THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	Actual 2015	Budget 2016	Forecast 2016	Variance 2016	**2017**	2018	2019
FINANCIAL ASSETS							
Accounts receivable	$ 95	$ 102	$ 97	$ (5)	**$ 99**	$ 101	$ 103
LIABILITIES							
Due to The City of Winnipeg - General Revenue Fund (Note 3)	7,977	21,416	13,128	(8,288)	**15,517**	16,898	11,701
Accounts payable and accrued liabilities	1,740	1,411	1,783	372	**1,819**	1,856	1,892
Debt (Note 4)	30,489	30,295	30,013	(282)	**33,478**	39,566	48,039
Accrued employee benefits (Note 5a)	1,742	1,567	1,788	221	**1,823**	1,859	1,897
	41,948	54,689	46,712	(7,977)	**52,637**	60,179	63,529
NET FINANCIAL LIABILITIES	(41,853)	(54,587)	(46,615)	7,972	**(52,538)**	(60,078)	(63,426)
NON-FINANCIAL ASSETS							
Tangible capital assets (Note 6)	62,120	75,248	65,300	(9,948)	**70,810**	80,632	86,919
Inventories	1,736	1,838	1,779	(59)	**1,815**	1,851	1,888
Prepaid expenses	537	536	546	10	**557**	557	557
	64,393	77,622	67,625	(9,997)	**73,182**	83,040	89,364
ACCUMULATED SURPLUS	$ 22,540	$ 23,035	$ 21,010	$ (2,025)	**$ 20,644**	$ 22,962	$ 25,938

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Actual 2015	Budget 2016	Forecast 2016	Variance 2016	**2017**	2018	2019
REVENUES							
Fleet leases	$ 25,763	$ 28,229	$ 25,743	$ (2,486)	**$ 28,068**	$ 31,156	$ 33,067
Fuel sales	6,921	10,078	7,094	(2,984)	**7,236**	7,381	7,528
Services and parts revenue (Schedule 1)	8,021	8,182	7,518	(664)	**7,655**	7,796	7,940
Rental income	3,492	3,755	3,579	(176)	**3,651**	3,724	3,798
Gain on sale of tangible capital assets	788	300	807	507	**400**	400	400
Total Revenues	44,985	50,544	44,741	(5,803)	**47,010**	50,457	52,733
EXPENSES							
Amortization	13,980	14,756	13,890	(866)	**14,743**	15,440	16,165
Supplies	9,652	12,255	9,802	(2,453)	**10,076**	10,258	10,407
Salaries and employee benefits	8,569	11,426	10,747	(679)	**11,461**	11,757	12,015
Services	9,333	7,776	7,823	47	**8,275**	7,721	7,876
Interest (Notes 3 and 4)	1,198	1,429	1,029	(400)	**1,154**	1,425	1,746
Other expenses	1,430	1,642	1,488	(154)	**1,575**	1,446	1,456
Total Expenses	44,162	49,284	44,779	(4,505)	**47,284**	48,047	49,665
Annual Surplus Before Other	823	1,260	(38)	(1,298)	**(274)**	2,410	3,068
OTHER							
Transfer to The City of Winnipeg - General Revenue Fund (Note 7b)	(92)	(1,492)	(1,492)	-	**(92)**	(92)	(92)
Annual (Deficit) Surplus	731	(232)	(1,530)	(1,298)	**(366)**	2,318	2,976
ACCUMULATED SURPLUS, BEGINNING OF YEAR	21,809	23,267	22,540	(727)	**21,010**	20,644	22,962
ACCUMULATED SURPLUS, END OF YEAR	$ 22,540	$ 23,035	$ 21,010	$ (2,025)	**$ 20,644**	$ 22,962	$ 25,938

See accompanying notes and schedules to the financial statements

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THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CASH FLOWS

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

	Actual 2015	Budget 2016	Forecast 2016	Variance 2016	**2017**	2018	2019
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:							
OPERATING							
Annual (Deficit) Surplus	$ 731	$ (232)	$ (1,530)	$ (1,298)	**$ (366)**	$ 2,318	$ 2,976
Non-cash charges to operations							
Amortization	13,980	14,756	13,890	(866)	**14,743**	15,440	16,165
Gain on sale of tangible capital assets	(788)	(300)	(807)	(507)	**(400)**	(400)	(400)
Retirement allowance and compensated absences	-	18	27	9	**22**	22	23
	13,923	14,242	11,580	(2,662)	**13,999**	17,380	18,764
Net change in non-cash working capital related to operations	613	(8)	8	16	**(1)**	13	11
Cash provided by operating activities	14,536	14,234	11,588	(2,646)	**13,998**	17,393	18,775
CAPITAL							
Acquisition of tangible capital assets	(14,156)	(26,215)	(17,070)	9,145	**(20,253)**	(25,262)	(22,452)
Proceeds on disposal of tangible capital assets	1,231	300	807	507	**400**	400	400
Cash used in capital activities	(12,925)	(25,915)	(16,263)	9,652	**(19,853)**	(24,862)	(22,052)
FINANCING							
Change in due to/from The City of Winnipeg - General Revenue Fund	5,196	11,875	5,151	(6,724)	**2,389**	1,381	(5,197)
Proceeds from term loans	4,200	9,500	9,700	200	**13,100**	15,500	16,900
Repayment of term loans	(11,007)	(9,694)	(10,176)	(482)	**(9,634)**	(9,412)	(8,426)
Cash provided by (used in) financing activities	(1,611)	11,681	4,675	(7,006)	**5,855**	7,469	3,277
CASH, END OF YEAR	$ -	$ -	$ -	$ -	**$ -**	$ -	$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

