Appendix A

Animal Services Special Operating Agency

2013-2015 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.
    - The Amnesty Campaign and Zero Tolerance Program have proved to be tremendously successful. Over 61,000 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.
    - On June 18, 2012, the Animal Services Agency welcomed three 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 License Inspectors, this group of Aboriginal youth patrolled the city in support of the zero tolerance dog licensing policy. Through this program, the License Inspectors issued Common Offense Notices for owners who failed to license their dogs. In addition, the Inspectors attended several events educating the public on the value of dog licensing and the role of Animal Services in the community. Animal Services plans on continuing the collaboration with OAN yearly with a license enforcement program.

- Annually review all fees and charges.
- 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
- Expansion of e-commerce pet licensing purchasing options:
    - In August of 2012, the 311 service centre began offering pet license sales over the phone utilizing the e-commerce capabilities of Winnipeg.ca
- Actively pursue sponsorship opportunities to offset operating costs of Agency programs such as adoptions.
    - Dog kennel sponsorships have proven popular.
- Target common dog walking areas with both educational and dog license messaging.

Increase customer service and satisfaction through improvement in response times and front-line service delivery.

- Review Agency's technological needs and upgrade as necessary.
- Support ongoing staff training and development.
- Expand performance metrics.
- Replace the Agency's aged 2002 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.
    - safer interior design to reduce Officer injury risk.

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

- Recommend to Council the amalgamation of the Pound and Exotic Animal By-laws into the new Responsible Pet Ownership By-law, considering input from various stakeholders.
- 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 regard to effective communication strategies.
- Target dog parks and other common dog-walking routes with enforcement, focusing on on/off leash compliance and licensing.
- Continue financial support of the Winnipeg Humane Society's low-cost spay/neuter programs.
- Develop creative marketing promotions stressing responsible pet ownership with an emphasis on neighbourhood 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 the Winnipeg Humane Society, veterinarian community, Animal Services Agency Advisory Board, and other rescue organizations to develop joint strategies to provide solutions for neighbourhoods.
- Review and amend by-laws as necessary.
- Establish a comprehensive performance measurement system.
- Develop a comprehensive and sustaining marketing plan and communications strategy.
- Expand relationship with media promoting special dog incidents and activities at Animal Services.
- Continue online promotion of adoption of unclaimed dogs on Petfinder.com and on Facebook through volunteer collaboration.

Financial: (see Appendix 1: 2013 – 2015 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).

2011 Audited Financial Statements are attached for reference (Appendix 3)

Tax-supported funding for the Agency is reflected as a Mill Rate Support Transfer to Animal Services in the Community Services Department budget.

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

Projected 2012 figures are based on monthly projections as at September 30, 2012.

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	$ 1,570,189
Total expenditures (per Audited Financial Reports)	$ 2,162,074	$ 2,239,308	$ 2,197,899	$ 2,411,973	$ 2,544,286	$ 2,748,552
Percentage recovered	47%	45%	45%	44%	50%	57%

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	2015
$1,004,276	$1,104,276	$1,154,276	$1,334,276	$1,302,504	$1,404,276	$1,404,276	$1,404,276

Current Budget Period

- The direct mill rate support to Animal Services in 2012 as at December 31st is projected to be $802,504 after $500,000 of the gross mill rate support is transferred to the Winnipeg Humane Society.
- The current Winnipeg Humane Society service agreement will expire December 31, 2013. Funds for 2014 and 2015 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%	($1,520,730)
Projected*					
2012	1,302,504	500,000	802,504	-0.2%	($1,150,354)
2013	1,404,276	500,000	904,276	12.7%	($914,561)
2014	1,404,276	500,000	904,276	0.0%	($779,221)
2015	1,404,276	500,000	904,276	0.0%	($671,267)

* Based on Projection as at September 30, 2012

Table 2 outlines the historical tax support received by Animal Services to run its operations net of the Winnipeg Humane Society service agreement. In 2013, a deficit reduction plan is proposed to start reducing the Agency's accumulated deficit by a minimum of $100,000 per year. Thus the 2013 proposed mill rate support is projected to be $904,276 net of the service contract to the Winnipeg

Revenue (Non Mill-Rate Sources)

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 1,570,189	$ 1,995,525	$ 2,000,945	$ 1,924,440	$ 1,906,130	$ 1,948,915

*Based on Projection as at September 30, 2012

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

With Council approval, the Agency increased the annual dog license fees effective March 23, 2012 from $27.00 to $28.00 for sterilized dogs and from $62.00 to $63.00 for intact dogs with an annual $1.00 increase approved for January 1, 2013. Further $1.00 increases are approved for 2014 and projected for 2015.

Table 3 outlines actual dog license revenues, recognized and recorded on an accrual basis, for 2000 – 2011 with projected revenues for 2012 through 2015.

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%
2011	$ 1,510,125	$ 469,951	45.2%
Projected			
2012*	$ 1,741,000	$ 230,875	15.3%
2013	$ 1,672,000	$ (69,000)	-4.0%
2014	$ 1,648,000	$ (24,000)	-1.4%
2015	$ 1,685,000	$ 37,000	2.2%

*Based on September 30, 2012 projection

- Dog license terms vary from 7 months to 30 months. As a result there is 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 due primarily to a successful 2011 Amnesty Campaign. The license level of 63,000 is projected to be sustainable.
- Dog license revenue figures beginning in 2013 is based on a minimum of 63,000 licenses, with annual average rate increases of one dollar per year.

