Appendix A

Animal Services Special Operating Agency

2012-2014 Business Plan

Service Overview

Animal Services continues to provide animal control measures under the City of Winnipeg Charter and related by-laws. The Agency's current service consists of four sub-service areas:

Sub-Service	Description
Licensing	o Animal licensing and registration o Animal permits
Adoption/Education	o Adoption of unclaimed dogs o Public education programs on responsible pet ownership
Kenneling	o Kenneling and care for stray animals and dogs running at large picked up by the Agency o Quarantine kenneling for biting dogs
By-Law Enforcement	o Enforcement of all animal related by-laws o Neighbourhood dispute resolution o Investigation and response o Picking up injured animals o After hours emergency response o Investigation of illegal animal complaints

Animal Services continues to embrace and support the Community Services Department's vision, mission and values. The Agency also continues to work in partnership with the veterinarian community, the Winnipeg Humane Society and other industry providers to ensure the human and animal populations of the City of Winnipeg can co-exist in harmony.

Strategic Direction:

Animal Services continues to build on the expectations of its stakeholders and remains committed to its goals and strategies, which are critical to improved customer service, core business operation and financial stability. These expectations relate to:

- Shifting the cost base from the general taxpayer towards the users of the system, with the objective of becoming financially self-sustainable to the greatest extent possible,
- a strengthened commitment to public health and safety through increased public awareness and increased pet ownership education,
- an improved public image, and
- improving and increasing the value of products and services.

Summary of Goals and Strategies:

Reduce reliance on the Agency's mill-rate support through the enforcement of by-laws and the education of pet owners as to their responsibilities, as it pertains to pet licensing.

- Maintain "Zero Tolerance" dog licensing policy.
  - The Animal Services Agency embarked on a dog licensing campaign in June of 2011. The "Amnesty" campaign allowed delinquent and non-licensed dog owners the opportunity to purchase a license while avoiding any penalty fees and additional fines. Through the Agency's educational / promotion efforts, residents were made aware of the Amnesty, and that, effective September 1, 2011, Winnipeg would become a zero-tolerance dog licensing city. Zero tolerance means that if you are a

dog owner and your dog has never been licensed, you will be immediately subject to a $250 fine.
    - On September 6th, 2011, the Animal Services Agency welcomed five new team members from the Oshki Annishinabe Nigaaniwak (OAN) Program as part of the City of Winnipeg's Aboriginal Youth Strategy. As Animal Services Support Workers, this group of Aboriginal youth canvassed the City distributing licensing information and building public awareness of the zero tolerance dog licensing policy.
    - A database was created through the work with AYS identifying the residences of many un-licensed dogs in Winnipeg. Animal Services Officers are following up with enforcement.
    - The Amnesty Campaign and Zero Tolerance Program were tremendously successful. Over 56,000 dogs are now licensed in Winnipeg versus 35,000 in 2009. More new licenses are being processed daily. Advertising and media collaboration will continue to be used to educate the public about the zero tolerance policy and the value and importance of dog licensing. License revenues help protect one's dog while supporting the essential service of animal control. Licensing enforcement will continue with the Agency's compliment of Animal Services Officers.

- Annually review all fees and charges, increasing each by at least the rate of inflation.
- Active follow-up on delinquent accounts and no-license complaints.
- Continue e-commerce capabilities on Winnipeg.ca.
    - Online pet licensing invoicing
    - Online license renewals
    - Online new license payments
    - Online donations for sick and injured animals
- Actively pursue sponsorship opportunities to offset operating costs of Agency programs such as adoptions, licensing, and animal control vehicle fleet.
- Target common dog walking areas with both educational and dog license messaging.
- Introduce "Pet Rewards" dog licensing program to boost dog license sales. The Pet Rewards card could be linked to an online website that could feature discounts at participating vendors.

Increase customer service and satisfaction through improvement to response times and front line services delivery.

- Review Agency's technological needs and upgrade as necessary.
- Support ongoing staff training and development.
- Review staff training needs and implement training specific to the Agency's services and to better respond to the changing face of the community.
- Continue with the Voice Response Unit (VRU) – a computer system that sends automated voice reminders to dog owners for license renewals.
- Expand performance metrics.
- Monitor the new 2012 Agency's fleet for efficiency and effectiveness:
    - six vans specially equipped for humane animal transportation;
    - fuel efficiency by reducing engine size from V8 to V6; and
    - environmental impact with newer, lower emission vehicles.

Improve health and safety of neighbourhoods through the enforcement of animal control bylaws and the administration of responsible pet ownership.

- Significant review and amendments to the Pound Bylaw, considering input from the Advisory Board, in conjunction with Legal Services.
- Active follow-up process on delinquent accounts and no-license complaints.
- Enhance prevention and education programs.
- Consult with community groups and industry service providers in regards to effective communication strategies.
- Examine benefits of cat licensing to help deal with cat overpopulation and stray cats.
- Develop an enforcement strategy targeted at dog parks and other common dog-walking routes to provide an opportunity to educate the public while increasing dog licensing compliance.
- Continue financial support of Humane Society's low cost spay/neuter programs.
- Develop creative marketing promotions stressing responsible pet ownership with an emphasis on neighborhood relations and licensing.
- Continue to expand relationship with 311, including 24/7 reunification of licensed dogs.
- Explore other opportunities for new partnerships.

Improve the Agency's public image by providing professional, caring and appropriate response to citizens/pet owner concerns and humane alternatives to unclaimed animals.

