and conferences | **4,355** | 12,554 |
| Rent | **41,076** | 35,675 |
| Salaries and benefits | **187,514** | 235,213 |
| Supplies and other office expenses | **23,750** | 18,492 |
| Telecommunications | **5,240** | 5,170 |
| | **$ 282,647** | $ 344,850 |
| ***PUBLIC ART EXPENSES*** | | |
| Administration | **$ 75,537** | $ 74,223 |
| Artists legal agreements | **-** | 3,079 |
| Artists proposal expenses | **22,642** | - |
| Artists' fees | **158,357** | 332,584 |
| Consultation | **9,504** | - |
| Jury honoraria and expenses | **13,810** | 7,308 |
| Public education | **22,611** | 11,046 |
| Research, planning and marketing | **7,468** | 4,460 |
| | **$ 309,929** | $ 432,700 |

*See accompanying notes to the financial statements*


WEST END LIBRARY
WELCOME
WEST END LIBRARY
West End Library
Hey Kids!

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF FINANCIAL POSITION

*December 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Current | | |
| Cash | **$ 13,414** | $ 748 |
| Guaranteed investment certificates | **-** | 10,160 |
| Accounts receivable, Aboriginal Youth Strategy Grant | **-** | 15,000 |
| Prepaid expenses | **225** | 225 |
| | **$ 13,639** | $ 26,133 |
| ***LIABILITIES AND NET ASSETS*** | | |
| Current | | |
| Accounts payable | **$ 230** | $ 901 |
| Library Advisory Committees (Note 5) | **63** | 215 |
| | **293** | 1,116 |
| ***NET ASSETS*** | | |
| General fund | **13,346** | 25,017 |
| | **$ 13,639** | $ 26,133 |

*The accompanying notes form an integral part of these financial statements*

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF OPERATIONS

*Year ended December 31, 2010*

| | 2010 | 2009 |
|---|---|---|
| ***REVENUE*** | | |
| City of Winnipeg operating grant | **$ 88,128** | $ 68,128 |
| Interest | **191** | 320 |
| Aboriginal Youth Strategy | **-** | 15,000 |
| | **88,319** | 83,448 |
| ***EXPENSES*** | | |
| Administration | **36,475** | 34,314 |
| Development and research | **6,255** | 3,065 |
| Promotion, advertising and community outreach | **10,677** | 9,193 |
| Sponsorship | **6,000** | 6,250 |
| Foundation donation | **15,000** | 15,000 |
| Aboriginal Youth Strategy | **15,886** | 15,000 |
| Laptop and accessories | **3,450** | - |
| Strategic Planning | **6,247** | - |
| | **99,990** | 82,822 |
| **Excess (deficiency) of revenue over expenses** | **$ (11,671)** | $ 626 |

*The accompanying notes form an integral part of these financial statements*

# WINNIPEG PUBLIC LIBRARY BOARD

## STATEMENT OF CHANGES IN NET ASSETS

*Year ended December 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| **Net assets, beginning of year** | **$ 25,017** | $ 24,391 |
| **(Deficiency) excess of revenues over expenditures** | **(11,671)** | 626 |
| **Net assets, end of year** | **$ 13,346** | $ 25,017 |

*The accompanying notes form an integral part of these financial statements*

# WINNIPEG PUBLIC LIBRARY BOARD

## NOTES TO THE FINANCIAL STATEMENTS

*Year ended December 31, 2010*

### *1. Nature of Operations*

The Winnipeg Public Library Board (the Board) was organized to provide the City of Winnipeg with the guidance with respect to improving the City's library system.

The Board was created by a by-law of the City of Winnipeg. As 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*

**Revenue recognition**

The organization recognizes revenues when they are earned, specifically when all the following conditions are met:

- there is clear evidence that an arrangement exists
- amounts are fixed or can be determined
- the ability to collect is reasonably assured.

**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 amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates are periodically reviewed and any adjustments necessary are reported in earnings in the period in which they become known. Actual results could differ from these estimates.

**Property, plant and equipment**

The organization has adopted the policy of writing off property, plant and equipment in the year of purchase. In the year ended December 31, 2010, the organization purchased a laptop and computer accessories for the treasurer's use.

### *3. Economic Dependence*

The organization is dependant on the City of Winnipeg as its primary source of revenue. Should this funding substantially change, management is of the opinion that continued viable operations would be doubtful.

### *4. Financial Instruments*

The organization's financial instruments consist of cash, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the organization 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.

### *5. Library Advisory Committees*

| | **2010** | 2009 |
|---|---|---|
| Trust Fund - Assiniboia | **$ -** | $ (25) |
| Trust Fund - City Centre | **(1)** | 120 |
| Trust Fund - EK - Transcona | **-** | - |
| Trust Fund - LS/WC | **1** | 120 |
| Trust Fund - Riel | **63** | - |
| | **$ 63** | $ 215 |

### *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.



# Other 2010 Detailed Financial Statements



PHOTO: Lance Thomson Photographic, courtesy Tourism Winnipeg



# 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 2010 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported a net loss of $2,337,000 for the year ended December 31, 2010 and a balance of deficit in the amount of $2,035,000 as at December 31, 2010.

The rates of interest earned by the Fund for the years 2001 to 2010 are shown below:

| | |
|---|---|
| 2001.....6.91% | 2006.....5.41% |
| 2002.....6.61% | 2007.....5.46% |
| 2003.....6.02% | 2008.....5.15% |
| 2004.....6.27% | 2009.....4.36% |
| 2005.....5.55% | 2010.....3.81% |

Changes in the sinking fund reserve during 2010 are summarized as follows. The total reserve for retirement of debenture debt increased to $329,561,000 as at December 31, 2010 (2009 - $310,683,000) of which $117,000,000 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,

**E. STEFANSON** Chairman

**J. L. FERRIER** Trustee

**N. THEODOROU** Trustee

**G. STESKI** Trustee

**L. DERRY** Secretary

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Investment in bonds and debentures (Schedule 1) | **$ 297,048** | $ 303,293 |
| Call loans - City of Winnipeg (Note 3) | **29,209** | 6,482 |
| Accrued interest receivable | **3,945** | 3,886 |
| Cash | **7** | 6 |
| | **$ 330,209** | $ 313,667 |
| ***LIABILITIES, RESERVE AND SURPLUS*** | | |
| Accrued interest payable (Note 5) | **2,666** | 2,666 |
| Accrued liabilities | **17** | 16 |
| | **2,683** | 2,682 |
| Reserve for retirement of debenture debt (Note 6) | **329,561** | 310,683 |
| (Deficit) Surplus | **(2,035)** | 302 |
| | **$ 330,209** | $ 313,667 |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF LOSS

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

| | **2010** | 2009 |
|---|---|---|
| Interest income (Schedule 2) | **$ 15,835** | $ 20,975 |
| Interest requirements - debenture debt reserves | **(10,017)** | (12,957) |
| Interest requirements - Manitoba Hydro bonds (Note 5) | **(8,023)** | (9,405) |
| (Deficit) of interest earned under requirements | **(2,205)** | (1,387) |
| Administration expenses | **132** | 128 |
| Net loss for the year | **$ (2,337)** | $ (1,515) |

*See accompanying notes and schedules to the financial statements*

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

## STATEMENT OF (DEFICIT) SURPLUS

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

| | **2010** | 2009 |
|---|---|---|
| Balance, beginning of year | **$ 302** | $ 1,817 |
| Less: | | |
| Net loss for the year | **(2,337)** | (1,515) |
| Balance, end of year | **$ (2,035)** | $ 302 |

*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)*

| | **2010** | 2009 |
|---|---|---|
| Balance, beginning of year | **$ 310,683** | $ 403,786 |
| Add: | | |
| Installments - City of Winnipeg | **8,861** | 12,959 |
| Interest credited - debenture debt reserves | **10,017** | 12,957 |
| | **329,561** | 429,702 |
| Deduct: | | |
| Applied to debt redemption (Note 6) | **-** | 119,019 |
| Balance, end of year | **$ 329,561** | $ 310,683 |

*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, 2010*
*(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*

The Fund is not required to apply the following Sections of the Canadian Institute of Chartered Accountants (CICA) Handbook: 1530, 3855, 3862, 3863 and 3865 which would otherwise have applied to the financial statements of the Fund for the year ended December 31, 2010. The Fund has elected to use this exemption and applies the requirements of Section 3860 and Accounting Guideline 13 (AcG-13) of the CICA Handbook.

These financial statements have been prepared in accordance with Canadian GAAP. The significant accounting policies are summarized as follows:

**a) Bonds and debentures**

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

**b) Bond residues and coupons**

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

## *2. Significant Accounting Policies (continued)*

### e) Future accounting policies

The CICA has issued a new accounting framework applicable to Canadian private enterprises. Effective for fiscal years beginning on January 1, 2011, private enterprises will have to choose between International Financial Reporting Standards (IFRS) and GAAP for private enterprises, whichever suits them best. The Fund currently plans to adopt the new accounting standards for private enterprises for fiscal year beginning on January 1, 2011, and the impact of this transition has not yet been determined.

## *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, 2010 was 3.81% (2009 - 4.36%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2010 are as follows:

| Term To Maturity | Par Value | Book Value |
|---|---|---|
| Less than one year | $ 18,868 | $ 18,942 |
| Two to five years | 178,409 | 178,812 |
| Greater than five years | 99,309 | 99,294 |
| | $ 296,586 | $ 297,048 |

### 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, 2010 the Fund's maximum credit risk exposure at fair market value was $340,378.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits (rated A or higher) 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, 2010 amounted to $117,000 (2009 - $117,000).

**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*

As at December 31, 2010 the reserve for retirement of debenture debt is allocated towards Sinking Fund debentures as follows:

| Maturity Year | Amortized Cost | | | Maturity Value |
|---|---|---|---|---|
| | Hydro Portion | Other Purposes | Total | |
| 2013 | $ 10,000 | $ 73,445 | $ 83,445 | $ 100,000 |
| 2014 | 15,000 | 63,689 | 78,689 | 100,000 |
| 2015 | 12,000 | 59,261 | 71,261 | 100,000 |
| 2017 | 20,000 | 16,166 | 36,166 | 50,000 |
| 2029 | 60,000 | - | 60,000 | 60,000 |
| | $ 117,000 | $ 212,561 | $ 329,561 | $ 410,000 |

The amortized cost of the reserve for retirement of debenture debt is calculated using an assumed annual discount rate of 5% which was set by The City of Winnipeg in the applicable Sinking Fund Debenture By-laws.

As at December 31, 2010, the reserve for retirement of debenture debt includes $117,000 (2009 - $117,000) 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. Capital*

The Fund's objectives when managing capital are:

a) To pay The City of Winnipeg at or before the maturity of each respective sinking fund debenture all amounts collected by way of levy together with interest earned thereon.

b) To invest all levies received in accordance with the guidelines outlined in the Fund's Statement of Investment Policies & Procedures in order to maximize the investment return on the Fund within the allowable level of risk mandated by The City of Winnipeg Act.

The fund invests in securities with maturities which closely match the current sinking fund debenture maturity dates.

# THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

**Schedule 1**

## SCHEDULE OF INVESTMENTS

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

| | 2010 | | | | | 2009 | |
|---|---|---|---|---|---|---|---|
| | **Par Value** | **Market Value** | **%** | **Book Value** | **%** | Book Value | % |
| ***Investment in bonds and debentures*** | | | | | | | |
| Government of Canada and Government of Canada guaranteed | **$ 2,755** | **$ 2,933** | **1** | **$ 2,886** | **1** | $ 5,000 | 2 |
| Provincial and Provincial guaranteed (Notes 5 and 6) | **196,322** | **202,161** | **66** | **196,519** | **66** | 206,962 | 68 |
| Municipal | **86,009** | **90,032** | **29** | **86,128** | **29** | 61,848 | 20 |
| City of Winnipeg | **4,500** | **4,595** | **1** | **4,470** | **2** | 6,461 | 2 |
| Supranationals | **7,000** | **7,503** | **3** | **7,045** | **2** | 7,056 | 2 |
| | **$ 296,586** | **307,224** | **100** | **297,048** | **100** | 287,327 | 94 |
| ***Bond residues and coupons*** | | | | | | | |
| Government of Canada | | - | - | - | - | 15,966 | 6 |
| | | **$ 307,224** | **100** | **$ 297,048** | **100** | $ 303,293 | 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)*

| | **2010** | 2009 |
|---|---|---|
| Interest on bonds and debentures | **$ 15,833** | $ 18,706 |
| Income accrued - bond residues and coupons | **264** | 2,356 |
| Call fund interest | **158** | 155 |
| Securities lending income | **21** | 40 |
| Net bond (premium) discount amortization | **(441)** | (282) |
| | **$ 15,835** | $ 20,975 |



# THE CITY OF WINNIPEG
# SINKING FUND

## STATEMENT OF FINANCIAL POSITION

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

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Investment in bonds and debentures (Schedule 1) | **$ 7,936** | $ 4,662 |
| Call loans - General Revenue Fund (Note 3) | **194** | 327 |
| Accrued interest receivable | **116** | 102 |
| | **$ 8,246** | $ 5,091 |
| ***RESERVE*** | | |
| Reserve for retirement of debenture debt | **$ 8,246** | $ 5,091 |

*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 years ended December 31*
*(in thousands of dollars)*
*(unaudited)*

| | **2010** | 2009 |
|---|---|---|
| Balance, beginning of year | **$ 5,091** | $ 2,056 |
| Add: | | |
| Installments - Waterworks System | **2,836** | 2,836 |
| Interest income (Schedule 2) | **337** | 208 |
| | **8,264** | 5,100 |
| Deduct: | | |
| Transfer to General Revenue Fund - investment management fees | **18** | 9 |
| Balance, end of year | **$ 8,246** | $ 5,091 |

*See accompanying notes and schedules to the financial statements*

# THE CITY OF WINNIPEG
# SINKING FUND

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*
*(all tabular amounts are in thousands of dollars, unless otherwise noted)*
*(unaudited)*

### *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 in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

**a) Bonds and debentures**

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

**b) Bond residues and coupons**

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

### *3. Call Loans - General Revenue Fund*

Call loans represent short-term investments held by the General Revenue Fund which are callable by The City of Winnipeg Sinking Fund ("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, 2010 was 4.8% (2009 - 5.2%).

***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, 2010 are as follows:

| Term To Maturity | Par Value | Book Value |
|---|---|---|
| Greater than five years | $ 7,953 | $ 7,936 |

**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, 2010 the Fund's maximum credit risk exposure at fair market value was $8,855 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 INVESTMENTS

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

| | 2010 | | | | | 2009 | |
|---|---|---|---|---|---|---|---|
| | **Par Value** | **Market Value** | **%** | **Book Value** | **%** | **Book Value** | **%** |
| ***Investment in bonds and debentures*** | | | | | | | |
| Provincial and Provincial guaranteed | **$ 872** | **$ 1,045** | **12** | **$ 958** | **12** | $ 960 | 21 |
| City of Winnipeg | **5,081** | **5,358** | **63** | **4,897** | **62** | 3,702 | 79 |
| Other Municipalities | **2,000** | **2,142** | **25** | **2,081** | **26** | - | - |
| | **$ 7,953** | **$ 8,545** | **100** | **$ 7,936** | **100** | **$** 4,662 | 100 |

# THE CITY OF WINNIPEG
# SINKING FUND

**Schedule 2**

## SCHEDULE OF INTEREST INCOME

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

| | **2010** | 2009 |
|---|---|---|
| Interest on bonds and debentures | **$ 336** | $ 209 |
| Call fund interest | **1** | (1) |
| | **$ 337** | $ 208 |

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*March 31, 2010*

| | 2010 | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| CURRENT | | |
| Cash | **$ 803,125** | $ 947,975 |
| Restricted cash (Note 17) | **704,965** | - |
| Investments - held for trading (Notes 2, 3, 4) | **13,668,807** | 16,964,726 |
| Accounts receivable | **637,034** | 750,824 |
| Investment in property development (Note 3) | **1,400,000** | - |
| Inventory (Note 2) | **7,616** | 8,244 |
| Prepaid expenses | **386,749** | 439,596 |
| Current portion of loans receivable (Note 5) | **10,022** | 11,883 |
| | **17,618,318** | 19,123,248 |
| LOANS RECEIVABLE (Notes 5, 17) | **281,876** | 408,443 |
| CAPITAL ASSETS (Notes 2, 6) | **21,813,327** | 20,807,619 |
| INVESTMENT IN PROPERTIES | | |
| AND INFRASTRUCTURE ENHANCEMENTS (Note 8) | **55,680,546** | 57,346,829 |
| DEFERRED CHARGES (Note 2) | **162,500** | 212,500 |
| | **$ 95,556,567** | $ 97,898,639 |
| ***LIABILITIES*** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities (Note 17) | **$ 2,563,291** | $ 3,073,624 |
| Security deposits received | **56,342** | 55,632 |
| Deferred income | **166,540** | 37,296 |
| Current portion of long term debt (Note 12) | **287,786** | 272,031 |
| Current portion of obligations under capital lease (Note 13) | **203,143** | 206,368 |
| Loan payable (Note 1) | **1,711,636** | 1,711,636 |
| | **4,988,738** | 5,356,587 |
| LONG TERM DEBT (Note 12) | **12,379,803** | 12,667,589 |
| OBLIGATIONS UNDER CAPITAL LEASE (Notes 2, 13) | **533,634** | 789,542 |
| DEFERRED CONTRIBUTIONS (Notes 1, 2) | **18,996,077** | 21,014,469 |
| PREPAID LAND RENTS (Note 2) | **733,391** | 741,477 |
| | **37,631,643** | 40,569,664 |
| ***NET ASSETS*** | | |
| Share capital (Note 14) | **3** | 3 |
| Donated land equity (Notes 2, 11) | **8,000,000** | 8,000,000 |
| Contributed surplus (Note 1) | **39,310,266** | 39,310,266 |
| Net assets | **10,614,655** | 10,018,706 |
| | **57,924,924** | 57,328,975 |
| | **$ 95,556,567** | $ 97,898,639 |

CONTINGENT LIABILITY

COMMITMENTS (Note 16)

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF REVENUES AND EXPENDITURES AND NET ASSETS

*Year ended March 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| ***REVENUE*** | | |
| Parking | **$ 4,748,855** | $ 4,548,126 |
| The Forks Market | **1,784,368** | 1,808,551 |
| Lease and land rents | **1,296,356** | 1,291,486 |
| IMAX Theatre | **973,238** | 994,098 |
| Interest income | **529,204** | 696,039 |
| Rental | **364,267** | 366,290 |
| Sponsorship | **369,898** | 360,576 |
| Forks Site recoveries | **253,493** | 176,979 |
| Events | **82,119** | 82,359 |
| Miscellaneous | **62,514** | 40,926 |
| | **10,464,312** | 10,365,430 |
| ***EXPENDITURES*** | | |
| General and administration | **1,230,811** | 1,149,189 |
| Interest on long term debt | **721,540** | 736,932 |
| Investment fees | **106,775** | 159,685 |
| Marketing | **490,446** | 479,399 |
| Parking | **1,884,332** | 1,759,555 |
| Planning and development | **253,268** | 256,360 |
| Programs and events | **423,486** | 505,173 |
| Forks Site | **1,093,219** | 1,137,836 |
| Rental | **232,043** | 243,065 |
| Sponsorship | **74,314** | 126,669 |
| The Forks Market | **1,668,652** | 1,651,922 |
| IMAX Theatre | **1,181,567** | 1,349,247 |
| | **9,360,453** | 9,555,032 |
| ***INCOME FROM OPERATIONS*** | **1,103,859** | 810,398 |
| ***OTHER INCOME (EXPENSES)*** | | |
| Adjustments due to reclassification of loan receivable (Note 3) | **(51,409)** | - |
| Expense recovery | **214,068** | - |
| Adjustment of loan receivable to fair market value | **(30,803)** | - |
| Amortization (Note 15) | **(943,951)** | (1,182,852) |
| Waddell Fountain contribution | **(200,000)** | - |
| Canadian Museum for Human Rights donation | **(250,000)** | - |
| Unrealized and realized gains (losses) | **754,185** | (955,509) |
| | **(507,910)** | (2,138,361) |
| ***EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES*** | **595,949** | (1,327,963) |
| *NET ASSETS - BEGINNING OF YEAR* | **10,018,706** | 11,346,669 |
| ***NET ASSETS - END OF YEAR*** | **$ 10,614,655** | $ 10,018,706 |

# NORTH PORTAGE DEVELOPMENT CORPORATION

## CONSOLIDATED STATEMENT OF CASH FLOWS

*Year ended March 31, 2010*

| | **2010** | 2009 |
|---|---|---|
| ***OPERATING ACTIVITIES*** | | |
| Cash receipts from tenants and customers | **$ 10,223,769** | $ 9,846,534 |
| Cash paid to suppliers and employees | **(9,207,645)** | (7,350,865) |
| Interest received | **529,204** | 696,039 |
| Interest paid | **(828,459)** | (813,789) |
| Cash flow from operating activities | **716,869** | 2,377,919 |
| ***INVESTING ACTIVITIES*** | | |
| Purchase of capital assets and investments in properties and infrastructure enhancements | **(2,684,993)** | (2,542,870) |
| Loans receivable issued | **-** | (5,000) |
| Repayment of loan receivable | **7,564** | 21,718 |
| Investment in property development | **(1,000,000)** | - |
| Change in investments - held for trading | **3,994,543** | 1,119,402 |
| Cash flow from (used by) investing activities | **317,114** | (1,406,750) |
| ***FINANCING ACTIVITIES*** | | |
| Repayment of long term debt | **(272,031)** | (257,139) |
| Repayment of obligations under capital lease | **(201,837)** | (326,066) |
| Increase in restricted cash | **(704,965)** | - |
| Cash flow used by financing activities | **(1,178,833)** | (583,205) |
| ***INCREASE (DECREASE) IN CASH FLOWS*** | **(144,850)** | 387,964 |
| *CASH - BEGINNING OF YEAR* | **947,975** | 560,011 |
| ***CASH - END OF YEAR*** | **$ 803,125** | $ 947,975 |

# NORTH PORTAGE DEVELOPMENT CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*Year ended March 31, 2010*

### *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 Company is responsible for the continuing renewal, stewardship of and to attract patrons to 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 Plan for the North Portage site (1984), The Forks (1987) and the Concept & Financial Plan (2001), 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.

FNP Parking Inc. (FNP) was incorporated under the Corporations Act of Manitoba November 6, 2006 and commenced operations at that time. The corporation operates various parking locations in downtown Winnipeg and at The Forks.

The company is not subject to tax under provision 149(1)(d).

These financial statements have been prepared on the assumption that the Corporation is a going concern, will continue to operate for the foreseeable future and will realize its assets and discharge its liabilities in the normal course of operations.

**(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 and other funders, as noted below, was utilized to acquire capital assets.

| | |
|---|---|
| The Government of Canada's Special Capital Recovery Projects Program | $ 22,000,000 |
| The Province of Manitoba | 22,000,000 |
| The City of Winnipeg | 22,000,000 |
| Winnipeg Core Area Initiative - Program 7 | 5,000,000 |
| | $ 71,000,000 |

The funding has been allocated as follows:

| | **2010** | 2009 |
|---|---|---|
| Deferred contributions | **$ 11,565,241** | $ 12,381,805 |
| Amortization of deferred contributions recognized in income | **20,670,187** | 19,853,623 |
| 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:

| | **2010 (cumulative)** | 2009 (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. | **1,706,819** | 1,706,819 |
| CentreVenture Development Corporation | **510,696** | 510,696 |
| The Winnipeg Foundation | **150,000** | 150,000 |
| Energy Development Initiative | **25,000** | 25,000 |
| | **$ 52,249,852** | $ 52,249,852 |
| The funding has been allocated as follows: | | |
| Deferred contributions | **$ 7,430,836** | $ 8,632,664 |
| Amortization of deferred contributions recognized into income | **26,834,176** | 25,632,348 |
| Contributed surplus | **2,257,333** | 2,257,333 |
| Applied to operations | **15,727,507** | 15,727,507 |
| | **$ 52,249,852** | $ 52,249,852 |

**(c) North Portage Theatre Corporation**

NPTC includes the accounts of 3898211 Manitoba Ltd. Funding of NPTC was provided as follows:

| | | |
|---|---|---|
| Repayable loan - Manitoba Development Corporation | **$ 1,800,000** | $ 1,800,000 |
| Contributions from shareholders and other funders | | |
| North Portage Development Corporation | **1,800,000** | 1,800,000 |
| Destination Manitoba and the Canada-Manitoba (1985) tourism development agreement | **3,900,000** | 3,900,000 |
| | **$ 7,500,000** | $ 7,500,000 |

## *1. Description of Business (continued)*

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. Cumulative repayments to date have been $88,364.