- Changes to license revenue from 2013 to 2015 consider previous years' deferrals at lower average license rates resulting in small revenue decreases in 2013 and 2014, even though the license levels are projected to be maintained.

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, 2012, over 56% of dogs in the City of Winnipeg are projected to have a valid license (63,000 licenses).

Table 4: Portion of Dog Population Licensed

			Year over Year	
Actual	Licenses	% Licensed	% Licensed Increase Decrease	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	61,163	54.5%	17.5%	19,571
*2012	63,000	56.2%	19.1%	1,837

** Based on September 30, 2012 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 measures Number of Dog licenses per 100,000 Population.

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

Number of Dogs Licenses/Registrations Active per 100,000 Population	2006	2007	2008	2009	2010	2011
Licenses Per Animal Services Information System (ASIS)	35,876	36,615	36,300	35,027	41,592	61,163
City of Winnipeg estimated population per Feb 10, 2011	653,500	658,900	665,900	675,100	684,100	691,800
Number of dogs licensed per 100,000 population	5,490	5,557	5,451	5,188	6,080	8,841

Other Regulation Fees

- The basic dog pound fees for running at large with approved inflationary increase are:
    - first offence - $53.50
    - second offence - $159
    - third offence - $238

- Kenneling fees (per Pound bylaw updated 66/2009):
    - $25/day – 2013 Approved
    - $26/day – 2014 Approved
    - $27/day – 2015 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 2015.

EXPENSES*:*

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 2,748,552	$ 3,074,008	$ 2,933,073	$ 3,092,923	$ 3,175,066	$ 3,245,237

*Based on Projection as at September 30, 2012

Salaries and Benefits

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 1,343,190	$ 1,568,560	$ 1,480,959	$ 1,592,931	$ 1,666,510	$ 1,718,841

*Based on Projection as at September 30, 2012

- 2013 proposed salary levels are based on existing grades and levels as per the collective agreements. The proposed 2013 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 (for evenings), one part-time Clerk A (for weekends), one Adoption/Education Coordinator, two ASO (Animal Services Officer) II's, ten permanent ASO I's, one temporary ASO I and two Kennel Attendants. The WAPSO/WAPSO exempt positions include a Chief Operating Officer and a Field Operations/Court Coordinator.
- Animal Services is maintaining the same staffing levels as budgeted in 2012.

Services

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 326,494	$ 471,072	$ 419,274	$ 423,661	$ 424,070	$ 429,757

*Based on Projection as at September 30, 2012

- The Agency pays approximately $50,000 for a service contract with Scotia Enterprises for animal control services in the Charleswood/Tuxedo area.
- The Agency is replacing its six 2002 Ford E250 animal control vans in 2013. An additional cost for the capital lease of $33,010 per annum for a new, greener fleet is included in the 2013

proposed budget and 2014-2015 projection. Other fleet expenses such as insurance and operating cost are estimated as $30,000 for 2013.

- The Agency continues its Licensing Awareness Advertising Campaign for the city of Winnipeg but its needs will be reduced over $20,000 to $35,000 for 2013.
- The Agency includes payments for general government service charges as General Government Charges of $69,930 in 2013, $70,280 in 2014 and $70,631 for support provided by Corporate Finance and Corporate Services.
- The Agency budgeted $60,000 for commission on increased dog license sales as a result of a successful Amnesty Campaign in 2011.
- Animal Services expects to continue purchasing administrative services from the City's Community Services Department for 2013 - 2015. Included in these services is assistance with respect to finance, human resources, strategic support and information technology. (See Table 6 for Interdepartmental Support)

Table 6: Interdepartmental Support

	Audited Actual 2011	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
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 Systems	20,896	20,896	20,896	20,896	20,896
Total Interdepartmental Support	$ 80,396	$ 80,396	$ 80,396	$ 80,396	$ 80,396

*Based on Projection as at September 30, 2012

- Other major services used by the Agency include Veterinarian Services ($25,000) and postage ($32,000).

Materials, Parts and Supplies

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 127,069	$ 97,490	$ 130,358	$ 140,920	$ 143,835	$ 146,790

*Based on Projection as at September 30, 2012

- The Animal Services Agency has projected an increase in adoption sales of sheltered dogs. The cost of adoption is included in this category and therefore expected to increase accordingly ($54,610).
- Animal Services Agency requires $20,000 per annum for developing and maintaining a new software package to better suit the needs of the Agency.
- Animal Services Agency is replacing its aging animal control fleet in 2013 and is anticipating a lower consumption of fuel and lower emissions from over $30,000 down to $25,000 per annum.

Assets and Purchases

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 5,680	$ 1,511	$ 3,044	$ 3,155	$ 3,215	$ 3,280

*Based on Projection as at September 30, 2012

- Due to increased costs, the annual trap inventory replacement budget is increased to reflect the market value of trapping equipment.
- Animal Services plans on replacing some of the outdated office furniture in 2013.