- Improve complaint response systems.
- Consult with Humane Society, veterinarian community, Advisory Board, and other rescue organizations to develop joint strategies to provide solutions for neighbourhoods.
- Review and amend by-law as necessary.
- Establish a comprehensive performance measurement system
- Develop a comprehensive and sustaining marketing plan and communications strategy.
- Examine feasibility of placing found dogs online to increase dogs recovered by owners from Animal Services.
- Continue online promotion of adoption of unclaimed dogs on Petfinder.com and on Facebook through volunteer collaboration.

Financial: (see Appendix 1: 2012 – 2014 Financial Projections)

Pro forma financial statements are attached, which include a Projected Statement of Financial Position, Projected Statement of Operations and Accumulated Deficit, Projected Statement of Cash Flows and a Projected Statement of Net Financial Liabilities (see Appendix 1 and 2).

2010 Audited Financial Statements are attached for reference (Appendix 3)

Tax-supported funding for the Agency continues to be reflected as a separate line item (Cost Center) in the Community Services Department budget.

Table 1 below outlines the effectiveness of the cost management of Animal Services Agency. The chart below is based on the OMBI guideline (Ontario Municipal Benchmarking Initiative) which measure Percentage Recovery of Animal Control Cost.

Table 1: Percentage Recovery of Animal Control Cost

Percentage Recovery of Animal Control Cost	2006	2007	2008	2009	2010	2011*
Revenue net mill rate support (per Audited Financial Reports)	$ 1,005,388	$ 997,624	$ 998,239	$ 1,051,980	$ 1,271,033	$ 1,816,970
Total expenditures (per Audited Financial Reports)	$ 2,162,074	$ 2,239,308	$ 2,197,899	$ 2,411,973	$ 2,544,286	$ 2,756,639
Percentage recovered	47%	45%	45%	44%	50%	66%

** Estimation based on October 31, 2011 licenses issued projection*

REVENUE:

Mill Rate Support

2000	2001	2002	2003	2004	2005	2006	2007
$1,250,000	$1,250,000	$1,250,000	$1,100,000	$950,000	$895,877	$1,020,121	$1,018,850

2008	2009	2010	2011	2012	2013	2014
$1,018,850	$1,004,276	$1,104,276	$1,334,276	$1,302,504	$1,297,186	$1,297,186

Current Budget Period

- The proposed 2012 mill rate support transfer reflects a three month "Timekeeping Project" savings ($1,772) assuming a successful October 1, 2012 Self-Service timekeeping PeopleSoft system with annualized savings for 2013 and 2014 at $7,090 each.
- The 2011 mill rate support transfer budget increased by $200,000 over 2010 to fund the increase to the Winnipeg Humane Society service agreement that year.
- A one-time $30,000 increase was also approved in 2011 for the Winnipeg Humane Society's "See Spot Read" program.
- The current Winnipeg Humane Society service agreement will expire December 31, 2013. Funds for 2014 have been budgeted on a status quo basis.

Table 2: Operational Mill Rate Support					
Year	Gross Mill Rate Support	Humane Society Contract	Operational Mill Rate Support	% Change	Accumulated Deficit
2000	1,250,000	125,000	1,125,000	N/A	(156,255)
2001	1,250,000	125,000	1,125,000	0.0%	(328,539)
2002	1,250,000	125,000	1,125,000	0.0%	(418,802)
2003	1,100,000	125,000	975,000	-13.3%	(564,158)
2004	950,000	125,000	825,000	-15.4%	(603,837)
2005	895,877	125,000	770,877	-6.6%	(760,919)
2006	1,020,101	250,000	770,101	-0.1%	(897,504)
2007	1,018,850	250,000	768,850	-0.2%	(1,120,338)
2008	1,004,276	250,000	754,276	-1.9%	(1,335,719)
2009	1,104,276	350,000	754,276	0.0%	(1,591,436)
2010	1,154,276	350,000	804,276	6.6%	(1,731,413)
2011*	1,334,276	530,000	804,276	0.0%	(1,357,306)
Projected					
2012	1,302,504	500,000	802,504	-0.2%	(1,131,720)
2013	1,297,186	500,000	797,186	-0.7%	(975,997)
2014	1,297,186	500,000	797,186	0.0%	(876,044)
* Based on Monthly Projection as at October 31, 2011					

Table 2 outlines the historical tax support received by Animal Services to run its operations net of the Winnipeg Humane Society service agreement. In 2012, the operational mill rate support funding is proposed to be $802,504, net of the service contract to the Winnipeg Humane Society of $500,000. This represents a reduction of 29% or $322,496 from the original level of operational mill rate support in 2000. The Scotia Enterprise service contract (approximately $50,000 per year) further reduces the operating support.

Revenue (Non Mill-Rate Sources)

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 1,271,033	$ 1,479,465	$ 1,816,970	$ 1,995,525	$ 2,000,865	$ 2,006,756

The Agency receives revenue from a number of sources including dog licenses, pound and kennel fees, permits, adoption sales, surrendered animals, trap rentals, and retail sales.

Dog Licensing

The Agency increased the annual dog license fees effective January 1, 2011 from $26.00 to $27.00 for sterilized dogs and from $61.00 to $62.00 for intact dogs with an annual $1.00 increase planned for January 1, 2012. Further $1.00 increases are projected for 2013 and 2014.

Table 3 outlines actual dog license revenues, recognized and recorded on an accrual basis, for 2000 – 2010 with projected revenues for 2011 through 2014.