At March 31, 2010, no demand had been made by Manitoba Development Corporation for the repayment of the loan.

## *2. Summary of Significant Accounting Policies*

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized below:

Changes in accounting policies

In June 2009, the CICA amended Section 3862, "Financial Instruments - Disclosures", to include additional disclosure relating to the fair value for financial instruments and liquidity risk. The amendment establishes a three level hierarchy that reflects the significance of the inputs used in fair value measurements on financial statements relating to fiscal years ending after September 30, 2009. These disclosures have been included in these financial statements.

Measurement uncertainty

The preparation of financial statements in conformity with Canadian generally accepted accounting principals requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Such estimates include providing for amortization of capital assets. Actual results could differ from these estimates.

Financial instruments

The Corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired or liability incurred. The Corporation's accounting policy for each category is as follows:

Assets held-for-trading

Financial instruments classified as assets held-for-trading are reported at fair value at each balance sheet date, and any change in fair value is recognized in excess (deficiency) of revenue over expenses in the period during which the change occurs. Transaction costs are expensed when incurred.

In these financial statements, cash, restricted cash, investment in property development and investments held for trading have been classified as held-for-trading.

Available-for-sale investments

Financial instruments classified as available-for-sale are reported at fair value at each balance sheet date, and any change in fair value is recognized in net assets in the period in which the change occurs. All transactions related to marketable securities are recorded on a settlement date basis.

In these financial statements, no items have been classified as available-for-sale.

## *2. Summary of Significant Accounting Policies (continued)*

Held-to-maturity investments

Financial instruments classified as held-to-maturity are financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. These assets are initially recorded at fair value and subsequently carried at amortized cost, using the effective interest rate method. Transaction costs are included in the amount initially recognized.

In these financial statements, no items have been classified as held-to-maturity.

Loans and receivables and other financial liabilities

Financial instruments classified as loans and receivables and other financial liabilities are carried at amortized cost using the effective interest method. Transaction costs are expensed when incurred.

In these financial statements accounts receivable and loans receivable have been classified as loans and receivables. Accounts payable and accrued liabilities, and long term debt have been classified as other financial liabilities.

Capital disclosures

The Corporation's capital consists of surplus, contributed surplus and donated land equity.

The Corporation's objective in managing capital is to safeguard its ability to continue as a going concern, in order to carry out its mission as described in Note 1.

The Corporation prepares a realistic budget each year, allocating expenses to revenue they expect to earn and funding it expects to receive for unrestricted operations.

An Investment policy is in place to guide the Corporation in the management of surplus funds. These guidelines ensure that capital is preserved, rates of return are maximized and funds are available as needed.

Restricted capital was segregated under the direction of the Shareholders and is disbursed towards projects approved by the Board of Directors. See note 5.

Consolidation policies

The consolidated financial statements include the financial statements of the Corporation and those of The Forks Renewal Corporation, FNP Parking Inc., and North Portage Theatre Corporation in which the Corporation holds a 100% interest.

Investments - held for trading

Investments in marketable securities are classified as held for trading and are stated at market values, unrealized gains and/or losses are recorded on the income statement.

Inventory

Inventory consists of food, beverage and theatre supplies and is valued at the lower of cost and net realizable value with the cost being determined on a weighted-average cost basis, with cost consisting of the purchase price and delivery costs of product.

## *2. Summary of Significant Accounting Policies (continued)*

Capital assets

Capital assets are recorded at cost. Depreciation 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 | 30% declining balance method |
| Parking improvements and equipment | 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 | 10 years straight-line method |
| Theatre equipment | 5-10 years straight-line method |
| | |
| The Forks site: | |
| Buildings | 40 years straight-line method |
| Parking structure | 40 years straight-line method |
| Roads and service | 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 |

Assets not included in the preceding list have been fully amortized.

Capital assets acquired during the year, but not placed into use, are not amortized until they are placed into use.

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. Leases which transfer substantially all the benefits and risk 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. Interest income is recognized when earned.

Foreign currency translation

Accounts in foreign currencies have been translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities have been translated at the year end exchange rate. Non-monetary assets have been translated at the rate of exchange prevailing at the date of transaction. Revenues and expenses have been translated at the average rates of exchange during the year, except for amortization, which has been translated at the same rate as the related assets.

Foreign exchange gains and losses on monetary assets and liabilities are included in the determination of earnings.

Future changes in significant accounting policies

The following accounting standards have been issued by the Canadian Institute of Chartered Accountants ("CICA") but are not yet effective. The Corporation is currently evaluating the effect of adopting these standards on their financial statements.

The Corporation prepares its financial statements in accordance with Canadian GAAP as defined by Canada's Accounting Standards Board (AcSB). The AcSB has announced its intention to converge Canadian GAAP with international financial reporting standards (IFRS) over a transition period ending October 2011.

Section 1625, "Comprehensive revaluation of assets and liabilities" has been amended as a result of issuing "Business combinations", Section 1582, "Consolidated financial statements", Section 1601, and "Non controlling interests", Section 1602, in January 2009. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. An entity adopting this Section for a fiscal year beginning before January 1, 2011 also adopts Section 1582.

Section 1582, "Business combinations" replaces Section 1581 effective for years beginning on or after January 1, 2011. The principal changes are: assets, liability and equity are recognized at full fair value rather than the acquirer's interest in the fair value; a bargain purchase resulting in negative goodwill is recognized as a gain in net income in the acquisition period.

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

Section 1601, "Consolidated financial statements" replaces Section 1600 effective for years beginning on or after January 1, 2011. The principal change are those reflecting the changes in new Section 1582 and the recognition of non controlling interest at fair value.

Section 1602, "Non controlling interests" effective for years beginning on or after January 1, 2011 in conjunction with Section 1582, "Business combinations", and Section 1601, "Consolidated financial statements", recognizes a non controlling interest at fair value in the equity Section of the balance sheet.

***3. Financial Instruments***

The Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3862, "Financial Instruments - Disclosures", requires disclosure of a three-level hierarchy for fair value measurements based upon the transparency of inputs into the valuation of financial instruments measured at fair value on the balance sheet.

The three levels are defined as follows:

Level 1 - inputs into the valuation methodology include quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - inputs to valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

As at March 31, 2010:

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Cash | $ 803,125 | $ - | $ - | $ 803,125 |
| Restricted cash | $ 704,965 | $ - | $ - | $ 704,965 |
| Investments - Held for trading | $ 13,644,585 | $ - | $ - | $ 13,644,585 |
| Accounts receivable | $ 637,034 | $ - | $ - | $ 637,034 |
| Investment in property development | $ - | $ - | $ 1,400,000 | $ 1,400,000 |
| Loans receivable | $ - | $ 291,898 | $ - | $ 291,898 |

INVESTMENT IN PROPERTY DEVELOPMENT

During the year, North Portage Development Corporation (NPDC) entered into an agreement with CentreVenture Inc. (A separate entity owned by the City of Winnipeg) to jointly market properties at 311 and 315 Portage Avenue.

NPDC contributed $1,000,000 in cash towards the project, along with the property at 315 Portage Avenue, valued by management to be $400,000. The original cost of 315 Portage Avenue and carrying costs capitalized since purchase were $447,281, and $47,281 has been included in the statement of operations as part of unrealized losses.

Because management's estimates are based on inputs, none of which is based on observable market data, the carrying value as at March 31, 2010 is based on a number of assumptions as to the fair value of the investment, including factors such as estimated cash flow scenarios and risk adjusted discount rates. The assumptions used in estimating the fair value of the investment are subject to change, which may result in further adjustment to operating results in the future.

***3. Financial Instruments (continued)***

LOANS RECEIVABLE

During the year ended March 31, 2008, a loan was advanced to the Canadian Hostelling Association Inc. in the amount of $300,000. The loan is non-interest bearing with no specific terms of repayment. The terms of the loan receivable stipulate that the loan must be paid back, by the earlier of grant funding or from the operating cash flows from the project and five years from the date of the advance. The loan is secured by a first charge mortgage against the leasehold interest of the Canadian Hostelling Association Inc.

Management has assessed the fair value of the loan receivable based on the assumption that the loan will not be paid until the 5 year expiry period, and the assumption that normal interest rates on a loan of this nature, based upon asset security and risk of non-repayment would be bank prime plus 2%. The loan receivable is included in the consolidated statement of financial position at the net present value of the original loan utilizing management's assumptions. A loss of $30,803, relating to the adjustment to management's estimate of fair value has been recorded in the consolidated statement of revenues and expenditures and net assets.

Another loan receivable from a tenant in the amount of $22,701 approximates the net present value of cash flows to be received based on loan rates and repayment amounts management would expect to receive on similar debt.

During the year, management reassessed opening loans receivable, and reclassified a loan advanced to a tenant in the amount of $85,862 as a tenant inducement, based on the fact that collection was not assured, yet the amount still had future benefit through continual rental payments to be received from the tenant. In accordance with the company's policy for amortizing tenant inducements, $51,409 was expensed in the current year, relating to accumulated amortization since inception of the loan. The expense was amortized prospectively due to a change in management's estimate of the collectability and value of the asset.

Credit risk

Credit risk is the potential that a counterparty to a financial instrument will fail to perform its obligations. Financial instruments which potentially subject the Corporation to credit risk consist principally of receivables and loans receivable.

The maximum exposure of the Corporation to credit risk as of March 31, 2010, is $928,932.

The Corporation is not exposed to significant credit risk since the receivables are with a significant number of customers. In order to reduce its credit risk, the Corporation reviews a new customer's credit history before extending credit and conducts regular reviews of its existing customers' credit performance. An allowance for doubtful accounts is established based upon factors surrounding the credit risk of specific accounts, historical trends and other information.

Fair Value

The Corporation's carrying value of cash, restricted cash, accounts receivable, and accounts payable and accrued liabilities approximates their fair values due to the immediate or short term maturity of these instruments.

The carrying value of investments held for trading are valued based on the mark to market basis of accounting for investment values using quoted prices of the individual investments in an active market.

The carrying value of the investment in property development is solely based on management's estimate of the net present value of future recoveries on the investment.

***3. Financial Instruments (continued)***

The carrying value of $291,898 in loans receivable approximates the fair value as the interest rates are consistent with the current rates offered to the company for debt with similar terms.

The carrying value of the long term debt approximates the fair value as the interest rates are consistent with the current rates offered to the Corporation for debt with similar terms.

Currency Risk

Currency risk is the risk to the company's earnings that arise from fluctuations of foreign exchange rates and the degree of volatility of these rates. The Corporation is subject to foreign currency risk as it has investments - held for trading denominated in foreign currency. The Corporation does not use derivative instruments to reduce its exposure to foreign currency risk.

If the foreign exchange rate for the held for trading investments and obligations under capital lease had been a plausible 10% higher as at March 31, 2010, with all other variables held constant, net revenues and expenses would have been $121,530 higher. Similarly, had the foreign exchange rate been a plausible 10% lower as at March 31, 2010, with all other variables constant, net revenues and expenses been $121,530 lower.

The above sensitivity analysis relates solely to the investments - held for trading and obligations under capital lease as at March 31, 2010.

Interest Rate

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The interest rate exposure relates to cash, investments and long term debt.

If the interest rate for the held for trading investments had been a plausible 1% higher as at March 31, 2010, with all other variables held constant, net revenues and expenses would have been $86,307 higher. Similarly, had the interest rate been a plausible 1% lower as at March 31, 2010, with all other variables constant, net revenues and expenses been $86,307 lower.