External Debt and Finance Charges (including interest expense)

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 35,508	$ 17,640	$ 25,373	$ 42,170	$ 42,255	$ 42,485

*Based on Projection as at September 30, 2012

- With the increased number of dogs sheltered by the Animal Services Agency, the expected provision for bad debts has been increased in 2013 due to a higher billing volume for regulation fees and for dog pound by-law enforcement.
- With an increased number of dog licenses due to the Zero Tolerance Policy, credit card commissions will increase accordingly.
- Animal Services Agency has a line of credit with an interest rate of prime plus 2.5%.

Grants, Transfers and Others

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 519,018	$ 523,992	$ 479,761	$ 532,165	$ 532,665	$ 533,175

*Based on Projection as at September 30, 2012

- The City of Winnipeg provides an annual operating grant of $500,000 to the Winnipeg Humane Society. This agreement between the City of Winnipeg and Winnipeg Humane Society expires December 31, 2013.
  There are two components to the Winnipeg Humane Society agreement
  - ❖ The operating portion ($425,000) is for the Winnipeg Humane Society to provide kennelling space for all cats pursuant to the Pound By-law and to manage other animal welfare issues namely care for injured animals
  - ❖ The second component is a low-cost cat spay and neuter program (to a maximum of $75,000).
- Included in the proposed 2013 budget is the transfer to Corporate payroll for the time keeping initiative ($7,090) and the payment for the Provincial Payroll Tax ($25,075).
- 2012 projected actuals includes a recovery of $44,230 from the Aboriginal Youth Strategy for a license officer program, which was not budgeted in 2012 and not confirmed for inclusion in the 2013 to 2015 projected budgets.

Accommodations

Audited Actual 2011	Adopted 2012	Projected * 2012	Proposed Budget 2013	Projected 2014	Projected 2015
$ 211,437	$ 211,437	$ 211,437	$ 211,564	$ 211,564	$ 211,564

*Based on Projection as at September 30, 2012

- The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet). Municipal Accommodations leases the lower level to the Community Services Department, Community By-Law Enforcement Services for storage of bicycles and WRENCH (Winnipeg Repair Education and Cycling Hub).

APPENDIX 1: 2013 – 2015 Financial Projections and Notes

Projected Statement of Financial Position

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

As At December 31	Audited Actual 2011	Adopted Budget 2012	Projected* 2012	*Budget Variance*	Proposed Budget 2013	Projected Budget 2014	Projected Budget 2015
FINANCIAL ASSETS							
Cash	23,725	-	-	-	-	-	-
Due From the City Of Winnipeg - General Revenue Fund (Note 4)				-	-	131,010	298,377
Accounts receivable	65,775	40,000	40,000	-	40,000	40,000	40,000
	89,500	40,000	40,000	-	40,000	171,010	338,377
LIABILITIES							
Due to the City Of Winnipeg - General Revenue Fund (Note 4)	212,660	420,082	94,532	(325,550)	10,090	-	-
Accounts payable and accrued liabilities	62,021	50,000	50,000	-	50,000	50,000	50,000
Deferred revenue	1,305,758	767,550	941,459	173,909	807,400	848,250	870,750
Vacation and overtime payable	85,788	100,000	100,000	-	100,000	100,000	100,000
Retirement allowance and compensated absences	65,000	104,000	104,000	-	104,000	104,000	104,000
	1,731,227	1,441,632	1,289,991	(151,641)	1,071,490	1,102,250	1,124,750
NET FINANCIAL LIABILITIES	(1,641,727)	(1,401,632)	(1,249,991)	151,641	(1,031,490)	(931,240)	(786,373)
NON-FINANCIAL ASSETS							
Tangible capital assets (note 2)	48,548	58,923	61,637	2,714	78,929	114,019	77,106
Inventories	8,158	14,000	6,000	(8,000)	6,000	6,000	6,000
Prepaid expenses	64,291	32,000	32,000	-	32,000	32,000	32,000
	$ 120,997	$ 104,923	$ 99,637	$ (5,286)	$ 116,929	$ 152,019	$ 115,106
ACCUMULATED DEFICIT	$ (1,520,730)	$ (1,296,709)	$ (1,150,354)	$ 146,355	$ (914,561)	$ (779,221)	$ (671,267)

See accompanying notes and schedules to the financial statements
** Based on projection as at September 30, 2012*