Table 3: Dog Licenses - Actual and Projected Revenues

		Year over Year	
Actual	License Revenues (Accrual Basis)	Increase (Decrease)	% Increase (Decrease)
2000	$ 237,708	N/A	
2001	$ 315,566	$ 77,858	32.8%
2002	$ 396,298	$ 80,732	25.6%
2003	$ 587,916	$ 191,618	48.4%
2004	$ 903,503	$ 315,587	53.7%
2005	$ 893,645	$ (9,858)	-1.1%
2006	$ 887,645	$ (6,000)	-0.7%
2007	$ 916,097	$ 28,452	3.2%
2008	$ 839,191	$ (76,906)	-8.4%
2009	$ 857,346	$ 18,155	2.2%
2010	$ 1,040,174	$ 182,828	21.3%
Projected			
2011*	$ 1,510,125	$ 469,951	45.2%
2012	$ 1,750,000	$ 239,875	15.9%
2013	$ 1,750,000	$ -	0.0%
2014	$ 1,750,000	$ -	0.0%

- 2011 licenses revenue is based on projections as at October 31, 2011.
- Dog license terms vary from 7 months to 30 months. As a result there will be unearned revenue on hand at year-end that is deferred to future years.
- After several years of decline or neutral growth, license sales have increased in 2011 due to a successful amnesty campaign and this license level is projected to be sustainable.
- Dog license revenue figures based on a minimum of 56,000 licenses.

Table 4 outlines the effectiveness of the dog licensing program in Winnipeg using the number of licenses at each year end in relationship to the estimated dog population. Based on a 2008 IPSO Reid Survey there are 269,586 households in Winnipeg with an estimated dog population of 112,139. At December 31, 2011, 49.9% of dogs in the City of Winnipeg are projected to have a valid license (56,000 licenses).

Table 4: Portion of Dog Population Licensed

Actual	Licenses	% Licensed	Year over Year % Licensed Increase Decrease	Year over Year License Increase (Decrease)
1999 Base Year	8,555	7.6%	N/A	N/A
2000	16,500	14.7%	7.1%	7,945
2001	21,338	19.0%	4.3%	4,838
2002	21,007	18.7%	-0.3%	(331)
2003	39,604	35.3%	16.6%	18,597
2004	40,023	35.7%	0.4%	419
2005	39,630	35.3%	-0.4%	(393)
2006	35,876	32.0%	-3.3%	(3,754)
2007	36,615	32.7%	0.7%	739
2008	36,279	32.4%	-0.3%	(336)
2009	35,027	31.2%	-1.1%	(1,252)
2010	41,592	37.1%	5.9%	6,565
*2011	56,000	49.9%	12.8%	14,408

** Estimation based on October 31, 2011 licenses projection*

Table 5 below outlines the effectiveness of the dog licensing program in relationship to the City's human population. The chart below is based on the OMBI guideline (Ontario Municipal Benchmarking Initiative) which measure Number of Dog licenses per 100,000 Population.

Table 5: Number of Dogs Licenses/Registrations per 100,000 population

Number of Dogs Licenses/Registrations per 100,000 Population	2006	2007	2008	2009	2010	2011 Targeted
Licenses	35,876	36,615	36,300	35,027	41,592	56,000
City of Winnipeg estimated population based on a report prepared by City of Winnipeg -- May 16, 2011	653,500	658,800	665,900	675,100	684,100	693,200
Number of dogs licensed per 100,000 population	5,490	5,558	5,451	5,188	6,080	8,078

Other Regulation Fees

- The basic dog pound fees for running at large are:
  - first offence - $52
  - second offence - $155
  - third offence - $232
- Kenneling fees (per Pound bylaw updated 66/2009):
  - $23/day – 2011
  - $24/day – 2012 Proposed
  - $25/day – 2013 Projected
  - $26/day – 2014 Projected
- Projected revenues are based on returning dogs to their owners with an average stay of 5 days.
- An amendment to the City of Winnipeg Pound By-law No. 2443/79 is required to increase pound fees for 2012, 2013, and 2014

EXPENSES*:*

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 2,544,286	$ 2,861,792	$ 2,755,075	$ 3,074,008	$ 3,142,328	$ 3,203,989

Salaries and Benefits

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 1,332,844	$ 1,340,940	$ 1,365,356	$ 1,568,560	$ 1,631,899	$ 1,693,968

- 2012 proposed salary levels are based on existing grades and levels as per the collective agreements. The 2012 CUPE staff complement will consist of an Office Administrator, one Clerk C, one Clerk B, three permanent Clerk A's (added one new position), two temporary Clerk A's (new) , one part-time Clerk A for the weekends, one Adoption/Education Coordinator, two ASO II's, ten permanent ASO I's, one temporary ASO I (new) and two Kennel Attendants. The WAPSO/WAPSO exempt positions include a Chief Operating Officer and a Field Operations/Court Coordinator. The 2012 – 2104 projection also includes an adjustment of 1% for 2012; 2.5% for 2013 and 2.5% for 2014 for CUPE staff as per the latest collective agreements. Projections for WAPSO/WAPSO exempt staff include an adjustment of 2% for each of the next three years 2012-2014. Employee benefits are estimated to be 10% of total gross salaries.