The above sensitivity analysis relates solely to the market value of investments - held for trading as at March 31, 2010.

Market risk

Market risk is the risk that changes in market prices, interest rates and foreign exchange rates, will affect the Corporation's earnings or the fair values of its financial instruments. The Corporation has market risk attributable to its investments held for trading. The investments held for trading are carried on the balance sheet at the fair market value of the investments, with the change in fair value being recognized as an adjustment on the statements of revenue, expenditures and net assets.

If the overall market value rate for the held for trading investments had been a plausible 5% higher as at March 31, 2010, with all other variables held constant, net revenues and expenses would have been $153,242 higher in terms of unrealized gains. Similarly, had the overall market value rate been a plausible 5% lower as at March 31, 2010, with all other variables constant, net revenues and expenses been $153,242 lower in terms of unrealized losses.

The above sensitivity analysis relates solely to the market value of investments - held for trading as at March 31, 2010.

### *4. Restricted Investments Held for Trading*

$13,668,807 is held for further development of the North Portage area.

### *5. Loans Receivable*

| | **2010** | 2009 |
|---|---|---|
| Loan receivable, bearing interest at 6.5% per annum, receivable in monthly instalments of $1,148 including interest, due July 2012, secured by specific equipment | **$ 22,701** | $ 34,464 |
| Loan receivable, non-interest bearing, no specific terms of repayment, unsecured | **-** | 85,862 |
| Loan receivable, non-interest bearing, receivable by earlier of grant funding or from operating cash flows from the project and five years from the date of advance. The loan is secured by a first charge mortgage against the leasehold interest of the Canadian Hostelling Association Inc. | **269,197** | 300,000 |
| | **291,898** | 420,326 |
| Amount receivable within one year | **(10,022)** | (11,883) |
| | **$ 281,876** | $ 408,443 |

### *6. Capital Assets*

| | **2010** | | 2009 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | Cost | Accumulated amortization |
| The Forks site (Note 7) | **$ 34,455,555** | **$ 19,391,140** | $ 33,949,618 | $ 18,207,136 |
| 3D projector | **1,375,781** | **584,707** | 1,375,781 | 447,128 |
| Theatre equipment | **132,426** | **51,573** | 132,426 | 38,331 |
| Box office | **42,107** | **29,403** | 45,777 | 24,927 |
| Theatre facilities | **3,216,531** | **3,210,227** | 3,216,531 | 3,206,920 |
| Theatre renovation | **358,711** | **80,890** | 353,933 | 45,019 |
| Fixtures and signage | **72,261** | **72,261** | 72,261 | 72,261 |
| Rental buildings | **5,468,527** | **1,024,173** | 3,226,138 | 853,649 |
| Parking equipment | **1,448,595** | **491,734** | 1,383,758 | 275,236 |
| Office equipment | **317,119** | **254,002** | 310,882 | 238,875 |
| Leasehold improvements | **298,127** | **234,814** | 298,127 | 215,334 |
| Computers | **522,188** | **469,677** | 516,802 | 449,599 |
| | **$ 47,707,928** | **$ 25,894,601** | $ 44,882,034 | $ 24,074,415 |
| Net book value | | **$ 21,813,327** | | $ 20,807,619 |

### 7. *The Forks Site*

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | Cost | Accumulated amortization |
| Land | **$ 120,694** | **$ -** | $ 120,694 | $ - |
| Building | **8,249,032** | **3,824,588** | 7,941,987 | 3,622,344 |
| Roads and services | **7,248,732** | **5,941,359** | 7,189,436 | 5,847,555 |
| Parks and plaza | **9,054,118** | **4,614,741** | 9,054,118 | 4,169,517 |
| Parking structure | **5,002,682** | **952,116** | 5,002,682 | 765,394 |
| Furniture and equipment | **1,466,086** | **1,142,155** | 1,433,689 | 1,052,978 |
| Equipment under capital lease | **295,925** | **114,258** | 283,275 | 84,982 |
| Tenant allowances and pre-opening costs | **3,018,286** | **2,801,923** | 2,923,737 | 2,664,366 |
| | **$ 34,455,555** | **$ 19,391,140** | $ 33,949,618 | $ 18,207,136 |
| Net book value | | **$ 15,064,415** | | $ 15,742,482 |

### 8. *Investment in Properties and Infrastructure Enhancements*

| | **2010** | 2009 |
|---|---|---|
| North Portage properties and infrastructure enhancements (Note 9) | **$ 42,498,412** | $ 43,806,282 |
| The Forks infrastructure enhancements (Note 10) | **5,487,488** | 5,845,901 |
| The Forks donated land (Note 11) | **7,694,646** | 7,694,646 |
| | **$ 55,680,546** | $ 57,346,829 |

### 9. *North Portage Properties and Infrastructure Enhancements*

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | Cost | Accumulated amortization |
| Land assembly and demolition | **$ 26,954,125** | **$ -** | $ 28,542,935 | $ - |
| Site servicing | **4,306,438** | **6,128,226** | 4,306,438 | 6,008,953 |
| Development projects | **3,576,449** | **-** | 2,401,395 | - |
| Infrastructure enhancements | **33,993,622** | **20,203,996** | 33,993,622 | 19,429,155 |
| | **$ 68,830,634** | **$ 26,332,222** | $ 69,244,390 | $ 25,438,108 |
| Net book value | | **$ 42,498,412** | | $ 43,806,282 |

### 10. *The Forks Infrastructure Enhancements*

| | 2010 | | 2009 | |
|---|---|---|---|---|
| | **Cost** | **Accumulated amortization** | Cost | Accumulated amortization |
| Clearing and relocation | **$ 2,257,333** | **$ -** | $ 2,257,333 | $ - |
| Land carrying costs | **1,771,316** | **1,770,087** | 1,771,316 | 1,769,907 |
| Site servicing | **5,519,123** | **4,543,348** | 5,519,123 | 4,426,256 |
| Development projects | **588,510** | **584,189** | 588,010 | 582,017 |
| Infrastructure enhancements | **6,363,231** | **4,114,401** | 6,363,041 | 3,874,742 |
| | **$ 16,499,513** | **$ 11,012,025** | $ 16,498,823 | $ 10,652,922 |
| Net book value | | **$ 5,487,488** | | $ 5,845,901 |

### *11. The Forks Donated Land*

The Corporation acquired title and possession of 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 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 were 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 is 49.95 acres.

### *12. Long Term Debt*

| | **2010** | 2009 |
|---|---|---|
| Montrose Mortgage Corporation loan bearing interest at 5.71% per annum, repayable in monthly blended payments of $82,940. The loan matures on August 1, 2032 and is secured by a general security agreement represented by a first charge on the following lease agreements: Cityscape Residence Corp, The Kiwanis Club of Winnipeg Seniors Building Inc., 2700760 Manitoba Ltd, Fred Douglas Place Ltd. and Portage Place Centre Inc. | **$ 12,667,589** | $ 12,939,620 |
| Amounts payable within one year | **(287,786)** | (272,031) |
| | **$ 12,379,803** | $ 12,667,589 |

Principal repayment terms are approximately:

| | |
|---|---|
| 2011 | $ 287,786 |
| 2012 | 304,453 |
| 2013 | 322,086 |
| 2014 | 340,739 |
| 2015 | 360,473 |
| Thereafter | 10,764,266 |
| | $ 12,379,803 |

### *13. 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 contract 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.

In fiscal 2009 FNP entered into a capital lease contract to purchase automated parking equipment. The obligation has an assumed interest rate of 5.71% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of $5,245 (2009 - $8,180), in IMAX Theatre expenses in the amount of $17,922 (2009 - $28,820), and in FNP Parking in the amount of $27,940 (2009 - $30,904).

### *13. Obligations Under Capital Lease (continued)*

The payment terms in Canadian dollars are as follows:

| | |
|---|---|
| 2011 | $ 249,948 |
| 2012 | 193,442 |
| 2013 | 193,442 |
| 2014 | 149,959 |
| 2015 | 67,480 |
| Thereafter | 13,088 |
| Total minimum lease payments | 867,359 |
| Less: amount representing interest at various rates | (130,582) |
| Present value of minimum lease payments | 736,777 |
| Less: current portion | (203,143) |
| | $ 533,634 |

### *14. Share Capital*

Authorized:
Unlimited Common shares

Issued:

| | | **2010** | 2009 |
|---|---|---|---|
| 3 | Common shares | **$ 3** | $ 3 |

### *15. Amortization*

Included in amortization is the following:

| | **2010** | 2009 |
|---|---|---|
| Amortization of capital assets | **$ (2,961,344)** | $ (3,201,237) |
| Amortization of deferred contributions | **2,018,392** | 2,018,386 |
| | **$ (942,952)** | $ (1,182,851) |

### *16. Commitments*

**Facilities:**

i) The Corporation 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 System Management Corporation ("ISM").

The Corporation had the option, within 105 days of the 15th anniversary of the opening date of March 1, 2003, to sell the land to 2700760 for a price of $2.3 million. 2700760 had the option, within 45 days after the 15th anniversary of the opening date to purchase the land for a price which was the greater of the $2.3 million and the fair market value at that time.

During the year ended March 31, 2008, the Corporation agreed to an extension of the option dates for one year.

During the fiscal year ended March 31, 2009, the Corporation agreed to an extension of its option date a further year.

Subsequent to year end, the Corporation agreed to a further two year extension of the option dates.

***16. Commitments (continued)***

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 is being administered by FNP.

iii) FNP Parking Ltd. is administering the obligation of a long term lease from FRC concerning its parking, storage and office site at The Forks. The lease contains renewal options and provides for payment of utilities and property taxes. Payments related to these activities are included in the figures noted below.

**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 in Canadian dollars are as follows:

| | |
|---|---|
| 2011 | $ 120,889 |
| 2012 | 114,470 |
| 2013 | 70,270 |
| 2014 | 54,345 |
| 2015 | 54,345 |
| | $ 414,319 |

***17. Restricted Cash***

Restricted cash consists of cash held in trust by the Corporation for the Weather Protected Walkway System expansion in downtown Winnipeg. NPDC is managing the accounting and cash disbursement aspect of this project. The liability, in the same amount as the asset, is included in accounts payable and accrued liabilities.



# THE CITY OF WINNIPEG
# COUNCIL PENSION PLAN
# (Established under By-law 7869/2001)

## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

*As at December 31*

| | **2010** | 2009 |
|---|---|---|
| ***ASSETS*** | | |
| Investments, at market | | |
| Cash and short-term deposits | **$ 734,708** | $ 530,019 |
| Canadian equities (Note 3) | **1,678,532** | 265,066 |
| Bonds and bankers' acceptances | **-** | 1,382,787 |
| | **2,413,240** | 2,177,872 |
| Accrued interest | **2,292** | 7,130 |
| Due from The City of Winnipeg | **-** | 1,523 |
| Total Assets | **2,415,532** | 2,186,525 |
| ***LIABILITIES*** | | |
| Accounts payable and accrued liabilities | **9,149** | 19,227 |
| Due to The City of Winnipeg | **2,151** | - |
| Total Liabilities | **11,300** | 19,227 |
| ***NET ASSETS AVAILABLE FOR BENEFITS*** | **$ 2,404,232** | $ 2,167,298 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# COUNCIL PENSION PLAN
# (Established under By-law 7869/2001)

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

*For the years ended December 31*

| | **2010** | 2009 |
|---|---|---|
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| The City of Winnipeg (Note 4) | **$ 151,753** | $ 207,580 |
| Plan members | **45,400** | 44,404 |
| | **197,153** | 251,984 |
| Investment income from | | |
| Canadian equities | **18,895** | 6,514 |
| Bonds and bankers' acceptances | **17,979** | 45,555 |
| Cash and short-term deposits | **1,537** | 1,197 |
| | **38,411** | 53,266 |
| Current period change in market value of investments | **92,347** | 108,625 |
| Total increase in assets | **327,911** | 413,875 |
| ***DECREASE IN ASSETS*** | | |
| Administrative expenses | | |
| Actuarial fees | **40,510** | 13,829 |
| Investment management and audit fees | **12,773** | 13,702 |
| | **53,283** | 27,531 |
| Refunds and pension payments | | |
| Pension payments | **37,694** | 34,682 |
| Refund of contributions | **-** | 289 |
| | **37,694** | 34,971 |
| Total decrease in assets | **90,977** | 62,502 |
| Increase in net assets | **236,934** | 351,373 |
| Net assets available for benefits at beginning of year | **2,167,298** | 1,815,925 |
| Net assets available for benefits at end of year | **$ 2,404,232** | $ 2,167,298 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# COUNCIL PENSION PLAN
# (Established under By-law 7869/2001)

## NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2010*

### *1. Description of Plan*

#### a) General

The City of Winnipeg Council Pension Plan (the "Plan") was established on 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 of Winnipeg (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 of 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 of 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 survivor's benefits on the member's 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 0.2% (2009 - 0.2%).