Projected Statement of Operations and Accumulated Deficit

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Audited Actual 2011	Adopted Budget 2012	Projected* 2012	*Variance*	Proposed Budget 2013	Projected Budget 2014	Projected Budget 2015
REVENUES							
Government grant	25,318	24,585	24,585	-	25,075	25,575	26,085
Regulation fees	1,403,781	1,838,689	1,835,766	(2,923)	1,763,265	1,741,095	1,779,960
Sales of goods and services	95,965	119,631	117,200	(2,431)	123,100	125,460	127,870
Transfer (Note 5h)	1,389,046	1,302,504	1,302,504	-	1,404,276	1,404,276	1,404,276
Other revenue	45,125	12,620	23,394	10,774	13,000	14,000	15,000
Total Revenues	2,959,235	3,298,029	3,303,449	5,420	3,328,716	3,310,406	3,353,191
EXPENSES							
Salaries and employee benefits	1,343,190	1,568,560	1,480,959	(87,601)	1,592,931	1,666,510	1,718,841
Services (note 6)	326,494	471,072	419,274	(51,798)	423,661	424,070	429,757
Rent (note 6)	211,437	211,437	211,437	-	211,564	211,564	211,564
Administrative expenses (note 6)	157,958	157,957	157,957	-	121,650	122,041	122,433
Material, parts and supplies	127,069	97,490	130,358	32,868	140,920	143,835	146,790
Grants, transfers and other	519,018	523,992	479,761	(44,231)	532,165	532,665	533,175
Amortization	22,198	24,349	24,910	561	24,707	28,911	36,912
Debt and finance charges	33,818	16,037	24,474	8,437	42,000	42,240	42,485
Assets and purchases	5,680	1,511	3,044	1,533	3,155	3,215	3,280
Interest (note 6)	1,690	1,603	899	(704)	170	15	-
Total Expenses	2,748,552	3,074,008	2,933,073	(140,935)	3,092,923	3,175,066	3,245,237
Excess (Deficiency) Revenues Over Expenses	210,683	224,021	370,376	146,355	235,793	135,340	107,954
ACCUMULATED DEFICIT BEGINNING OF YEAR							
As previously reported	(1,731,413)	(1,520,730)	(1,520,730)	-	(1,150,354)	(914,561)	(779,221)
Prior Year Adjustment (Note 8)				-			
As restated	(1,731,413)	(1,520,730)	(1,520,730)	-	(1,150,354)	(914,561)	(779,221)
ACCUMULATED DEFICIT, END OF YEAR	(1,520,730)	(1,296,709)	(1,150,354)	146,355	(914,561)	(779,221)	(671,267)

See accompanying notes and schedules to the financial statements
** Based on projection as at September 30, 2012*

**Note:

Revenue

- Government Grant refers to the Provincial Payroll Support Grant
- Regulation Fees includes Fees such as dog licenses, kenneling fees, and pound fees received according to the city pound by-law
- Sales of Goods and Services includes funds raised from adoptions, calendar advertising, and trap rental charges

Expenditure

- Material, parts and supplies contains cost of adoptions, animal food and supplies and fuel for animal control vehicles.
- Grants, transfers and other make up of the Grant to Winnipeg Humane Society, rent paid to Municipal Accommodations, provincial payroll tax, and transfer to Corporate Finance on new timekeeping saving. In addition, a recovery of $44,230 was included in 2012 for Aboriginal Youth Strategy program.
- Assets and purchase includes office equipment replacement for the Agency.

Projected Statement of Cash Flows

CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

For the year ended December 31	Audited Actual 2011	Adopted Budget 2012	Projected* 2012	*Variance*	Proposed Budget 2013	Projected Budget 2014	Projected Budget 2015
Net inflow (outflow) of cash related to the following activities							
OPERATING							
Excess/(Deficiency) of revenue over expenses	210,683	224,021	370,376	146,355	235,793	135,340	107,954
Non-cash charges to operations							
Amortization	22,198	24,349	24,910	561	24,707	28,911	36,912
Retirement allowance and compensated absences	(39,000)	-	39,000		-	-	-
	193,881	248,370	434,286	185,916	260,500	164,251	144,866
Net change in non-cash working capital balances related to operations	525,191	71,580	(301,883)	(373,463)	(134,058)	40,849	22,501
Cash used in operating activities	719,072	319,950	132,403	(187,547)	126,442	205,100	167,367
CAPITAL							
Acquisition of tangible capital assets	(22,559)	(38,000)	(38,000)	-	(42,000)	(64,000)	-
FINANCING							
Change in due to The City of Winnipeg - General Revenue Fund	(690,694)	(281,950)	(118,128)	163,822	(84,442)	(141,100)	(167,368)
Increase (Decrease) in Cash	5,819	-	(23,725)	(23,725)	0	0	(1)
CASH, BEGINNING OF YEAR	17,906	-	23,725	23,725	(0)	0	0
CASH, END OF YEAR	23,725	-	(0)	(0)	0	0	(0)

See accompanying notes and schedules to the financial statements
** Based on projection as at September 30, 2012*

ANIMAL SERVICES - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

For the years ended December 31	Audited Actual 2011	Adopted Budget 2012	Projected* 2012	Variance	Proposed Budget 2013	Projected Budget 2014	Projected Budget 2015
EXCESS (DEFICIENCY) REVENUES OVER EXPENSES	210,683	224,021	370,376	146,355	235,793	135,340	107,954
Amortization of tangible capital assets	22,198	24,349	24,910	561	24,707	28,911	36,912
Change in inventories and prepaid expenses	(36,868)	(15,065)	34,450	49,515	-	-	-
Acquisition of tangible capital assets	(22,559)	(38,000)	(38,000)	-	(42,000)	(64,000)	-
INCREASE IN NET FINANCIAL LIABILITIES	173,454	195,305	391,736	196,431	218,500	100,251	144,866
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR							
As previously reported	(1,815,181)	(1,596,937)	(1,641,727)	(44,790)	(1,249,991)	(1,031,491)	(931,240)
Changes in accounting policies (Note 8)		-		-	-	-	-
As restated	(1,815,181)	(1,596,937)	(1,641,727)	(44,790)	(1,249,991)	(1,031,491)	(931,240)
NET FINANCIAL LIABILITIES, END OF YEAR	(1,641,727)	(1,401,632)	(1,249,991)	151,641	(1,031,491)	(931,240)	(786,374)