Services

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 677,103	$ 1,001,257	$ 335,286	$ 471,072	$ 475,827	$ 476,516

- The Agency pays approximately $50,000 for a service contract with Scotia Enterprises for animal control services in the Charleswood/Tuxedo area.
- The Agency transfers funding to Winnipeg Humane Society as stated in detail under Grant, Transfer and Other. This amount in the 2011 Adopted Budget is reclassified as a grant instead of professional services.
- The Agency is replacing its aging fleet in 2012, hence, an new addition cost of capital lease for the new, greener fleet is included in 2012 propsed budget and 2013-2014 projection.
- The Agency continues its Licensing Awareness Advertising Campaign for City of Winnipeg.
- Animal Services expects to continue purchasing administrative services from the City's Community Services Department for 2012 - 2014. Included in these services is assistance with respect to finance, human resources, strategic support and information technology. (See Table 5 for Interdepartmental Support)

Table 5: Interdepartmental Support

	Audited Actual 2010	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
Financial	27,500	27,500	27,500	27,500	27,500
Human Resources	16,000	16,000	16,000	16,000	16,000
Strategic	16,000	16,000	16,000	16,000	16,000
Information System	20,896	20,896	20,896	20,896	20,896
Total interdepartmental Support	$ 80,396	$ 80,396	$ 80,396	$ 80,396	$ 80,396

Materials, Parts and Supplies

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 96,849	$ 86,306	$ 119,254	$ 97,490	$ 99,390	$ 101,453

- Animal Service Agency has projected an increase in adoption sales of shelter dogs. The cost of adoption is included in this category and therefore has increased proportionally.
- Animal Service Agency replacing its aging fleet in 2012 and anticipating a lower consumption of fuel and emission.

Assets and Purchases

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 1,939	$ 500	$ 779	$ 1,511	$ 1,521	$ 1,521

- Due to increased costs, the annual trap inventory replacement budget has increased to reflected market value of trapping equipment.

External Debt and Finance Charges

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 18,548	$ 23,901	$ 24,631	$ 17,639	$ 16,954	$ 16,685

- Animal Services Agency has a line of credit with an interest rate of prime plus 2.5%. Interest expense is expected to be lower in 2012 due to the improvement of cash flow.

Grants, Transfers and Others

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 23,499	$ 25,955	$ 517,704	$ 523,992	$ 524,448	$ 524,963

- The City of Winnipeg has entered into a service agreement with the Winnipeg Humane Society (WHS) with a yearly budget of $500,000. There are two components to the agreement. The service portion costing $425,000 annually in part requires the Humane Society to provide kenneling space for all cats trapped pursuant to the Pound By-law as well as handle other general and specific animal welfare issues. The second component is a low cost cat spays and neuter program. The program is administered by the Humane Society and subsidized in part by the City of Winnipeg (to a maximum of $75,000 annually). This service agreement is expensed in the Animal Services Agency's budget. The current contract expires December 31, 2013.
- Starting 2011, the Agency reclassified the amount paid to Winnipeg Humane Society as Grants instead of services as stated in 2010 financial statements and 2011 adopted budget.

Accommodations

Audited Actuals 2010	Adopted 2011	Projected 2011	Proposed Budget 2012	Projected 2013	Projected 2014
$ 210,822	$ 211,437	$ 211,437	$ 211,437	$ 209,596	$ 209,596

- The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet). Civic Accommodations leases the lower level to the Community Services Department, Community By-Law Enforcement Division for storage of bicycles.

APPENDIX 1: 2012 – 2014 Financial Projections and Notes

Projected Statement of Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

As At December 31	Audited Actual 2010	Adopted Budget 2011	Projected 2011	*Variance*	Proposed Budget 2012	Projected Budget 2013	Projected Budget 2014
FINANCIAL ASSETS							
Cash	17,906	-	-	-	-	-	-
Accounts receivable	55,531	40,000	40,000	-	40,000	40,000	40,000
	73,437	40,000	40,000	-	40,000	40,000	40,000
LIABILITIES							
Due to the City Of Winnipeg - General Revenue Fund (Note 4)	903,354	1,109,679	537,043	(572,636)	255,093	75,374	(87,781)
Accounts payable and accrued liabilities	91,487	50,000	50,000	-	50,000	50,000	50,000
Deferred revenue	679,518	576,738	680,904	104,166	767,550	807,400	848,250
Vacation and overtime payable	110,259	100,000	100,000	-	100,000	100,000	100,000
Retirement allowance and compensated absences (notes 6a)	104,000	50,000	104,000	54,000	104,000	104,000	104,000
	1,888,618	1,886,417	1,471,947	(414,470)	1,276,643	1,136,774	1,014,469
NET FINANCIAL LIABILITIES	(1,815,181)	(1,846,417)	(1,431,947)	414,470	(1,236,643)	(1,096,774)	(974,469)
NON-FINANCIAL ASSETS							
Tangible capital assets (note 2)	48,187	23,953	45,272	21,319	58,923	76,776	56,425
Inventories	4,664	12,000	6,000	(6,000)	14,000	12,000	10,000
Prepaid expenses	30,917	31,000	24,933	(6,067)	32,000	32,000	32,000
	$ 83,768	$ 66,953	$ 76,205	$ 9,252	$ 104,923	$ 120,776	$ 98,425
ACCUMULATED DEFICIT	$ (1,731,413)	$ (1,779,464)	$ (1,355,741)	$ 423,722	$ (1,131,720)	$ (975,997)	$ (876,044)