PROJECTED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Actual 2015	Budget 2016	Forecast 2016	Variance 2016	**2017**	2018	2019
ANNNUAL (DEFICIT) SURPLUS	$ 731	$ (232)	$ (1,530)	$ (1,298)	**$ (366)**	$ 2,318	$ 2,976
Amortization of tangible capital assets	13,980	14,756	13,890	(866)	**14,743**	15,440	16,165
Proceeds on disposal of tangible capital assets	1,231	300	807	507	**400**	400	400
Gain on sale of tangible capital assets	(788)	(300)	(807)	(507)	**(400)**	(400)	(400)
Change in inventories and prepaid expenses	(2)	(46)	(52)	(6)	**(47)**	(36)	(37)
Acquisition of tangible capital assets	(14,156)	(26,215)	(17,070)	9,145	**(20,253)**	(25,262)	(22,452)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	996	(11,737)	(4,762)	6,975	**(5,923)**	(7,540)	(3,348)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	(42,849)	(42,850)	(41,853)	997	**(46,615)**	(52,538)	(60,078)
NET FINANCIAL LIABILITIES, END OF YEAR	$ (41,853)	$ (54,587)	$ (46,615)	$ 7,972	**$ (52,538)**	$ (60,078)	$ (63,426)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE PROJECTED FINANCIAL STATEMENTS

For the three years ending December 31, 2019
(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 2016	**2017**	2018	2019
Term loans	$ 29,835	**$ 33,300**	$ 39,388	$ 47,861
The City of Winnipeg, non-interest bearing, no repayment schedule	178	**178**	178	178
	$ 30,013	**$ 33,478**	$ 39,566	$ 48,039

5. Accrued Employee Benefits

a) Accrued employee benefits

	Forecast 2016	**2017**	2018	2019
Retirement allowance and compensated absences	$ 1,101	**$ 1,123**	$ 1,145	$ 1,168
Vacation	687	**700**	714	729
	$ 1,788	**$ 1,823**	$ 1,859	$ 1,897

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 13.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

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

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 2016	**2017**	2018	2019
Land	$ 390	**$ 390**	$ 390	$ 390
Buildings	2,746	**3,178**	3,040	3,160
Fleet assets	58,306	**62,277**	71,340	77,725
Equipment	3,858	**4,965**	5,862	5,644
	$ 65,300	**$ 70,810**	$ 80,632	$ 86,919

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 2016	**2017**	2018	2019
a) Sales of goods and services to The City of Winnipeg	$ 44,997	**$ 45,724**	$ 49,154	$ 51,411
b) Dividend transfer to The City of Winnipeg	$ 1,492	**92**	$ 92	$ 92
c) Municipal Accomodations Fund:				
Repair facility lease	$ 741	**$ 741**	$ 741	$ 741
d) Corporate Support Services Deparment:				
Business technology services	$ 143	**$ 143**	$ 143	$ 143
Human resource services	$ 151	**$ 154**	$ 158	$ 161
e) Corporate Finance Department:				
Transfer where goods or services not received directly in return;				
Productivity gain for server consolidation	$ 14	**$ -**	$ -	$ -
Productivity gain for timekeeping	$ 41	**$ -**	$ -	$ -
Price reduction on products not purchased	$ 8	**$ -**	$ -	$ -

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

SCHEDULE 1 - PROJECTED SCHEDULE OF SERVICES AND PARTS REVENUE

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

	Actual 2015	Budget 2016	Forecast 2016	Variance 2016	**2017**	2018	2019
Consumables and corrective maintenance	$ 3,736	$ 4,134	$ 3,830	$ (304)	**$ 3,906**	$ 3,985	$ 4,064
Insurance revenue	1,824	1,876	1,869	(7)	**1,907**	1,945	1,984
Power tools	787	803	791	(12)	**795**	799	804
Manufacturing sales	718	971	736	(235)	**750**	766	781
Autopac rebate	-	-	-	-	**-**	-	-
Other	797	232	129	(103)	**130**	131	134
Provincial support grant	159	166	163	(3)	**167**	170	173
	$ 8,021	$ 8,182	$ 7,518	$ (664)	**$ 7,655**	$ 7,796	$ 7,940