See accompanying notes and schedules to the financial statements
** Based on projection as at September 30, 2012*

NOTES TO THE FINANCIAL PROJECTION
THREE YEARS ENDING DECEMBER 31, 2015

1. DESCRIPTION OF BUSINESS

Animal Services, Special Operating Agency commenced operations on January 1, 2000. The Agency completed its 12th year of operations on December 31, 2011. Animal Services continues to work towards its goals;

- To be financially self-sustainable to the greatest extent possible.
- Improve Health and Safety of neighbourhoods
- 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
- Multi-year licensing
- Numerous retail outlets for license sales
- Enhanced education programs
- Increased Marketing Campaigns
- Revamped fines schedule
- Three 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 - January 1st, 2011.
- Zero tolerance licensing policy effective September 1st, 2011.
- 311 started selling licenses for Animal Services Agency in August, 2012 though Winnipeg.ca.

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, 2015. 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. The hypotheses are consistent with the purpose of the information. 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.

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 $1,404,276 for 2013 to 2015
(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 2.9% for 2013 and 2.0% for 2014 and 2015.
(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 - $53.50, second offence - $159 and third offence - $238.

(b) Kenneling Fees

Kenneling fees are set at $25 per day effective January 1, 2013 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
2013 Approved	$64	$29
2014 Approved	$65	$30
2015 Projected	$66	$31

Dog license fees for intact dogs in 2013 are $64 annually. A 55% discount is offered for sterilized dogs, reducing this fee to $29 annually. Intact and sterilized dog license fees will increase annually by $1. Dangerous dog license fees are set at $80 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

2013 permit revenue is based on inflationary increase charges; $128 application fee and $64 annual inspection fee.

(e) Surrendered Animals

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

	2012	2013	2014	2015
Surrender Fee	$74.00	$76.00	$78.00	$80.00

(f) Trap Rentals/Set Ups

A fee of $75.00 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 City of Winnipeg Fees and Charges guidelines and schedules and are proposed as follows:

	2012	2013	2014	2015
Skunk trap rental prices	$75.00	$77.00	$79.00	$81.00
Skunk trap late fee (New)	$0.00	$15.00	$15.00	$15.00
Cat trap rental administration fees	$11.50	$11.75	$12.00	$12.25

(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. Adoption fees will be adjusted to reflect inflation projected as follows:

	2012	2013	2014	2015
Less than four months Old	$212	$218	$222	$226
Over four months	$180	$185	$189	$193
Sterilized dogs	$134	$137	$140	$143
Senior intact dogs	$119	$122	$124	$126
Senior sterilized dogs	$ 65	$ 66	$ 67	$ 68

(h) Grant from the City of Winnipeg

The Agency has requested an annual operating grant of $1,404,276 for 2013-2015.

In 2013, a deficit reduction plan is proposed to start reducing the Agency's accumulated deficit by a minimum of $100,000 per year.

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	$1,004,276
2009	$1,104,276
2010	$1,154,276
2011	$1,334,276
2012	$1,302,504
2013	$1,404,276
2014	$1,404,276
2015	$1,404,276

6. ASSUMPTIONS – EXPENSES

(a) Salaries and Employee Benefits

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

	2013	2014	2015
WAPSO/WAPSO Exempt	2	2	2
CUPE	25	25	25
FTEs	26.69	26.69	26.69

- 2013 proposed salary levels are based on existing grades and levels as per the collective agreements. The 2013 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 (for evenings), one part-time Clerk (for weekends), one Adoption/Education Coordinator, ten permanent ASO(Animal Services Officer) I's, one temporary ASO I (for both 2013 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.

(b) Grants and non-professional fees

The City of Winnipeg provides an annual operating grant of $500,000 to the Winnipeg Humane Society. This agreement between the City of Winnipeg and Winnipeg Humane Society expires December 31, 2013.
There are two components to the Winnipeg Humane Society agreement

- The operating portion ($425,000) is for the Winnipeg Humane Society to provide kennelling space for all cats pursuant to the Pound By-law and to manage other animal welfare issues namely care for injured animals
- The second componet is a low-cost cat spay and neuter program (to a maximum of $75,000).

(c) Audit Fee

The Agency expects to pay approximately $10,000 annually for audit fees.

(d) Auto Allowances

In 2013, four 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 $34,000 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 kings, newspaper ads and brochures, etc.

(h) Equipment Rental, Internal

Vehicles are provided by the Fleet SOA. The Agency operates six vehicles. Beginning in 2013, the Agency will replace 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 over $10,000 annually to provide training to staff.

(j) Municipal Accommodations

The Agency occupies the main floor of the building at 1057 Logan Avenue (12,296 square feet).