### c) Transaction costs

Transaction costs are incremental costs directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Transaction costs incurred are expensed and included in investment management and audit fees.

### d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of net assets, changes in net assets, and related disclosures. Actual results could differ from those estimates. The most significant use of estimates is the assumption used in the actuarial valuation for the obligations for pension benefits (Note 5).

### e) Future changes in accounting policies

On January 1, 2011, the Plan will retroactively adopt the Canadian Institute of Chartered Accountants Handbook Part IV Section 4600, Pension Plans. The Statement of Financial Position will be revised to include pension obligations and the resulting surplus or deficiency. A Statement of Changes in Pension Obligations will be added, which details the changes to the pension obligation. Section 4600 will also require the Plan to disclose additional qualitative and quantitative information.

### *3. Risk Management*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. Therefore, the objective of investment risk management is to diversify investment assets to reduce the likelihood of a significant reduction in total fund value while achieving the opportunity for gains in the portfolio within acceptable risk parameters. This is achieved by diversifying the investment portfolio within the constraints of the investment policy and objectives by regularly monitoring the Plan's position and market events.

#### a) 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.

##### i) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and actuarial liabilities. 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 market 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.

##### ii) Foreign currency risk

The Plan does not have any foreign currency risk as it only holds investments denominated in Canadian dollars.

##### iii) Other price risk

The Plan's investments in equities are sensitive to 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. To manage the Plan's other price risk, the Plan's Board Members adopted an indexing strategy that diversifies risk over a wide range of investments that mirror the liabilities of the Plan.

As at December 31, 2010, a decline of 10 percent in equity value, with all other variables held constant, would have impacted the Plan's equity investments by an approximate unrealized loss of $167,900 (2009 - $2,700).

#### 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, 2010, the Plan's maximum credit risk exposure relates to accrued interest, cash and short-term deposits totalling $737,000.

*3. Risk Management (continued)*

**c) Liquidity risk**

Liquidity risk refers to the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities through selling or acquiring investments in a timely and cost-effective manner. The Plan maintains a portfolio of highly marketable Canadian assets that may be sold as protection against any unforeseen interruption to cash flow.

**d) Fair value**

The Plan's assets, which are recorded at fair value, have been categorized into one of the following categories reflecting the significant inputs used in making the fair value measurement:

- Level 1 valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 valuation techniques using inputs for the asset of liability that are not based on observable market data (unobservable inputs).

The following is a summary of the inputs used as of December 31, 2010 and 2009 in valuing the Plan's financial assets recorded at fair value:

| | Quoted Market Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | **2010 Total** |
|---|---|---|---|---|
| Cash and short-term deposits | **$ 734,708** | **$ -** | **$ -** | **$ 734,708** |
| Canadian equities | **1,678,532** | **-** | **-** | **1,678,532** |
| | **$ 2,413,240** | **$ -** | **$ -** | **$ 2,413,240** |

| | Quoted Market Prices in Active Markets For Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | 2009 Total |
|---|---|---|---|---|
| Cash and short-term deposits | $ 530,019 | $ - | $ - | $ 530,019 |
| Canadian equities | 265,066 | - | - | 265,066 |
| Bonds and bankers' acceptances | - | 1,382,787 | - | 1,382,787 |
| | $ 795,085 | $ 1,382,787 | $ - | $ 2,177,872 |

Canadian equities consist of the following;

| | **2010** | 2009 |
|---|---|---|
| iShares real return bond index fund | **$ 1,030,786** | $ - |
| iShares S&P/TSX 60 index fund | **444,827** | 265,066 |
| BMO long federal bond index fund | **202,919** | - |
| | **$ 1,678,532** | $ 265,066 |

### *4. Contributions*

| | 2010 | 2009 |
|---|---|---|
| Current service | **$ 151,753** | $ 178,696 |
| Special contributions | **-** | 28,884 |
| | **$ 151,753** | $ 207,580 |

The City's 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.

### *5. Obligation for Pension Benefits*

The actuarial present value of accrued pension benefits was determined using the projected benefit method pro-rated 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, 2009, by Mercer, a firm of consulting actuaries. The results of this valuation were extrapolated to December 31, 2010.

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:

| | 2010 | 2009 |
|---|---|---|
| Actuarial present value of accrued pension benefits at beginning of year | **$ 2,373,119** | $ 1,820,444 |
| Interest accrued on benefits | **104,115** | 88,084 |
| Benefits accrued | **185,110** | 154,470 |
| Benefits paid | **(37,694)** | (34,971) |
| Actuarial (gain) loss | **(436,925)** | 345,092 |
| Actuarial present value of accrued pension benefits at end of year | **$ 2,187,725** | $ 2,373,119 |

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 4.95% (2009 - 4.10%) per annum, a rate of return on assets of 4.95% (2009 - 4.10%) per annum and a general rate of salary increase of 2.7% (2009 - 2.7%) per annum.

The value of net assets available for benefits has been determined at fair market value.

The value of net assets at December 31 was as follows:

| | 2010 | 2009 |
|---|---|---|
| Value of net assets available for benefits | **$ 2,404,232** | $ 2,167,298 |

The next actuarial funding valuation of the Plan is scheduled to be filed as at December 31, 2012 and will be completed in 2013.

### *6. Capital Management*

Capital is defined as the net assets available for benefits. The Plan's objective for managing capital, including member and employer contributions, is to ensure that the net assets of the Plan are sufficient to meet current and future obligations. The funding surpluses or deficiencies are determined regularly through funding valuations prepared by an independent actuary, which are used to measure the funded status of the Plan. The actuary determines the relationship between the respective values of assets and accumulated benefits, assuming the Plan will be maintained indefinitely. Over time, the cost to the City is the excess of the benefits and expenses over member contributions and investment earnings. The liabilities are the present value of benefits accrued in respect of service prior to an actuarial valuation date, including ancillary benefits based on projected final average earnings of the members. The City shall make contributions to the Plan in accordance with the results of the funding valuation prepared by the actuary to fund the accruing benefits and any unfunded liabilities under the Plan.

A funding valuation including a plan to eliminate any deficit is required to be filed with Canada Revenue Agency to ensure the City's contributions are deductible and the continued registration of the Plan. The actuarial methods and assumptions used to prepare statutory actuarial valuations may be different than those used to prepare a financial statement actuarial valuation and the amounts disclosed in the financial statements. The most recent statutory actuarial valuation that has been filed with Canada Revenue Agency was prepared as at December 31, 2009, by Mercer and disclosed a funding surplus of $146 thousand.

# THE CITY OF WINNIPEG
# CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

## STATEMENT OF NET ASSETS

*As at December 31*

| | 2010 (000's) | 2009 (000's) |
|---|---|---|
| ***ASSETS*** | | |
| Investments, at fair value | | |
| Bonds and debentures | **$ 41,823** | $ 57,207 |
| Canadian equities | **45,192** | 39,046 |
| Foreign equities | **16,677** | 20,890 |
| Short-term deposits | **27,031** | 6,315 |
| | **130,723** | 123,458 |
| Accrued interest | **276** | 358 |
| Accounts receivable | **29** | 23 |
| Due from The Winnipeg Civic Employees' Pension Plan | **2** | 16 |
| Total Assets | **131,030** | 123,855 |
| ***LIABILITIES*** | | |
| Accounts payable | **375** | 258 |
| Total Liabilities | **375** | 258 |
| ***NET ASSETS*** | **$ 130,655** | $ 123,597 |
| ***NET ASSETS COMPRISED OF:*** | | |
| Civic Employees' (Note 4) | **$ 107,322** | $ 101,616 |
| Police Employees' (Note 4) | **23,333** | 21,981 |
| | **$ 130,655** | $ 123,597 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN

## STATEMENT OF CHANGES IN NET ASSETS

*For the years ended December 31*

| | **2010** | 2009 |
|---|---|---|
| | **(000's)** | (000's) |
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| City of Winnipeg and participating employers | **$ 1,094** | $ 1,060 |
| Employees - basic | **1,097** | 1,062 |
| Employees - optional | **364** | 352 |
| Pensioners | **182** | 173 |
| | **2,737** | 2,647 |
| Investment income | **3,075** | 3,236 |
| Current period change in fair value of investments | **4,789** | 8,822 |
| Total increase in assets | **10,601** | 14,705 |
| ***DECREASE IN ASSETS*** | | |
| Administration | **155** | 134 |
| Actuarial fees | **57** | 22 |
| Legal fees | **17** | 9 |
| Benefit payments | **4,269** | 2,817 |
| Investment management fees | **178** | 139 |
| Claims administration and taxes | **219** | 185 |
| Total decrease in assets | **4,895** | 3,306 |
| Increase in net assets | **5,706** | 11,399 |
| Net assets at beginning of year | **101,616** | 90,217 |
| Net assets at end of year | **$ 107,322** | $ 101,616 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

## STATEMENT OF CHANGES IN NET ASSETS

*For the years ended December 31*

| | **2010** | 2009 |
|---|---|---|
| | **(000's)** | (000's) |
| ***INCREASE IN ASSETS*** | | |
| Contributions | | |
| The City of Winnipeg | **$ 236** | $ 227 |
| Employees - basic | **238** | 228 |
| Employees - optional | **54** | 50 |
| Pensioners | **48** | 45 |
| | **576** | 550 |
| Investment income | **665** | 696 |
| Current period change in fair value of investments | **1,036** | 1,891 |
| Total increase in assets | **2,277** | 3,137 |
| ***DECREASE IN ASSETS*** | | |
| Administration | **33** | 29 |
| Actuarial fees | **39** | 17 |
| Legal fees | **3** | - |
| Benefit payments | **775** | 386 |
| Investment management fees | **38** | 30 |
| Claims administration and taxes | **37** | 30 |
| Total decrease in assets | **925** | 492 |
| Increase in net assets | **1,352** | 2,645 |
| Net assets at beginning of year | **21,981** | 19,336 |
| Net assets at end of year | **$ 23,333** | $ 21,981 |

*See accompanying notes to the financial statements*

# THE CITY OF WINNIPEG
# CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

## NOTES TO THE FINANCIAL STATEMENTS

*For the year ended December 31, 2010*

### *1. Description of Plan*

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg, other than police officers, and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police officers of the City.

#### a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the Plan commencing on their date of employment. All new members of The Winnipeg Civic Employees' Pension Plan must become members of the group life plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage until retirement. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

#### b) Police Employees' Group Life Insurance Plan

All police officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

### *2. Summary of Significant Accounting Policies*

#### a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles 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 Plans for the fiscal period.

## *2. Summary of Significant Accounting Policies (continued)*

### b) Investments

The Plan's investments are classified as held for trading financial assets and are stated at fair value. The fixed income investments are valued either based on bid prices at year end or by applying valuation techniques that utilize observable market inputs. The equity investments are valued based on bid prices at year end. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

### c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

### d) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

## *3. Accounting changes*

In April 2010, the Accounting Standards Board of the Canadian Institute of Chartered Accountants (CICA) issued Section 4600, Pension Plans, replacing Section 4100, Pension Plans. The new Section will be applicable to financial statements of pension plans and other benefit plans relating to fiscal years beginning on or after January 1, 2011. Accordingly, the Plan will adopt the new standards for its fiscal year beginning January 1, 2011. It establishes requirements for measurement and presentation of information in general purpose financial statements of pension plans and other benefit plans, as well as financial statement disclosures. The Plan is currently evaluating the impact of the adoption of this new Section on its financial statements.