See accompanying notes and schedules to the financial statements

Projected Statement of Operations and Accumulated Deficit

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Audited Actual 2010	Adopted Budget 2011	Projected 2011	*Variance*	Proposed Budget 2012	Projected Budget 2013	Projected Budget 2014
REVENUES							
Government grant	24,080	25,955	24,690	(1,265)	24,585	25,051	25,577
Regulation fees	1,127,039	1,400,779	1,599,282	198,503	1,838,689	1,840,375	1,842,273
Sales of goods and services	102,403	41,536	105,266	63,730	119,631	121,807	124,261
Transfer (Note 5h)	1,154,276	1,334,276	1,334,276	-	1,302,504	1,297,186	1,297,186
Other revenue	17,511	11,195	87,732	76,537	12,620	13,632	14,645
Total Revenues	2,425,309	2,813,741	3,151,246	337,505	3,298,029	3,298,051	3,303,942
EXPENSES							
Salaries and employee benefits	1,332,844	1,340,940	1,365,356	24,416	1,568,560	1,631,899	1,693,968
Services (note 6)	677,103	1,001,257	335,286	(665,971)	471,072	475,827	476,516
Rent (note 6)	210,822	211,437	211,437	-	211,437	209,596	209,596
Administrative expenses (note 6)	157,958	147,262	157,958	10,696	157,957	158,546	158,936
Material, parts and supplies	96,849	86,306	119,254	32,948	97,490	99,390	101,453
Grants, transfers and other	23,499	25,955	517,704	491,749	523,992	524,448	524,963
Amortization	24,724	24,234	22,670	(1,564)	24,349	24,147	20,351
Debt and finance charges	15,707	19,279	20,620	1,341	16,037	16,341	16,685
Assets and purchases	1,939	500	779	279	1,511	1,521	1,521
Interest (note 6)	2,841	4,622	4,011	(611)	1,602	613	-
Total Expenses	2,544,286	2,861,792	2,755,075	(106,717)	3,074,008	3,142,328	3,203,989
Excess (Deficiency) Revenues Over Expenses	(118,977)	(48,051)	396,171	444,222	224,021	155,723	99,953
ACCUMULATED DEFICIT BEGINNING OF YEAR							
As previously reported	(1,591,436)	(1,731,413)	(1,731,413)	-	(1,355,741)	(1,131,720)	(975,997)
Changes in accounting policies (Note 8)	(21,000)		(20,500)	(20,500)			
As restated	(1,612,436)	(1,731,413)	(1,751,913)	(20,500)	(1,355,741)	(1,131,720)	(975,997)
ACCUMULATED DEFICIT, END OF YEAR	(1,731,413)	(1,779,464)	(1,355,741)	423,722	(1,131,720)	(975,997)	(876,044)

See accompanying notes and schedules to the financial statements

Projected Statement of Cash Flows

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Audited Actual 2010	Adopted Budget 2011	Projected 2011	*Variance*	Proposed Budget 2012	Projected Budget 2013	Projected Budget 2014
Net inflow (outflow) of cash related to the following activities							
OPERATING							
Deficiency of revenue over expenses	(118,977)	(48,051)	396,171	444,222	224,021	155,723	99,953
Non-cash charges to operations							
Amortization	24,724	24,234	22,670	(1,564)	24,349	24,147	20,351
Retirement allowance and compensated absences	12,000	(54,000)	-		-	-	-
	(82,253)	(77,817)	418,841	496,658	248,370	179,870	120,304
Net change in non-cash working capital balances related to operations	54,579	(146,414)	(50,680)	95,734	71,580	41,849	42,851
Cash used in operating activities	(27,674)	(224,231)	368,161	592,392	319,950	221,719	163,155
CAPITAL							
Acquisition of tangible capital assets	-	-	(19,756)	(19,756)	(38,000)	(42,000)	-
FINANCING							
Change in due to The City of Winnipeg - General Revenue Fund	37,233	206,325	(366,311)	(572,636)	(281,950)	(179,719)	(163,155)
Increase (Decrease) in Cash	9,559	(17,906)	(17,906)	0	(0)	(0)	-
CASH, BEGINNING OF YEAR	8,347	17,906	17,906	-	0	0	-
CASH, END OF YEAR	17,906	-	0	0	0	-	-

See accompanying notes and schedules to the financial statements

ANIMAL SERVICES - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31	Audited Actual 2010	Adopted Budget 2011	Projected 2011	Variance	Proposed Budget 2012	Projected Budget 2013	Projected Budget 2014
DEFICIENCY OF REVENUES OVER EXPENSES	(118,977)	(48,051)	396,171	444,222	224,021	155,723	99,953
Amortization of tangible capital assets	24,724	24,234	22,670	(1,564)	24,349	24,147	20,351
Change in inventories and prepaid expenses	5,221	(7,419)	4,649	12,068	(15,065)	2,000	2,000
Acquisition of tangible capital assets	-	-	(19,756)	(19,756)	(38,000)	(42,000)	-
INCREASE IN NET FINANCIAL LIABILITIES	(89,032)	(31,236)	403,734	434,970	195,305	139,870	122,304
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR							
As previously reported	(1,705,149)	(1,815,181)	(1,815,181)	-	(1,431,947)	(1,236,642)	(1,096,772)
Changes in accounting policies (Note 8)	(21,000)	-	(20,500)	(20,500)	-	-	-
As restated	(1,726,149)	(1,815,181)	(1,835,681)	(20,500)	(1,431,947)	(1,236,642)	(1,096,772)
NET FINANCIAL LIABILITIES, END OF YEAR	(1,815,181)	(1,846,417)	(1,431,947)	414,470	(1,236,642)	(1,096,772)	(974,468)

See accompanying notes and schedules to the financial statements

NOTES TO THE FINANCIAL PROJECTION
THREE YEARS ENDING DECEMBER 31, 2014

1. DESCRIPTION OF BUSINESS

Animal Services, Special Operating Agency commenced operations on January 1, 2000. The Agency completed its 10th year of operations on December 31, 2009. Animal Services continues to work towards its goals;

- To be financially self-sustainable to the greatest extent possible, (significantly less reliance on mill-rate support)
- Improve Health and Safety of neighborhoods
- Improve Customer Service
- Improve Public Image

Since 2000 Animal Services has brought in the following new programs and initiatives:

- Adoption program to give strays a second chance
- Volunteer program to enhance the adoption program
- Work placement for students in our community
- Enhanced Free Ride program
- Added-value coupon strip
- Multi-year licensing
- Numerous retail outlets for license sales
- Enhanced education programs
- Increased Marketing Campaigns
- Revamped fines schedule
- 3 per page invoice printing for paper/printing economies and bar-coding for new technology
- Automatic electronic payments through Banking Institutions
- Voice Response Unit – a computer system that sends automated voice reminders to dog owners for license renewals
- On line licensing website launched on January 1st, 2011.
- Amnesty months are June, July, August 2011; Zero tolerance policy effective September 1st, 2011.