(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 2012 line of credit is $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 Support 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 $69,930 for 2013; $70,280 for 2014 and $70,631in 2015 by Corporate Support 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 upgrade 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

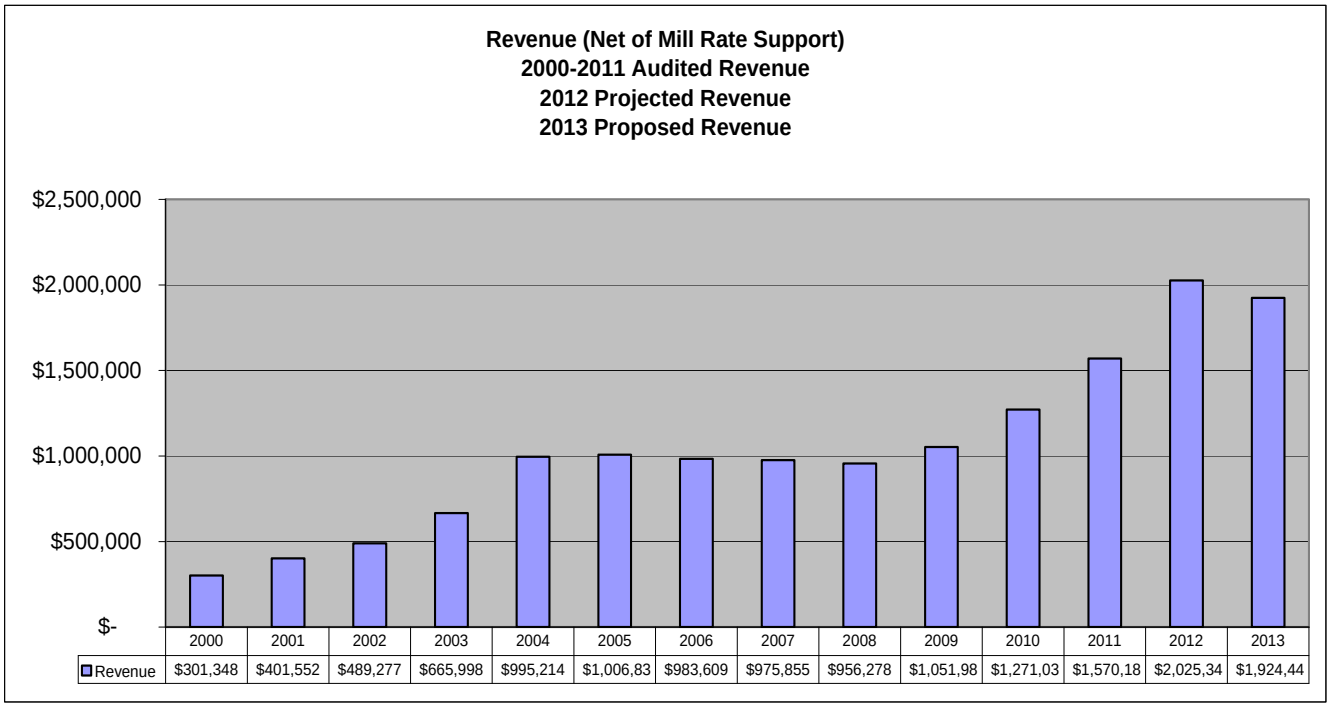
Animal license terms vary from 7 months to 30 months. Licenses have staggered monthly renewals based on the first letter of the last name. As a result there is unearned revenue on hand at year-end. In 2005 a two-year licensing option was introduced.