## *4. Net Assets*

The Civic and Police Employees' Group Life Insurance Plans' net assets represent reserves that are available to finance the portion of the post-retirement insurance expected to be provided in the future to the members of the Plans that are not financed by retiree contributions. The reserves are also available to finance the related future insurer charges and Plan administration costs.

## *5. Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan*

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was made as of December 31, 2007 by Mercer (Canada) Limited. The results of the December 31, 2007 actuarial valuation were extrapolated to December 31, 2010, with the exception of certain assumptions being updated to reflect economic circumstances for 2010, to determine the actuarial present value of accrued benefits disclosed below. These assumptions were approved by the Board of Trustees. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing this note to the financial statements included a valuation interest rate of 4.65% (2009 Extrapolation – 5.15%) per year and general increases in pay of 3.75% (2009 Extrapolation – 3.75%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2007 disclosed an actuarial surplus of $35,083,000 (2004 - $27,355,000) and a contingency reserve in the amount of $6,151,000 (2004 - $5,304,000).

The results of the December 31, 2007 actuarial valuation were extrapolated to December 31, 2010 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below.

The extrapolated actuarial present value of post-retirement insurance benefits for the Civic Employees' Group Life Insurance Plan as at December 31, 2010, and the principal components of changes in actuarial present values during the year, were as follows:

| | **2010** | 2009 |
|---|---|---|
| | **(000's)** | (000's) |
| Actuarial present value of accrued benefits, beginning of year | **$ 68,426** | $ 67,008 |
| Experience gains and losses and other factors | **-** | (5,535) |
| Changes in actuarial assumptions | **5,591** | 3,360 |
| Interest accrued on benefits | **3,537** | 3,345 |
| Benefits accrued | **2,473** | 2,390 |
| Benefits paid | **(1,980)** | (2,142) |
| Actuarial present value of accrued benefits, end of year | **$ 78,047** | $ 68,426 |

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

***5. Obligation for Post-Retirement Basic Life Insurance Benefits – Civic Employees' Group Life Insurance Plan (continued)***

The value of the assets of the Civic Employees' Group Life Insurance Plan on an actuarial basis were:

| | **2010** | 2009 |
|---|---|---|
| | **(000's)** | (000's) |
| Fair value of net assets available for benefits | **$ 107,322** | $ 101,616 |
| Fair value changes not reflected in actuarial value of assets | **1,835** | 4,998 |
| Actuarial value of net assets available for benefits | **$ 109,157** | $ 106,614 |

***6. Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan***

An actuarial valuation of the Police Employees' Group Life Insurance Plan was made as of December 31, 2007 by Mercer (Canada) Limited. The results of the December 31, 2007 actuarial valuation were extrapolated to December 31, 2010, with the exception of certain assumptions being updated to reflect economic circumstances for 2010, to determine the actuarial present value of accrued benefits disclosed below. These assumptions were approved by the Winnipeg Police Pension Board. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in preparing this note to the financial statements included a valuation interest rate of 4.65% (2009 Extrapolation – 5.15%) per year and general increases in pay of 3.75% (2009 Extrapolation – 3.75%) per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2007 disclosed an actuarial surplus of $6,825,000 (2004 - $5,419,000) and a contingency reserve in the amount of $1,347,000 (2004 - $1,085,000).

The results of the December 31, 2007 actuarial valuation were extrapolated to December 31, 2010 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The extrapolated actuarial present value of post-retirement insurance benefits for the Police Employees' Group Life Insurance Plan as at December 31, 2010, and the principal components of changes in actuarial present values during the year, were as follows:

| | **2010** | 2009 |
|---|---|---|
| | **(000's)** | (000's) |
| Actuarial present value of accrued benefits, beginning of year | **$ 15,584** | $ 14,565 |
| Experience gains and losses and other factors | **-** | (830) |
| Changes in actuarial assumptions | **1,547** | 739 |
| Interest accrued on benefits | **810** | 754 |
| Benefits accrued | **712** | 681 |
| Benefits paid | **(432)** | (325) |
| Actuarial present value of accrued benefits, end of year | **$ 18,221** | $ 15,584 |

## 6. *Obligation for Post-Retirement Basic Life Insurance Benefits – Police Employees' Group Life Insurance Plan (continued)*

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from fair values. The actuarial value placed on the assets smoothes out fluctuations in fair values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The value of the assets of the Police Employees' Group Life Insurance Plan on an actuarial basis were:

| | **2010** | 2009 |
|---|---|---|
| | **(000's)** | (000's) |
| Fair value of net assets available for benefits | **$ 23,333** | $ 21,981 |
| Fair value changes not reflected in actuarial value of assets | **384** | 1,061 |
| Actuarial value of net assets available for benefits | **$ 23,717** | $ 23,042 |

## 7. *Management of Financial Risk*

In the normal course of business, the Plan's investment activities expose it to a variety of financial risks. The Plan seeks to minimize potential adverse effects of these risks on the Plan's performance by hiring professional, experienced portfolio managers, by regular monitoring of the Plan's position and market events, by diversifying the investment portfolio within the constraints of the investment policy and objectives, and occasionally through the use of derivatives to hedge certain risk exposures. Significant risks that are relevant to the Plan are discussed below.

### a) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan, and is concentrated in the Plan's investment in bonds and debentures and short-term investments. At December 31, 2010, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled $69,130,000 (2009 - $63,880,000). The Plan's concentration of credit risk as at December 31, 2010, related to bonds and debentures, is categorized amongst the following types of issuers:

| **Type of Issuer** | **2010 Fair Value** | 2009 Fair Value |
|---|---|---|
| | **(000's)** | (000's) |
| Government of Canada and Government of Canada guaranteed | **$ 24,531** | $ 24,210 |
| Provincial and Provincial guaranteed | **2,128** | 17,349 |
| Canadian cities and municipalities | **2,715** | 1,497 |
| Corporations and other institutions | **12,449** | 14,151 |
| | **$ 41,823** | $ 57,207 |

The Plan's investments include short-term deposits with the City of Winnipeg which have a fair value of $26,478,000 (2009 - $3,956,000) at December 31, 2010.

## *7. Management of Financial Risk (continued)*

The Plan 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. All bond transactions are settled upon delivery using licensed brokers. The risk of default on settlement is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

As at December 31, bonds and debentures analyzed by credit rating are as follows:

| | **2010** | | 2009 | |
|---|---|---|---|---|
| **Credit Rating** | **Percent of Total Bonds** | **Percent of Net Assets** | Percent of Total Bonds | Percent of Net Assets |
| | (%) | (%) | (%) | (%) |
| AAA | **69.0** | **22.1** | 55.7 | 25.8 |
| AA | **16.7** | **5.3** | 35.3 | 16.3 |
| A | **7.6** | **2.4** | 5.4 | 2.5 |
| BBB | **0.9** | **0.3** | 1.5 | 0.7 |
| BB | **5.8** | **1.9** | 2.1 | 1.0 |
| | **100.0** | **32.0** | 100.0 | 46.3 |

The Plan participates in a securities lending program, managed by the Plan's custodian, wherein securities are loaned to counterparties in exchange for lending fees. In this regard, the Plan's exposure to credit risk relates to the potential for a counterparty to not return a security and the related collateral held is insufficient to replace the security in the open market. The Manager has responsibility to monitor the credit worthiness of counterparties and to regularly monitor and maintain collateral greater than the value of the loans.

### b) Liquidity risk

Liquidity risk is the risk that the Plan will encounter difficulty in meeting obligations associated with financial liabilities. The Plan ensures it retains sufficient cash and short-term investment positions to meet its cash flow commitments, including the ability to fund benefit payments and to fund investment commitments. The Plan invests solely in securities that are traded in active markets and can be readily disposed.




PHOTO: Travel Manitoba

# THE CITY OF WINNIPEG
# TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

## FIVE-YEAR REVIEW

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

| | | **2010** | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|---|
| Population (Statistics Canada) | | **684,100** | 674,400 | 665,600 | 658,800 | 653,500 |
| Consolidated debt (1) | **$** | **715,089** | 678,517 | 753,092 | 646,148 | 670,330 |
| Net tax-supported debt (2) | **$** | **235,853** | 204,816 | 217,814 | 237,624 | 287,338 |
| Debt per capita: | | | | | | |
| Consolidated (dollars) | **$** | **1,045** | 1,006 | 1,131 | 981 | 1,026 |
| Net tax-supported (dollars) | **$** | **345** | 304 | 327 | 361 | 440 |
| Non-portioned taxable assessments (millions) (3) | **$** | **55,648** | 32,420 | 31,959 | 31,475 | 30,923 |
| Debt as a % of non-portioned taxable assessments | | | | | | |
| Consolidated | | **1.3%** | 2.1% | 2.4% | 2.1% | 2.2% |
| Net tax-supported | | **0.4%** | 0.6% | 0.7% | 0.8% | 0.9% |
| Consolidated revenues (4) | **$** | **1,353,856** | 1,343,648 | 1,271,258 | 1,220,814 | 1,105,533 |
| Consolidated debt as a % of consolidated revenues | | **52.8%** | 50.5% | 59.2% | 52.9% | 60.6% |

Notes:

(1) Consolidated debt is gross debt outstanding for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and wholly-owned corporations.

(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, Winnipeg Enterprises Corporation, wholly-owned corporations and the Province of Manitoba.

(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 CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

*As at December 31, 2010*

| | | 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 | Solid Waste Disposal | 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 | - | - | - | - | 12,260,000 |
| | November 21/07 | - | - | - | - | - | 4,000,000 | 4,000,000 |
| | March 25/09 | - | - | - | - | - | 12,400,000 | 12,400,000 |
| | July 12/10 | - | - | - | - | - | 6,000,000 | 6,000,000 |
| 32/2007 | February 21/07 | 1,696,000 | 3,417,000 | 16,800,000 | 7,638,000 | - | - | 29,551,000 |
| 219/2007 | January 23/08 | 3,488,000 | - | - | 37,200,000 | - | - | 40,688,000 |
| 183/2008 | May 27/09 | - | 29,750,000 | - | - | - | - | 29,750,000 |
| 184/2008 | May 27/09 | 7,845,000 | - | - | 50,715,000 | - | - | 58,560,000 |
| 120/2009 | November 25/09 | 75,000,000 | - | - | - | - | - | 75,000,000 |
| 150/2009 | January 27/10 | 30,000,000 | - | - | 69,865,000 | 5,858,000 | - | 105,723,000 |
| 99/2010 | September 22/10 | 9,678,000 | - | - | - | - | - | 9,678,000 |
| | | $ 215,126,958 | $ 44,064,325 | $ 16,800,000 | $ 181,502,000 | $ 5,858,000 | $ 22,400,000 | $ 485,751,283 |

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.

