THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	Actual 2010	Budget 2011	Forecast 2011	Variance 2011	2012	2013	2014
FINANCIAL ASSETS							
Accounts receivable	$ 198	$ 226	$ 202	$ (24)	$ 206	$ 210	$ 214
LIABILITIES							
Due to The City of Winnipeg - General Revenue Fund (Note 3)	8,792	10,392	9,309	(1,083)	10,370	4,772	11,849
Accounts payable and accrued liabilities	1,169	2,739	1,296	(1,443)	1,322	1,349	1,376
Debt (Note 4)	47,496	53,163	48,830	(4,333)	48,303	48,707	43,431
Other liabilities (Note 5)	522	420	420	-	420	420	420
Retirement allowance, vacation and compensated absences (Note 6a)	1,315	1,230	1,355	125	1,395	1,437	1,480
	59,294	67,944	61,210	(6,734)	61,810	56,685	58,556
NET FINANCIAL LIABILITIES	(59,096)	(67,718)	(61,008)	6,710	(61,604)	(56,475)	(58,342)
NON-FINANCIAL ASSETS							
Tangible capital assets (Note 7)	73,968	82,540	78,597	(3,943)	80,728	76,790	80,084
Inventories	1,799	2,207	1,836	(371)	1,565	1,597	1,629
Prepaid expenses	656	437	468	31	478	487	497
	76,423	85,184	80,901	(4,283)	82,771	78,874	82,210
ACCUMULATED SURPLUS	$ 17,327	$ 17,466	$ 19,893	$ 2,427	$ 21,167	$ 22,399	$ 23,868

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)

	Actual 2010	Budget 2011	Forecast 2011	Variance 2011	2012	2013	2014
REVENUES							
Fleet leases	$ 23,435	$ 25,871	$ 25,800	$ (71)	$ 26,990	$ 28,156	$ 29,141
Services and parts revenue (Schedule 1)	7,281	7,647	7,733	86	7,289	7,381	7,466
Fuel sales	6,964	6,403	6,957	554	7,089	7,238	7,383
Rental income	2,746	2,884	2,803	(81)	2,857	2,917	2,975
Amortization of deferred revenue	-	144	-	(144)	-	-	-
Gain on sale of tangible capital assets	145	100	250	150	100	100	100
Total Revenues	40,571	43,049	43,543	494	44,325	45,792	47,065
EXPENSES							
Amortization	10,943	12,174	12,484	310	13,709	14,514	15,187
Supplies	9,344	8,780	9,604	824	9,777	10,118	10,459
Salaries and employee benefits	8,074	8,258	8,275	17	8,890	9,118	9,405
Services	7,761	9,171	7,380	(1,791)	7,514	7,248	6,948
Interest	2,137	2,502	2,053	(449)	2,255	2,414	2,440
Other	689	961	1,162	201	884	1,085	1,094
Transfer to The City of Winnipeg - General Revenue (note 8e)	-	-	19	19	22	63	63
Total Expenses	38,948	41,846	40,977	(869)	43,051	44,560	45,596
Excess Revenues Over Expenses	1,623	1,203	2,566	1,363	1,274	1,232	1,469
ACCUMULATED SURPLUS, BEGINNING OF YEAR	15,704	16,263	17,327	1,064	19,893	21,167	22,399
ACCUMULATED SURPLUS, END OF YEAR	$ 17,327	$ 17,466	$ 19,893	$ 2,427	$ 21,167	$ 22,399	$ 23,868

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:

	Actual 2010	Budget 2011	Forecast 2011	Variance 2011	2012	2013	2014
OPERATING							
Excess Revenues Over Expenses	$ 1,623	$ 1,203	$ 2,566	$ 1,363	$ 1,274	$ 1,232	$ 1,469
Non-cash charges to operations							
Amortization	10,943	12,030	12,484	454	13,709	14,514	15,187
Gain on sale of tangible capital assets	(145)	(100)	(250)	(150)	(100)	(100)	(100)
Retirement allowance and compensated absences	33	18	22	4	22	23	24
Accretion expense	8	-	-	-	-	-	-
	12,462	13,151	14,822	1,671	14,905	15,669	16,580
Net change in non-cash working capital related to operations	(1,146)	(297)	291	588	301	-	-
Cash provided by operating activities	11,316	12,854	15,113	2,259	15,206	15,669	16,580
CAPITAL							
Acquisition of tangible capital assets	(15,742)	(15,309)	(17,112)	(1,803)	(15,840)	(10,576)	(18,481)
Proceeds on disposal of tangible capital assets	941	100	250	150	100	100	100
Cash used in capital activities	(14,801)	(15,209)	(16,862)	(1,653)	(15,740)	(10,476)	(18,381)
FINANCING							
Change in due to/from The City of Winnipeg - General Revenue Fund	10,616	(3,364)	415	3,779	1,061	(5,598)	7,077
Proceeds from term loans	-	13,700	10,000	(3,700)	9,300	10,400	4,800
Repayment of term loans	(7,108)	(7,981)	(8,666)	(685)	(9,827)	(9,995)	(10,076)
Repayment of debt - The City of Winnipeg	(23)	-	-	-	-	-	-
Cash provided by financing activities	3,485	2,355	1,749	(606)	534	(5,193)	1,801
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)