2. SIGNIFICANT ACCOUNTING POLICIES

The projected financial statements have been prepared in accordance with Canadian Generally Accepted Accounting Principles for governance established by Public Sector Accounting Board (PSA) of Canadian Institute of Chartered Accountant. The projections include the following significant accounting policies:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenue in the period which it is earned provided it is measurable and collection reasonably certain. Expenses are recognized as they are incurred and measurable based upon receipts 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 changes in net financial liabilities for the year.

1. **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%

2. **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 expenses 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.

Estimates

The preparation of projected 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. FINANCIAL PROJECTION

This financial projection is an estimate of the financial position, results of operations and change in cash flow, for the operations of Animal Services Special Operating Agency, using management's assumptions that reflect the Agency's planned course of action for the three years ending December 31, 2014. Management's judgment has been used in the assumptions and the most probable set of economic conditions, together with the hypotheses stated in note 4 below. The hypotheses are consistent with the purpose of the information, but are not necessarily the most probable in management's judgment. Some assumptions inevitably will not materialize and unanticipated events and circumstances may occur subsequent to the date of this projection. Therefore, the actual results achieved during the projected period will vary from the projections and the variations may be material.

4. HYPOTHESES

The financial projection has been prepared based on the following hypotheses:

(a) That the City of Winnipeg will agree to provide an annual operating grant of $1,302,504 for 2012, $1,297,186 for 2013 and 2014.
(b) That the City of Winnipeg will extend a line of credit as detailed in the Financial Statements contained within the Council approved annual Selection Report prepared by the Agency, sufficient for the Agency to carry on operations.
(c) That the Agency will be allowed to purchase any support services required to sustain ongoing operations.
(d) That the Consumer Price Index is 0.8% for 2012; 2.1% for 2013 and 2.0% for 2014.
(e) That the City of Winnipeg re-negotiates a new service agreement with the Winnipeg Humane Society based on the status quo. The current contract will expire December 31, 2013.

5. ASSUMPTIONS – REVENUE

(a) Pound Fees

The basic fees for running at large are: first offence - $52, second offence - $155 and third offence - $232.

(b) Kenneling Fees

Kenneling fees are set at $24 per day effective January 1, 2012 and are projected to increase annually by $1 per day.

(c) Dog Licenses

The following fees and volumes are based on the Agency's analysis of the market:

	Annual Intact Dog License Fee	Annual Sterilized Dog License Fee
2012	$63	$28
2013	$64	$29
2014	$65	$30

Dog license fees for intact dogs in 2012 are $63 annually. A 56% discount is offered for sterilized dogs, reducing this fee to $28 annually. Intact and sterilized dog license fees will increase annually by $1. Dangerous dog license fees are set at $75 annually. There is no charge for service dog licenses and for the first license period for dogs adopted through the Humane Society and other animal shelters.

(d) Excess Animal Permit

2012 permit revenue is based on inflationary increase charges; $126.50 application fee and $63.25 annual inspection fee.

(e) Surrendered Animals

Revenue is based on 65 turnovers per year. Surrender fees are subject to inflationary increase as per Corporate Fees and Charges guidelines and schedules and are projected as follows:

	2011	2012	2013	2014
Surrender Fee	$73.00	$74.00	$77.00	$79.00

(f) Trap Rentals/Set Ups

A fee of $74.00 is charged for skunk trap rentals and an administration fee of $11.50 for cat trap rentals Skunk trap rentals are subject to inflationary increase as per Corporate Fees and Charges guidelines and schedules and are projected as follows:

	2011	2012	2013	2014
Skunk trap rental prices	$65.00	$75.00	$76.00	$77.00

(g) Dog Adoptions

Adoption fees are $212 for dogs less than four months, $180 for dogs over four months, and $134 for sterilized dogs. Adoptions include a health check by a veterinarian, vaccinations, spaying or neutering, microchip, first license and other value-added items. In an effort to stimulate sales the Agency introduced a discount for senior citizens of 20% and a reduced fee for dogs seven years and older. After costs, the Agency expects to net approximately $100 per animal on average with 500 animals adopted annually. With some exceptions, adoption fees will be adjusted to reflect inflation projected as follows:

	2011	2012	2013	2014
Less than four months Old	$208	$212	$216	$221
Over four months	$176	$180	$183	$187
Sterilized dogs	$131	$134	$136	$139
Senior intact dogs	$117	$119	$122	$124
Senior sterilized dogs	$ 64	$ 65	$ 67	$ 68

(h) Grant from the City of Winnipeg

The Agency has requested an annual operating grant of $1,302,504 for 2012, $1,297,186 for 2013 and 2014. This grant represents the mill rate support of operating costs.