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS (continued)
*As at December 31, 2010*

| | |
|---|---|
| Outstanding Capital Borrowing Authorization at December 31, 2009 | $ 424,350,283 |
| Add: | |
| By-law 150/2009 | 105,723,000 |
| By-law 76/2010 | 3,328,000 |
| By-law 99/2010 | 9,678,000 |
| Fleet Management Agency Authorization July 12, 2010 | 6,000,000 |
| Deduct: | |
| Debt Issued | (60,000,000) |
| Canada Mortgage and Housing Corporation | (3,328,000) |
| Outstanding Capital Borrowing Authorization at December 31, 2010 | $ 485,751,283 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT ISSUES

*As at December 31, 2010*

| Term | Month | Interest Rate | By-Law Number | Amount of Debt | |
|---|---|---|---|---|---|
| ***The City of Winnipeg*** | | | | | |
| **Sinking Fund Debt** | | | | | |
| 1993-2013 | Feb. 11 | 9.375 | 6090/93 | | $ 90,000,000 |
| 1994-2014 | Jan. 20 | 8.000 | 6300/94 | | 85,000,000 |
| 1995-2015 | May 12 | 9.125 | 6620/95 | | 88,000,000 |
| 1997-2017 | Nov. 17 | 6.250 | 7000/97 | | 30,000,000 |
| 2006-2036 | July 17 | 5.200 | 72/2006 | | 60,000,000 |
| 2008-2036 | July 17 | 5.200 | 72/2006B | | 100,000,000 |
| 2010-2041 | June 3 | 5.150 | 183/2008 | | 60,000,000 |
| | | | | | 513,000,000 |
| **Serial Debt** | | | | | |
| 2003-2013 | Jan. 17 | 5.350 | 8138/02 | $ 34,528,000 | |
| 2004-2014 | Mar. 24 | 4.600 | 86/2003 | 20,844,000 | |
| 2009-2019 | Oct. 6 | 4.500 | 46/2007 & 31/2009 | 43,632,000 | 99,004,000 |
| **Total Debt** | | | | | $ 612,004,000 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

*As at December 31, 2010*

| Description | Debenture Debt | | |
|---|---|---|---|
| | Gross | Sinking Fund | Net |
| **Tax-Supported** | | | |
| General | $ 229,540,839 | $ 101,125,050 | $ 128,415,789 |
| Unallocated Sinking Fund Deficit | - | (2,035,034) | 2,035,034 |
| Total Tax-Supported | 229,540,839 | 99,090,016 | 130,450,823 |
| **Other Funds** | | | |
| Civic Accommodations | 16,858,949 | 7,574,407 | 9,284,542 |
| Transit System | 81,408,139 | 13,664,532 | 67,743,607 |
| Total Tax-Supported and Other Funds | 327,807,927 | 120,328,955 | 207,478,972 |
| **City-Owned Utilities** | | | |
| Solid Waste Disposal | 1,000,000 | 673,421 | 326,579 |
| Waterworks System | 203,000,000 | 38,818,139 | 164,181,861 |
| Sewage Disposal System | 80,196,073 | 58,866,980 | 21,329,093 |
| Total City-Owned Utilities | 284,196,073 | 98,358,540 | 185,837,533 |
| | $ 612,004,000 | $ 218,687,495 | $ 393,316,505 |

| Description | 2011 Fixed Annual Charges | | |
|---|---|---|---|
| | Interest | Principal | Total |
| **Tax-Supported** | $ 15,224,360 | $ 21,653,310 | $ 36,877,670 |
| **Other Funds** | | | |
| Civic Accommodations | 1,063,107 | 1,506,160 | 2,569,267 |
| Transit System | 4,822,372 | 2,195,421 | 7,017,793 |
| Total Tax-Supported and Other Funds | 21,109,839 | 25,354,891 | 46,464,730 |
| **City-Owned Utilities** | | | |
| Solid Waste Disposal | 91,250 | 30,243 | 121,493 |
| Waterworks System | 12,110,000 | 4,136,431 | 16,246,431 |
| Sewage Disposal System | 6,741,793 | 3,774,043 | 10,515,836 |
| Total City-Owned Utilities | 18,943,043 | 7,940,717 | 26,883,760 |
| | $ 40,052,882 | $ 33,295,608 | $ 73,348,490 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT CHANGES DURING 2010

| | | | | |
|---|---|---|---|---|
| **Gross Debt as at January 1, 2010** | | | | $ 571,935,000 |
| **Debt Issued During 2010** | | | | |
| ***Utilities Debt:*** | | | | |
| Transit System | | | | 60,000,000 |
| **Sub-total** | | | | 631,935,000 |
| **Debt Retired During 2010** | | | | |
| ***Tax-Supported Debt:*** | | | | |
| Assessment - Special Projects | $ 98,052 | | | |
| Business Liaison - Special Projects | 310 | | | |
| Community Improvement Program | 77,450 | | | |
| Community Services - Special Projects | 26,550 | | | |
| Convention Centre | 24,943 | | | |
| Core Area Programs | 1,569,997 | | | |
| Corporate Finance - Special Projects | 5,576 | | | |
| Culture and Recreation | 1,232,416 | | | |
| Fire | 58,815 | | | |
| Health and Social Development | 386,842 | | | |
| Infrastructure | 130,116 | | | |
| Infrastructure - Land Drainage | 88,065 | | | |
| Infrastructure - Parks and Recreation | 19,335 | | | |
| Infrastructure - Streets and Bridges | 123,900 | | | |
| Land Acquisition | 16,464 | | | |
| Land Drainage | 1,958,457 | | | |
| Land and Development - Special Projects | 146,659 | | | |
| Libraries | 70,738 | | | |
| North Portage Development | 154,701 | | | |
| Overhead Walkways | 17,666 | | | |
| Parks and Recreation | 352,743 | | | |
| Parks and Recreation - Special Projects | 75,281 | | | |
| Police | 194,588 | | | |
| Protection | 625,941 | | | |
| Special Projects | 599,699 | | | |
| Streets and Bridges System | 8,466,074 | | | |
| Winnipeg Development Agreement | 123,920 | $ 16,645,298 | | |
| ***Utilities Debt:*** | | | | |
| Transit | 679,744 | | | |
| Sewage Disposal System | 1,434,674 | | | |
| Civic Accommodations | 1,171,284 | 3,285,702 | | (19,931,000) |
| **Gross Debt as at December 31, 2010** | | | | $ 612,004,000 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT - MATURITY BY YEARS

*As at December 31, 2010*

| Maturity Year | Sinking Fund Debt | Serial and Installment Debt | Total | % |
|---|---|---|---|---|
| 2011 | $ - | $ 20,672,000 | $ 20,672,000 | 3.38 |
| 2012 | - | 21,448,000 | 21,448,000 | 3.50 |
| 2013 | 90,000,000 | 22,263,000 | 112,263,000 | 18.34 |
| 2014 | 85,000,000 | 10,381,000 | 95,381,000 | 15.59 |
| 2015 | 88,000,000 | 4,848,000 | 92,848,000 | 15.17 |
| 2016 | - | 4,848,000 | 4,848,000 | 0.79 |
| 2017 | 30,000,000 | 4,848,000 | 34,848,000 | 5.70 |
| 2018 | - | 4,848,000 | 4,848,000 | 0.79 |
| 2019 | - | 4,848,000 | 4,848,000 | 0.79 |
| 2036 | 160,000,000 | - | 160,000,000 | 26.15 |
| 2041 | 60,000,000 | - | 60,000,000 | 9.80 |
| Gross Debt | $ 513,000,000 | $ 99,004,000 | 612,004,000 | 100.00 |
| Less: Sinking Fund Reserve | | | 218,687,495 | |
| Net Debt | | | $ 393,316,505 | |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES

*As at December 31, 2010*

| Maturity Year | General Tax-Supported | Transit System | Waterworks System | Sewage Disposal System | Solid Waste Disposal | Civic Accommodations | Total |
|---|---|---|---|---|---|---|---|
| 2011 | $ 17,251,998 | $ 709,327 | $ - | $ 1,505,849 | $ - | $ 1,204,826 | $ 20,672,000 |
| 2012 | 17,887,405 | 740,298 | - | 1,580,430 | - | 1,239,867 | 21,448,000 |
| 2013 | 56,755,794 | 5,772,818 | 5,000,000 | 41,658,804 | - | 3,075,584 | 112,263,000 |
| 2014 | 31,237,593 | 6,810,696 | 13,000,000 | 35,450,990 | - | 8,881,721 | 95,381,000 |
| 2015 | 59,161,185 | 7,075,000 | 25,000,000 | - | 1,000,000 | 611,815 | 92,848,000 |
| 2016 | 4,311,716 | 75,000 | - | - | - | 461,284 | 4,848,000 |
| 2017 | 34,311,716 | 75,000 | - | - | - | 461,284 | 34,848,000 |
| 2018 | 4,311,716 | 75,000 | - | - | - | 461,284 | 4,848,000 |
| 2019 | 4,311,716 | 75,000 | - | - | - | 461,284 | 4,848,000 |
| 2036 | - | - | 160,000,000 | - | - | - | 160,000,000 |
| 2041 | - | 60,000,000 | - | - | - | - | 60,000,000 |
| | $ 229,540,839 | $ 81,408,139 | $ 203,000,000 | $ 80,196,073 | $ 1,000,000 | $ 16,858,949 | $ 612,004,000 |