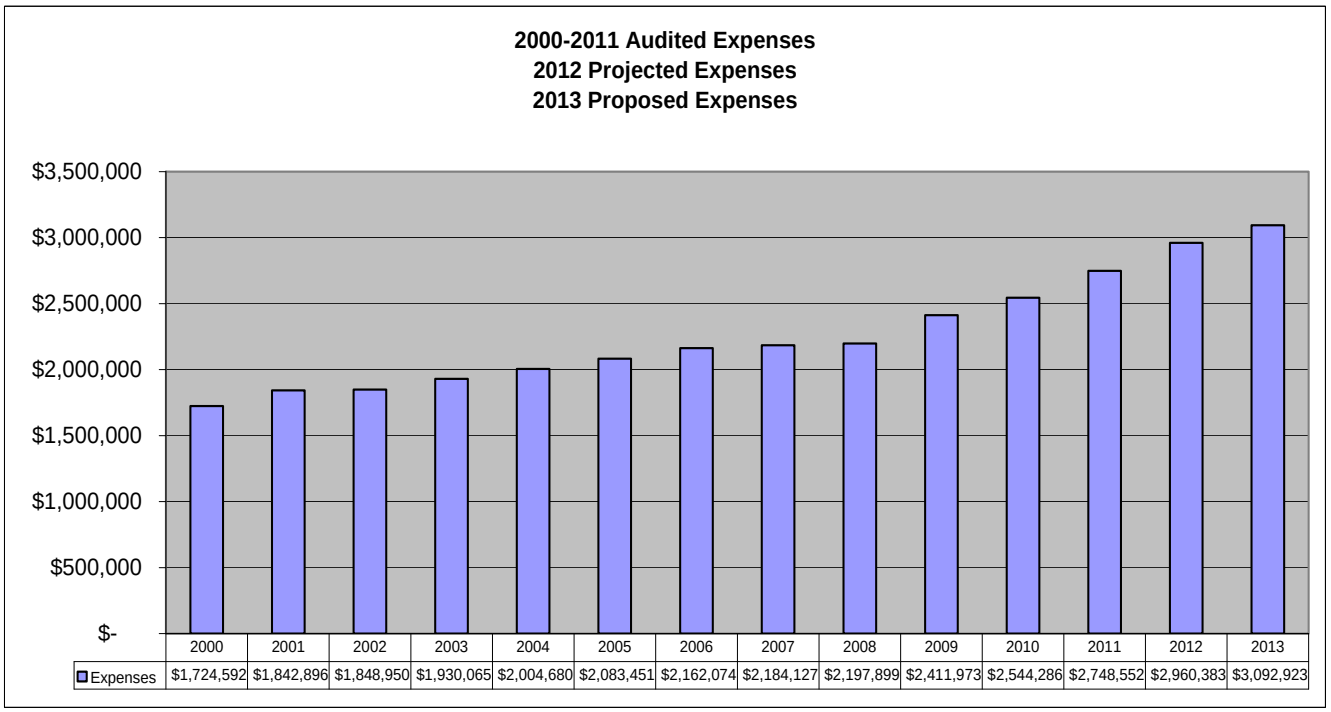
8. SPECIAL NOTE

(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: 2000-2011 Actual Expense and Revenue (Net of Mill Rate Support) Comparisons with 2012 Projections and 2013 Proposal





Appendix 3: 2011 Audited Financial Statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	2011	2010
FINANCIAL ASSETS		
Cash	**$ 23,725**	$ 17,906
Accounts receivable (Note 3)	**65,775**	55,531
	89,500	73,437
LIABILITIES		
Due to the City Of Winnipeg - General Revenue Fund (Note 4)	**212,660**	903,354
Accounts payable and accrued liabilities	**62,021**	91,487
Deferred revenue	**1,305,758**	679,518
Vacation and overtime payable	**85,788**	110,259
Retirement allowance and compensated absences (Note 5a)	**65,000**	104,000
	1,731,227	1,888,618
NET FINANCIAL LIABILITIES	**(1,641,727)**	(1,815,181)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 6)	**48,548**	48,187
Inventories	**8,158**	4,664
Prepaid expenses	**64,291**	30,917
	120,997	83,768
ACCUMULATED DEFICIT	**$ (1,520,730)**	$ (1,731,413)

Commitments (Note 7)

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 2011 (unaudited)	Actual 2011	Actual 2010
REVENUES			
Government transfers	**$ 25,955**	**$ 25,318**	$ 24,080
Regulation fees	**1,400,779**	**1,403,781**	1,127,039
Sales of goods and services	**41,536**	**95,965**	102,403
Transfer (Note 8)	**1,334,276**	**1,389,046**	1,154,276
Other revenue	**11,195**	**45,125**	17,511
Total Revenues	**2,813,741**	**2,959,235**	2,425,309
EXPENSES			
Salaries and employee benefits	**1,340,940**	**1,343,190**	1,332,844
Grants, transfers and other	**25,955**	**519,018**	23,499
Services (Note 9)	**986,397**	**326,494**	677,103
Rent (Note 9)	**211,437**	**211,437**	210,822
Administrative expenses (Note 9)	**162,122**	**157,958**	157,958
Material, parts and supplies	**86,306**	**127,069**	96,849
Debt and finance charges	**19,279**	**33,818**	15,707
Amortization	**24,234**	**22,198**	24,724
Assets and purchases	**500**	**5,680**	1,939
Interest (Note 4)	**4,622**	**1,690**	2,841
Total Expenses	**2,861,792**	**2,748,552**	2,544,286
Excess (Deficiency) of Revenues Over Expenses	**(48,051)**	**210,683**	(118,977)
ACCUMULATED DEFICIT, BEGINNING OF YEAR	**(1,731,413)**	**(1,731,413)**	(1,612,436)
ACCUMULATED DEFICIT, END OF YEAR	**$ (1,779,464)**	**$ (1,520,730)**	$ (1,731,413)

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:

	2011	2010
OPERATING		
Excess (deficiency) of revenues over expenses	**$ 210,683**	$ (118,977)
Non-cash charges to operations		
Amortization	**22,198**	24,724
Retirement allowance and compensated absences	**(39,000)**	12,000
	193,881	(82,253)
Net change in non-cash working capital balances related to operations	**525,191**	54,579
Cash provided by (used in) operating activities	**719,072**	(27,674)
CAPITAL		
Acquisition of tangible capital assets	**(22,559)**	-
FINANCING		
Change in due to The City of Winnipeg - General Revenue Fund	**(690,694)**	37,233
Increase in cash	**5,819**	9,559
CASH, BEGINNING OF YEAR	**17,906**	8,347
CASH, END OF YEAR	**$ 23,725**	$ 17,906

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 2011 (unaudited)	Actual 2011	Actual 2010
Excess (Deficiency) of Revenues Over Expenses	**$ (48,051)**	**$ 210,683**	$ (118,977)
Amortization of tangible capital assets	**24,234**	**22,198**	24,724
Change in inventories and prepaid expenses	**(24,234)**	**(36,868)**	5,221
Acquisition of tangible capital assets	**-**	**(22,559)**	-
INCREASE (DECREASE) IN NET FINANCIAL LIABILITIES	**(48,051)**	**173,454**	(89,032)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(1,731,413)**	**(1,815,181)**	(1,726,149)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (1,779,464)**	**$ (1,641,727)**	$ (1,815,181)

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, 2011

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 of the Canadian Institute of Chartered Accountants. 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 is 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 (deficiency) 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.