YEAR	FUNDING AMOUNT
2000	$1,250,000
2001	$1,250,000
2002	$1,250,000
2003	$1,100,000
2004	$950,000
2005	$895,877
2006	$1,020,121
2007	$1,018,850
2008	$1,018,850
2009	$1,004,276
2010	$1,104,276
2011	$1,334,276
2012	$1,302,504
2013	$1,297,186
2014	$1,297,186

6. ASSUMPTIONS – EXPENSES

(a) Salaries and Employee Benefits

The Agency expects to operate with the following staff levels over the next three years:

	2012	2013	2014
WAPSO/WAPSO Exempt	2	2	2
CUPE	25	25	25

- 2012 proposed salary levels are based on existing grades and levels as per the collective agreements. The 2012 CUPE staff complement will consist of an Office Administrator, one Clerk C, one Clerk B, three permanent Clerk A's, two temporary Clerk A's, one part-time Clerk for weekend, one Adoption/Education Coordinator, ten permanent ASO I's, one temporary ASO I (for both 2012 and 2014), two ASO II's and two Kennel Attendants. The WAPSO/WAPSO exempt positions include a Chief Operating Officer and a Field Operations/Court Coordinator. Projection also includes an adjustment of 1% for 2012; 2.5% for 2013 and 2.5% for 2014 for CUPE staff as per the latest collective agreements. Projections for WAPSO/WAPSO exempt staff include an adjustment of 2% for 2012-2014. Employee benefits are estimated to be 10% of total gross salaries. Retirement Allowance is an accumulated provision for sick time severance payable. Compensated absences represent benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years.

(b) Professional and Consulting Services

The Council approved service contract with the Winnipeg Humane Society will expire December 31, 2013. There are two components to the agreement. The service portion costing $425,000 annually in part requires the Humane Society to provide kenneling space for all cats trapped pursuant to the Pound By-law as well as handle other general and specific animal welfare issues. The second component is a low cost cat spays and neuter program. The program is administered by the Humane Society and subsidized in part by the City of Winnipeg (to a maximum of $75,000 annually). This service agreement is funded through the Animal Services Agency's budget. Starting 2011, the Agency reclassed the

amount transfer to Winnipeg Humane Society as a Grant instead of a service charge as stated in 2010 audit financial statement and 2011 adopted budget.

The City also pays approximately $50,000 per year for a service contract with Scotia Enterprises for the provision of animal control services in the Charleswood/Tuxedo area.

(c) Audit Fee

The Agency expects to pay approximately $10,000 annually for audit fees in 2012 through 2014.

(d) Auto Allowances

In 2012, two staff members are provided with “occasional” auto allowance; one on “required” car allowance.

(e) Equipment Maintenance

The Agency expects to pay estimated $1,500 annually in equipment repairs and maintenance.

(f) Telephone

The Agency has budgeted $32,000 annually for land and mobile phone service; GPS mapping and mobile computer data usage.

(g) Advertising

The Agency uses various advertising mediums to help build its revenue base. Methods of advertising include billboards, bus posters, newspaper ads and brochures, Royal Ad mail-outs, etc.

(h) Equipment Rental, Internal

Vehicles are provided by the Fleet SOA. The Agency operates six vehicles. Beginning in 2011, the Agency replaced its old fleet with six environmental friendly vehicles, resulting in a smaller carbon footprint and decreased fleet costs.

(i) Training/Workshops/Tuition

The Agency expects to incur costs of $10,000 annually to provide training to staff.

(j) Civic Accommodations

The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet). Civic Accommodations leases the lower level to the Community Services Department, By-Law Enforcement Division for storage of bicycles.

(k) Depreciation

Depreciation is based on rates identified in note 2.

(l) Interest on Operating Line of Credit

The Agency has negotiated a line of credit with an interest rate of prime plus 2.5%. The 2011 line of credit was set at $1,100,000.

(m) Administrative Charges

The Agency expects to purchase administrative services from the City's Community Services Department. Included in these services is assistance with respect to finance, human resources, strategic support and information technology The Agency's share of these costs is $80,000 annually.

(n) Corporate Services Charges

The City of Winnipeg incurs corporate costs that relate to various shared services such as Legal and Peoplesoft support. The Agency is charged $69,582 for 2012; $69,930 for 2013; and $70,281 for 2014 annually by Corporate Services.

7. ASSUMPTIONS – CASH RECEIPTS AND DISBURSEMENTS

(a) Cash on hand

Petty cash of $75 is available for incidental expenditures. Change funds of $300 are available for the cash register float.

(b) Inventory

The Agency carries inventory for animal license tags, food, supplies and retail sales. A physical inventory count is done on December 31st.

(c) Equipment

On start-up, the Agency acquired equipment from the City of Winnipeg. The Agency constantly reviews its technology needs and upgraded equipment as needed. The Agency has assumed that all dispositions will be made at net book value and there will be no gain or loss resulting from the disposition of assets.

(d) Accounts Payable and Accrued Liabilities

Accounts payable are paid on the basis of 30-day terms and it has been assumed that accounts payable will be nominal at year-end. Accrued liabilities include such items as unpaid contract fees, salary accruals and other year-end payables.