# 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** |
| 2011 | $ 21,653,310 | $ 15,224,360 | $ 36,877,670 | $ 11,642,298 | $ 24,828,522 | $ 36,470,820 | $ 73,348,490 |
| 2012 | 22,288,716 | 14,468,901 | 36,757,617 | 11,782,891 | 24,669,316 | 36,452,207 | 73,209,824 |
| 2013 | 22,956,106 | 13,639,627 | 36,595,733 | 11,930,502 | 24,496,229 | 36,426,731 | 73,022,464 |
| 2014 | 11,997,935 | 9,702,886 | 21,700,821 | 8,284,840 | 19,569,152 | 27,853,992 | 49,554,813 |
| 2015 | 6,877,706 | 7,713,268 | 14,590,974 | 5,301,449 | 14,538,625 | 19,840,074 | 34,431,048 |
| 2016 | 5,218,916 | 2,553,788 | 7,772,704 | 4,298,891 | 11,494,427 | 15,793,318 | 23,566,022 |
| 2017 | 5,218,916 | 2,386,263 | 7,605,179 | 4,298,891 | 11,473,590 | 15,772,481 | 23,377,660 |
| 2018 | 4,311,716 | 335,747 | 4,647,463 | 4,298,891 | 11,451,760 | 15,750,651 | 20,398,114 |
| 2019 | 4,311,716 | 148,311 | 4,460,027 | 4,298,891 | 11,428,447 | 15,727,338 | 20,187,365 |
| 2020-2036 | - | - | - | 63,964,319 | 193,970,000 | 257,934,319 | 257,934,319 |
| 2037-2041 | - | - | - | 4,633,035 | 15,450,000 | 20,083,035 | 20,083,035 |
| | $ 104,835,037 | $ 66,173,151 | $ 171,008,188 | $ 134,734,898 | $ 363,370,068 | $ 498,104,966 | $ 669,113,154 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***STREETS AND BRIDGE SYSTEM*** **(street improvements, street lighting, bridges and underpasses)** | | | | | | | | |
| 8138/02 | $ 13,043,466 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | $ 484,735 | $ 4,127,459 | $ - |
| 6090/93 | 14,067,475 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 1,318,826 | 425,437 | 11,479,866 |
| 6300/94 | 11,509,146 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 920,732 | 348,066 | 8,623,536 |
| 86/2003 | 9,283,630 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 337,855 | 2,181,502 | - |
| 6620/95 | 22,633,969 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 2,065,350 | 684,510 | 15,242,187 |
| 7000/97 | 20,700,000 | Nov. 17, 1997-2017 | CAN | 5.000 | 6.250 | 1,293,750 | 625,968 | 11,154,591 |
| 46/2007 & 31/2009 | 22,052,616 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 737,235 | 2,450,291 | - |
| | 113,290,302 | | | | | 7,158,483 | 10,843,233 | 46,500,180 |
| ***LAND DRAINAGE*** **(storm water relief sewers, drainage sewers and flood control)** | | | | | | | | |
| 8138/02 | 3,530,660 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 131,210 | 1,117,238 | - |
| 6090/93 | 1,300,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 121,875 | 39,315 | 1,060,875 |
| 6300/94 | 2,625,312 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 210,025 | 79,396 | 1,967,085 |
| 86/2003 | 2,357,650 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 85,801 | 554,010 | - |
| 6620/95 | 2,251,500 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 205,449 | 68,091 | 1,516,207 |
| 7000/97 | 4,900,000 | Nov. 17, 1997-2017 | CAN | 5.000 | 6.250 | 306,250 | 148,176 | 2,640,459 |
| 46/2007 & 31/2009 | 3,285,978 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 109,853 | 365,109 | - |
| | 20,251,100 | | | | | 1,170,463 | 2,371,335 | 7,184,626 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***CULTURE AND RECREATION*** **(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)** | | | | | | | | |
| 8138/02 | 3,628,803 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 134,857 | 1,148,294 | - |
| 86/2003 | 626,827 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 22,812 | 147,294 | - |
| | 4,255,630 | | | | | 157,669 | 1,295,588 | - |
| ***PARKS AND RECREATION*** | | | | | | | | |
| 6090/93 | 5,360,525 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 502,549 | 162,117 | 4,374,495 |
| 6300/94 | 5,648,659 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 451,893 | 170,830 | 4,232,409 |
| 86/2003 | 301,348 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 10,967 | 70,812 | - |
| 6620/95 | 850,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 77,563 | 25,706 | 572,408 |
| 46/2007 & 31/2009 | 2,562,879 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 85,679 | 284,764 | - |
| | 14,723,411 | | | | | 1,128,651 | 714,229 | 9,179,312 |
| ***LIBRARIES*** | | | | | | | | |
| 6090/93 | 100,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 9,375 | 3,024 | 81,606 |
| 6300/94 | 73,040 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 5,843 | 2,209 | 54,727 |
| 86/2003 | 121,511 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 4,422 | 28,553 | - |
| 6620/95 | 10,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 913 | 302 | 6,734 |
| 46/2007 & 31/2009 | 389,950 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 13,036 | 43,328 | - |
| | 694,501 | | | | | 33,589 | 77,416 | 143,067 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***PROTECTION*** **(firehalls, police garage and public safety building)** | | | | | | | | |
| 8138/02 | 1,664,119 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 61,844 | 526,592 | - |
| 86/2003 | 556,855 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 20,265 | 130,852 | - |
| | 2,220,974 | | | | | 82,109 | 657,444 | - |
| ***FIRE*** | | | | | | | | |
| 6090/93 | 1,300,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 121,875 | 39,315 | 1,060,875 |
| 6300/94 | 13,791 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 1,103 | 417 | 10,333 |
| 86/2003 | 149,896 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 5,455 | 35,223 | - |
| 6620/95 | 2,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 183 | 60 | 1,347 |
| 7000/97 | 1,800,000 | Nov. 17, 1997-2017 | CAN | 5.000 | 6.250 | 112,500 | 54,432 | 969,964 |
| 46/2007 & 31/2009 | 225,008 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 7,522 | 25,001 | - |
| | 3,490,695 | | | | | 248,638 | 154,448 | 2,042,519 |
| ***POLICE*** | | | | | | | | |
| 6090/93 | 1,600,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 150,000 | 48,388 | 1,305,691 |
| 6300/94 | 335,678 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 26,854 | 10,152 | 251,516 |
| 86/2003 | 29,163 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 1,061 | 6,853 | - |
| 6620/95 | 100,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 9,125 | 3,024 | 67,342 |
| 46/2007 & 31/2009 | 1,692,083 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 56,568 | 188,009 | - |
| | 3,756,924 | | | | | 243,608 | 256,426 | 1,624,549 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***HEALTH AND SOCIAL DEVELOPMENT*** **(urban renewal, community health centres and hospital capital grants)** | | | | | | | | |
| 8138/02 | 882,735 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 32,805 | 279,332 | - |
| 6090/93 | 150,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 14,063 | 4,536 | 122,409 |
| 6300/94 | 12,723 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 1,018 | 385 | 9,533 |
| 86/2003 | 538,360 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 19,592 | 126,506 | - |
| | 1,583,818 | | | | | 67,478 | 410,759 | 131,942 |
| ***SPECIAL PROJECTS*** | | | | | | | | |
| 8138/02 | 1,392,003 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 51,731 | 440,484 | - |
| 6090/93 | 14,098,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 1,321,688 | 426,360 | 11,504,776 |
| 6300/94 | 2,267,324 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 181,386 | 68,570 | 1,698,853 |
| 86/2003 | 625,881 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 22,777 | 147,072 | - |
| 6620/95 | 667,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 60,864 | 20,172 | 449,172 |
| 46/2007 & 31/2009 | 360,000 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 12,035 | 40,000 | - |
| | 19,410,208 | | | | | 1,650,481 | 1,142,658 | 13,652,801 |
| ***CONVENTION CENTRE*** | | | | | | | | |
| 8138/02 | 82,962 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 3,083 | 26,252 | - |
| 6090/93 | 225,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 21,094 | 6,805 | 183,613 |
| 6620/95 | 3,100,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 282,875 | 93,752 | 2,087,605 |
| | 3,407,962 | | | | | 307,052 | 126,809 | 2,271,218 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***OVERHEAD WALKWAYS*** | | | | | | | | |
| 86/2003 | 78,313 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 2,850 | 18,402 | - |
| ***CORE AREA PROGRAM*** | | | | | | | | |
| 8138/02 | 3,732,753 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 138,720 | 1,181,188 | - |
| 86/2003 | 1,984,783 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 72,231 | 466,392 | - |
| 6620/95 | 235,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 21,444 | 7,107 | 158,254 |
| 7000/97 | 1,000,000 | Nov. 17, 1997-2017 | CAN | 5.000 | 6.250 | 62,500 | 30,240 | 538,869 |
| | 6,952,536 | | | | | 294,895 | 1,684,927 | 697,123 |
| ***NORTH PORTAGE DEVELOPMENT*** | | | | | | | | |
| 8138/02 | 514,548 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 19,122 | 162,823 | - |
| ***LAND ACQUISITION*** | | | | | | | | |
| 86/2003 | 72,986 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 2,656 | 17,150 | - |
| ***INFRASTRUCTURE*** | | | | | | | | |
| 6620/95 | 25,000,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 2,281,250 | 756,065 | 16,835,522 |
| 46/2007 & 31/2009 | 1,171,045 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 39,149 | 130,116 | - |
| | 26,171,045 | | | | | 2,320,399 | 886,181 | 16,835,522 |
| ***INFRASTRUCTURE - LAND DRAINAGE*** | | | | | | | | |
| 46/2007 & 31/2009 | 792,585 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 26,497 | 88,065 | - |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***INFRASTRUCTURE - PARKS AND RECREATION*** | | | | | | | | |
| 46/2007 & 31/2009 | 174,015 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 5,817 | 19,335 | - |
| ***INFRASTRUCTURE - STREETS AND BRIDGES*** | | | | | | | | |
| 7000/97 | 1,600,000 | Nov. 17, 1997-2017 | CAN | 5.000 | 6.250 | 100,000 | 48,384 | 862,191 |
| 46/2007 & 31/2009 | 1,115,100 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 37,279 | 123,900 | - |
| | 2,715,100 | | | | | 137,279 | 172,284 | 862,191 |
| ***COMMUNITY IMPROVEMENT PROGRAM*** | | | | | | | | |
| 46/2007 & 31/2009 | 697,051 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 23,303 | 77,450 | - |
| ***WINNIPEG DEVELOPMENT AGREEMENT*** | | | | | | | | |
| 46/2007 & 31/2009 | 1,115,280 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 37,285 | 123,920 | - |
| ***SPECIAL PROJECTS - PARKS AND RECREATION*** | | | | | | | | |
| 46/2007 & 31/2009 | 677,532 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 22,650 | 75,281 | - |
| ***SPECIAL PROJECTS - COMMUNITY SERVICES*** | | | | | | | | |
| 46/2007 & 31/2009 | 238,949 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 7,988 | 26,550 | - |
| ***SPECIAL PROJECTS - LAND AND DEVELOPMENT*** | | | | | | | | |
| 46/2007 & 31/2009 | 1,319,935 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 44,126 | 146,659 | - |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % | | Annual Charges 2011 | | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| | | | | Sinking Fund | Debt | Interest | Principal | |
| ***SPECIAL PROJECTS - ASSESSMENT*** | | | | | | | | |
| 46/2007 & 31/2009 | 882,465 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 29,501 | 98,052 | - |
| ***SPECIAL PROJECTS - CORPORATE FINANCE*** | | | | | | | | |
| 46/2007 & 31/2009 | 50,188 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 1,678 | 5,576 | - |
| ***SPECIAL PROJECTS - BUSINESS LIAISON*** | | | | | | | | |
| 46/2007 & 31/2009 | 2,786 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 93 | 310 | - |
| **Tax-Supported Total** | **229,540,839** | | | | | **15,224,360** | **21,653,310** | **101,125,050** |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***TRANSIT SYSTEM*** | | | | | | | | |
| 8138/02 | 1,345,222 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 49,992 | 425,680 | - |
| 6090/93 | 5,000,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 468,750 | 151,213 | 4,080,287 |
| 6300/94 | 6,500,000 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 520,000 | 196,577 | 4,870,299 |
| 86/2003 | 887,917 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 32,314 | 208,646 | - |
| 6620/95 | 7,000,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 638,750 | 211,698 | 4,713,946 |
| 46/2007 & 31/2009 | 675,000 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 22,566 | 75,000 | - |
| 183/2008 | 60,000,000 | June 3, 2010-2041 | CAN | 4.500 | 5.150 | 3,090,000 | 926,607 | - |
| | 81,408,139 | | | | | 4,822,372 | 2,195,421 | 13,664,532 |
| ***WATERWORKS SYSTEM*** | | | | | | | | |
| 6090/93 | 5,000,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 468,750 | 151,213 | 4,080,287 |
| 6300/94 | 13,000,000 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 1,040,000 | 393,154 | 9,740,598 |
| 6620/95 | 25,000,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 2,281,250 | 756,064 | 16,835,522 |
| 72/2006 | 60,000,000 | July17, 2006-2036 | CAN | 4.500 | 5.200 | 3,120,000 | 984,000 | 4,296,415 |
| 72/2006B | 100,000,000 | July17, 2008-2036 | CAN | 4.500 | 5.200 | 5,200,000 | 1,852,000 | 3,865,317 |
| | 203,000,000 | | | | | 12,110,000 | 4,136,431 | 38,818,139 |
| ***SEWAGE DISPOSAL SYSTEM*** | | | | | | | | |
| 8138/02 | 3,497,096 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 129,963 | 1,106,617 | - |
| 6090/93 | 40,000,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 3,750,000 | 1,209,703 | 32,642,293 |
| 6300/94 | 35,000,000 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 2,800,000 | 1,058,491 | 26,224,687 |
| 86/2003 | 1,698,977 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 61,830 | 399,232 | - |
| | 80,196,073 | | | | | 6,741,793 | 3,774,043 | 58,866,980 |

# THE CITY OF WINNIPEG
# TAX-SUPPORTED AND CITY-OWNED UTILITIES

## CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

*As at December 31, 2010*

| By-law Number | Amount of Debt | Term of Debt | Payable | Interest Rates % Sinking Fund | Interest Rates % Debt | Annual Charges 2011 Interest | Annual Charges 2011 Principal | Sinking Fund Reserve at Dec. 31, 2010 |
|---|---|---|---|---|---|---|---|---|
| ***SOLID WASTE DISPOSAL*** | | | | | | | | |
| 6620/95 | 1,000,000 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 91,250 | 30,243 | 673,421 |
| ***CIVIC ACCOMMODATIONS*** | | | | | | | | |
| 8138/02 | 1,213,633 | Jan. 17, 2003-2013 | CAN | Serial | 5.350 | 45,102 | 384,042 | - |
| 6090/93 | 1,799,000 | Feb. 11, 1993-2013 | CAN | 5.000 | 9.375 | 168,656 | 54,406 | 1,468,087 |
| 6300/94 | 8,014,327 | Jan. 20, 1994-2014 | CAN | 5.000 | 8.000 | 641,146 | 242,374 | 6,004,949 |
| 86/2003 | 1,529,903 | Mar. 24, 2004-2014 | CAN | Serial | 4.600 | 55,677 | 359,502 | - |
| 6620/95 | 150,531 | May 12, 1995-2015 | CAN | 5.000 | 9.125 | 13,736 | 4,552 | 101,371 |
| 46/2007 & 31/2009 | 4,151,555 | Oct 6, 2009-2019 | CAN | Serial | 4.500 | 138,790 | 461,284 | - |
| | 16,858,949 | | | | | 1,063,107 | 1,506,160 | 7,574,407 |
| **Utility Total** | **382,463,161** | | | | | **24,828,522** | **11,642,298** | 119,597,479 |
| **Unallocated Sinking Fund Deficit** | | | | | | | | (2,035,034) |
| **Grand Total** | **$ 612,004,000** | | | | | **$ 40,052,882** | **$ 33,295,608** | $ 218,687,495 |

Note: With passing of the new City of Winnipeg Charter in 2003, the City is no longer required to pass a by-law when it issues debentures.






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