	Actual 2010	Budget 2011	Forecast 2011	Variance 2011	2012	2013	2014
EXCESS REVENUES OVER EXPENSES	$ 1,623	$ 1,203	$ 2,566	$ 1,363	$ 1,274	$ 1,232	$ 1,469
Amortization of tangible capital assets	10,943	12,174	12,484	310	13,709	14,514	15,187
Proceeds on disposal of tangible capital assets	941	100	250	150	100	100	100
Gain on sale of tangible capital assets	(145)	(100)	(250)	(150)	(100)	(100)	(100)
Change in inventories and prepaid expenses	124	(258)	150	408	261	(41)	(42)
Acquisition of tangible capital assets	(15,742)	(15,309)	(17,112)	(1,803)	(15,840)	(10,576)	(18,481)
INCREASE IN NET FINANCIAL LIABILITIES	(2,256)	(2,190)	(1,912)	278	(596)	5,129	(1,867)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR							
As previously reported	(57,433)	(65,528)	(59,096)	6,432	(61,008)	(61,604)	(56,475)
Changes in accounting policies	593		-	-			
As restated	(56,840)	(65,528)	(59,096)	6,432	(61,008)	(61,604)	(56,475)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (59,096)	$ (67,718)	$ (61,008)	$ 6,710	$ (61,604)	$ (56,475)	$ (58,342)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the three years ending December 31, 2014
(in thousands of dollars)

1. Commencement of Operations

On May 28, 2003, City Council adopted the Fleet Management Agency Selection Report, that recommended the Equipment and Material Services operation of the Public Works Department commence operations as a Special Operating Agency (the "Agency") effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg 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.

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.

2. Significant Accounting Policies (continued)

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. 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. 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.

4. Debt

	Forecast 2011	2012	2013	2014
Term loans	$ 48,478	$ 47,951	$ 48,355	$ 43,079
The City of Winnipeg, non-interest bearing, no repayment schedule	352	352	352	352
	$ 48,830	$ 48,303	$ 48,707	$ 43,431

5. Other Liabilities

	Forecast 2011	2012	2013	2014
Environmental liability	$ 420	$ 420	$ 420	$ 420

The Agency has estimated an amount for environmental liability for the remediation of its fuel site. 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.

6. *Employee Benefits*

a) Retirement allowance, vacation and compensated absences

	Forecast 2011	2012	2013	2014
Retirement allowance and Compensated absences	$ 745	$ 767	$ 790	$ 814
Vacation	610	628	647	666
	$ 1,355	$ 1,395	$ 1,437	$ 1,480

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). 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.

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

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.

7. *Tangible Capital Assets*

	Net Book Value			
	Forecast 2011	2012	2013	2014
Land	$ 390	$ 390	$ 390	$ 390
Buildings	3,892	4,633	4,431	4,231
Fleet assets	70,369	70,971	66,355	69,896
Equipment	3,946	4,734	5,614	5,567
	$ 78,597	$ 80,728	$ 76,790	$ 80,084

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 related party transactions that occurred are as follows:

	Forecast 2011	2012	2013	2014
	$	$	$	$
a) Sales of goods and services to The City of Winnipeg	41,095	42,581	44,016	45,259
b) Municipal Accomodations Fund - Rental of Waverley garage space, and call answer service	196	196	196	196
c) Public Works Department - Operator training service	649	662	675	689
d) Corporate Support Services Department				
- Business technology services	75	75	77	78
- HR services	94	94	94	94
e) Transfer to General Revenue Fund representing dividends for general government charges:				
- Server consolidation productivity	14	14	14	14
- Insight contract budget savings	5	8	8	8
- Timekeeper productivity	-	-	41	41

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE 1 - PROJECTED SCHEDULE OF SERVICES AND PARTS REVENUE

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

	Actual 2010	Budget 2011	Forecast 2011	Variance 2011	2012	2013	2014
Consumables and corrective maintenance	$ 3,705	$ 4,134	$ 3,783	$ (351)	$ 3,855	$ 3,871	$ 3,883
Insurance revenue	1,693	1,552	1,710	158	1,746	1,787	1,827
Power tools	670	727	727	-	742	757	772
Autopac rebate	435	423	444	21	453	462	471
Manufacturing sales	325	442	166	(276)	169	173	176
Other	303	221	749	528	168	171	174
Provincial support grant	150	148	154	6	156	160	163
	$ 7,281	$ 7,647	$ 7,733	$ 86	$ 7,289	$ 7,381	$ 7,466