2. *Significant Accounting Policies (continued)*

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.

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. *Accounts Receivable*

	2011	2010
Trade accounts receivable	**$ 42,992**	$ 39,013
Allowance for doubtful accounts	**(2,535)**	(6,981)
	40,457	32,032
Province of Manitoba	**25,318**	23,499
	$ 65,775	$ 55,531

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. 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, 2011 interest rate was 1.05% (2010 - 1.05%). The 2011 budget approved by City Council includes an operating line of credit of $1,100,00.

During the year, the Agency paid $1,690 (2010 - $2,841) in interest costs.

5. *Employee Benefits*

a) Retirement allowance and compensated absences

	2011	2010
Retirement allowance - accrued benefit liability	**$ 37,000**	$ 84,000
Compensated absences	**28,000**	20,000
	$ 65,000	$ 104,000

*5. **Employee Benefits (continued)***

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 13.3 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 liability as at December 31 of each year. An actuarial valuation report of the liability was prepared effective December 31, 2011.

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:

	2011		2010	
	Retirement allowance	**Compensated absences**	Retirement allowance	Compensated absences
Accrued benefit liability:				
Balance, beginning of year	**$ 97,000**	**$ 19,000**	$ 84,000	$ 19,000
Current service cost	**6,000**	**37,000**	5,000	(1,000)
Interest cost	**3,000**	**1,000**	4,000	1,000
Benefit payments	**(61,000)**	**(30,000)**	-	-
Net actuarial loss/(gain)	**39,000**	**(2,000)**	4,000	-
Balance, end of year	**84,000**	**25,000**	97,000	19,000
Unamortized net actuarial loss/(gain)	**(47,000)**	**3,000**	(13,000)	1,000
Accrued benefit liability	**$ 37,000**	**$ 28,000**	$ 84,000	$ 20,000
Benefit expenses:				
Current service cost	**$ 6,000**	**$ 37,000**	$ 5,000	$ (1,000)
Interest cost	**3,000**	**1,000**	4,000	1,000
Amortization of net actuarial loss/(gain)	**5,000**	**-**	4,000	(1,000)
	$ 14,000	**$ 38,000**	$ 13,000	$ (1,000)
Reconciliation of accrued benefit liability:				
Balance, beginning of year	**$ 84,000**	**$ 20,000**	$ 71,000	$ 21,000
Benefit expense	**14,000**	**38,000**	13,000	(1,000)
Benefit payments	**(61,000)**	**(30,000)**	-	-
Balance, end of year	**$ 37,000**	**$ 28,000**	$ 84,000	$ 20,000

5. Employee Benefits (continued)

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

	2011	2010
Valuation interest rate	**3.60%**	3.90%
General increases in pay	**3.50%**	3.00%
Expected average remaining service life	**13.3 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, $80,447 (2010 - $84,800) 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, 2010 and it has an actuarial surplus.

6. Tangible Capital Assets

	Net Book Value	
	2011	2010
Computer equipment	**$ 23,138**	$ 39,098
Furniture and other equipment	**21,303**	875
Communication radios	**4,107**	8,214
	$ 48,548	$ 48,187

For additional information, see Schedule 1 - tangible capital assets.

7. Commitments

The Agency and the Winnipeg Humane Society entered into a contract that is in force from January 1, 2011 to December 31, 2013. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agrees to pay the Winnipeg Humane Society the sum of $425,000 per year, payable in quarterly installments of $106,250. 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.

8. Transfer from The City of Winnipeg

This year, the transfer from The City of Winnipeg increased by 16% or $180,000 to $1,334,276. The increase is comprised of $150,000 to fund a new service contract signed with the Winnipeg Humane Society and a one time grant of $30,000 for the Winnipeg Humane Society's See Spot Read Program. This follows an increase in 2010 of 1.43%, to partially fund an increase in the Winnipeg Humane Society service contract in 2009. In addition, the Agency received 2011 funding from The City of Winnipeg - General Revenue Fund for the Aboriginal Youth Strategy in the amount of $54,770.

The transfers from the City of Winnipeg over the past five years are as follows:

2007	$ 1,018,850
2008	1,004,276
2009	1,104,276
2010	1,154,276
2011	1,334,276

9. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Municipal Accommodations Fund for rent of $211,437 (2010 - $210,822) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of $80,396 (2010 - $80,396). Also included are lease costs of $76,472 (2010 - $72,947) to The City of Winnipeg Fleet Management - Special Operating Agency and $69,582 (2010 - $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.