(e) Deferred Revenue

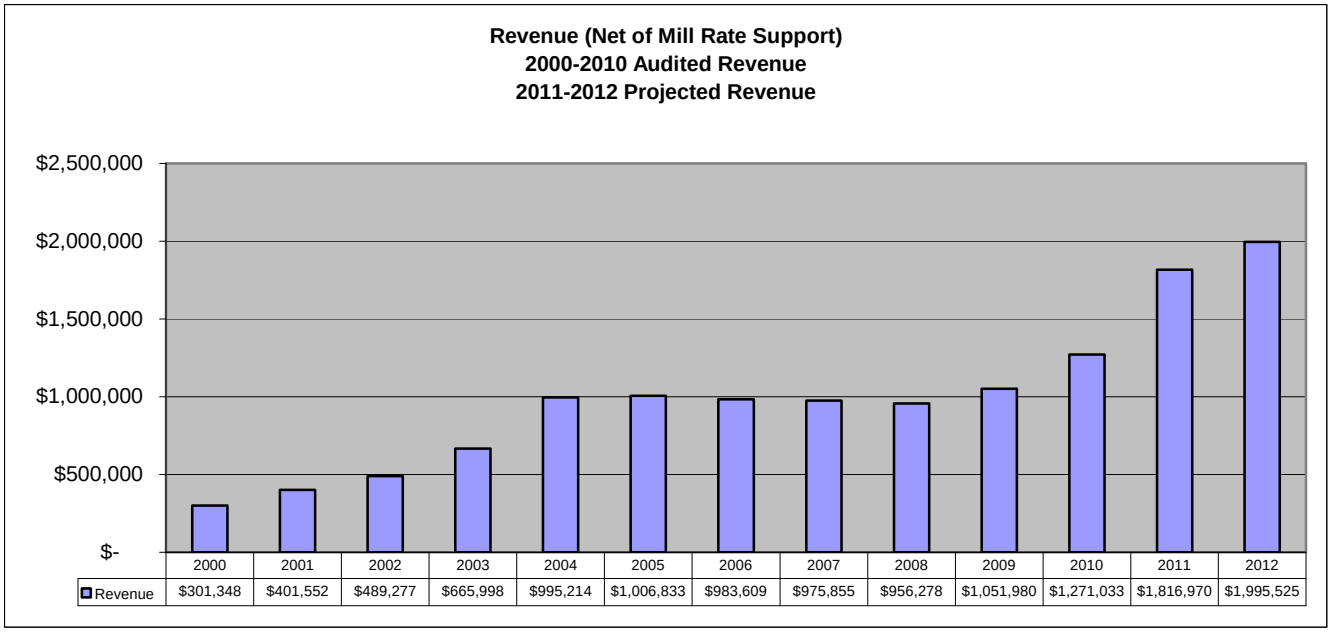
Animal license terms vary from 7 months to 30 months. Licenses have staggered monthly renewals based on the first letter of the last name. As a result there will be unearned revenue on hand at year-end. In 2005 a two-year licensing option was introduced. Since that time the Agency has experienced increased deferred revenue.

8. SPECIAL NOTE

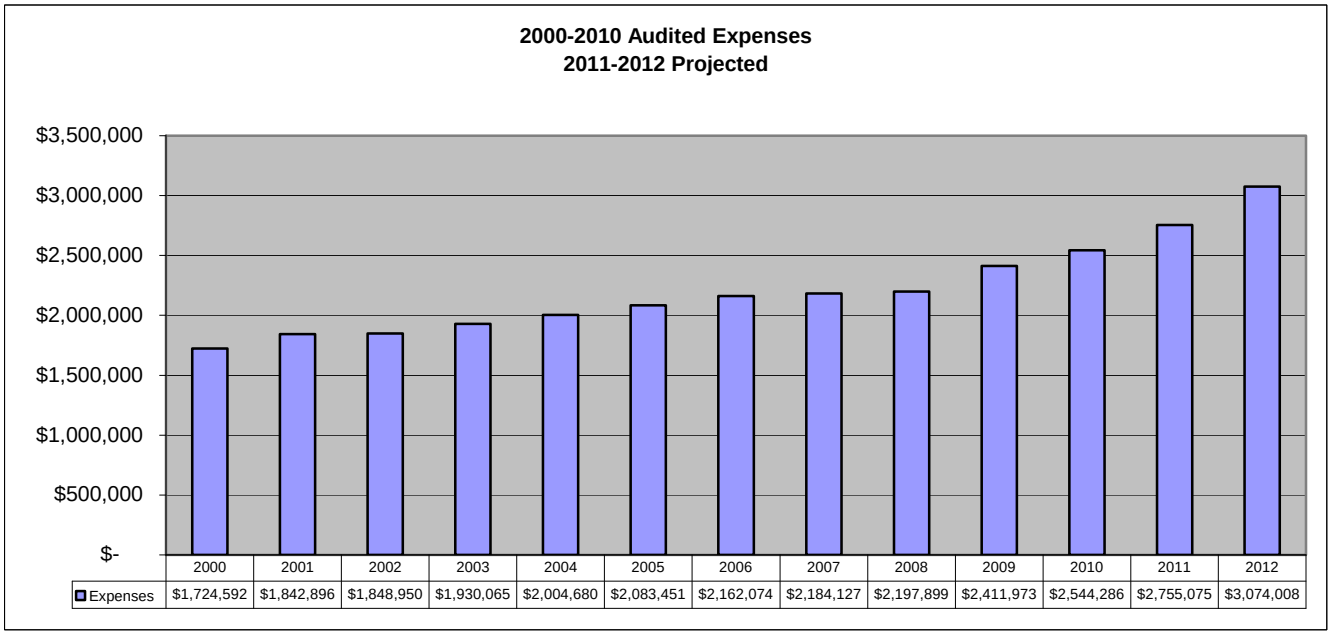
(a) Deficit Balance Restated

The December 31, 2010 closing balance for accumulated deficit has been restated as the result of the introduction of compensated absences since the Agency adopted the Public Sector Accounting General Accepted Accounting Principles. The under accrual was corrected in 2011.

Appendix 2: 2000-2010 Actual Expense and Revenue (Net of Mill Rate Support) Comparisons with 2011 - 2012 Projections



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenue	$301,348	$401,552	$489,277	$665,998	$995,214	$1,006,833	$983,609	$975,855	$956,278	$1,051,980	$1,271,033	$1,816,970	$1,995,525



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses	$1,724,592	$1,842,896	$1,848,950	$1,930,065	$2,004,680	$2,083,451	$2,162,074	$2,184,127	$2,197,899	$2,411,973	$2,544,286	$2,755,075	$3,074,008

Appendix 3: 2010 Audited Financial Statements

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 year 2011 is subject to contact negotiations with status quo being maintained in the interim.