THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE PROJECTED FINANCIAL STATEMENTS

For the three years ending December 31, 2017
(all tabular amounts are in thousands of dollars, unless otherwise noted)

1. Status of the Winnipeg Fleet Management Agency

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

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other public organizations in support of their service delivery.

2. Significant Accounting Policies

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

a) Basis of accounting

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

b) Non-financial assets

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

i) Tangible capital assets

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

Tangible capital assets are amortized on the basis of their cost less approximate residual value over their estimated useful lives using the following rates and methods:

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

Amortization begins once an asset is placed into service.

ii) Inventories

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

2. Significant Accounting Policies (continued)

c) Revenue recognition

The Agency enters into operating lease agreements to supply and maintain vehicles and equipment to lessees for specified lease periods. The Agency recognizes the monthly lease payments from the lessees as income each month. Services and parts revenue, including insurance and fuel sales, are recognized upon the completion of the work or transfer of the goods or service. Revenue from short-term rentals of vehicles or equipment is recognized as income evenly over the rental period.

d) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future or are the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

e) 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.

f) Use of estimates

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

3. Due to The City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Bank transactions are credited or charged to the "Due to/from" account when they are processed through the bank. Interest is credited or charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. As well, the Agency has negotiated an operating line of credit up to $300 thousand and a line of credit for short-term financing from The City of Winnipeg.

Funds were advanced during the year as short-term bridge financing between the time when cash is needed and term financing is arranged for capital acquisition.

4. Debt

	Forecast 2014	**2015**	2016	2017
Term loans	$ 37,117	**$ 38,492**	$ 44,108	$ 50,917
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178
	$ 37,295	**$ 38,670**	$ 44,286	$ 51,095

5. Accrued Employee Benefits

a) Accrued employee benefits

	Forecast 2014	**2015**	2016	2017
Retirement allowance and compensated absences	$ 879	**$ 897**	$ 915	$ 933
Vacation	657	**670**	683	697
	$ 1,536	**$ 1,567**	$ 1,598	$ 1,630

Under the retirement allowance program, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). In addition, adjustment arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 12.1 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year.

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

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments.

6. Tangible Capital Assets

	Net Book Value			
	Forecast 2014	**2015**	2016	2017
Land	$ 390	**$ 390**	$ 390	$ 390
Buildings	3,004	**3,393**	4,357	4,174
Fleet assets	62,120	**63,907**	69,822	69,121
Equipment	5,788	**8,581**	8,357	8,232
	$ 71,302	**$ 76,271**	$ 82,926	$ 81,917

7. Related Party Transactions

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

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

	Forecast 2014	**2015**	2016	2017
a) Sales of goods and services to The City of Winnipeg	$ 47,339	**$ 49,101**	$ 51,011	$ 52,774
b) Dividend transfer to The City of Winnipeg	$ 1,842	**92**	$ 92	$ 92
c) Municipal Accomodations Fund:				
Repair facility lease	$ 739	**$ 739**	$ 739	$ 739
Call answer service	$ 5	**$ 5**	$ 5	$ 5
d) Public Works Department:				
Operator training service	$ 689	**$ 703**	$ 717	$ 731
e) Corporate Support Services Deparment:				
Business technology services	$ 78	**$ 78**	$ 78	$ 78
Human resource services	$ 94	**$ 94**	$ 96	$ 98
f) Corporate Finance Department:				
Transfer where goods or services not received directly in return;				
Productivity gain for server consolidation	$ 14	**$ 14**	$ 14	$ -
Productivity gain for timekeeping	$ 41	**$ 41**	$ 41	$ -
Price reduction on products not purchased	$ 8	**$ 8**	$ 8	$ -