THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2017	2016
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	**$ 456,078**	$ 393,863
Accounts receivable (Note 4)	**320,008**	320,321
Land held for resale	**1,156**	5,931
Investments (Note 5)	**305,940**	322,190
Investment in government businesses (Note 6)	**30,213**	30,150
	1,113,395	1,072,455
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**261,545**	258,153
Deferred revenue (Note 8)	**48,441**	49,622
Debt (Note 9)	**1,073,639**	1,079,844
Other liabilities (Note 10)	**138,931**	133,462
Accrued employee benefits and other (Note 11)	**221,625**	211,842
	1,744,181	1,732,923
NET FINANCIAL LIABILITIES	**(630,786)**	(660,468)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**6,638,195**	6,418,998
Inventories	**21,068**	19,397
Prepaid expenses and deferred charges	**6,972**	6,660
	6,666,235	6,445,055
ACCUMULATED SURPLUS (Note 14)	**$ 6,035,449**	$ 5,784,587

Commitments and contingencies (Notes 10, 15 and 16)

See accompanying notes and schedules to the consolidated financial statements

Approved on behalf of the Audit Committee:

MAYOR

CHAIRPERSON
STANDING POLICY COMMITTEE
ON FINANCE

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	Budget 2017 (Note 21)	Actual 2017	Actual 2016
REVENUES			
Taxation (Note 16)	**$ 714,901**	**$ 712,209**	$ 691,016
Sales of services and regulatory fees (Note 17)	**606,829**	**607,912**	569,641
Government transfers (Note 18)	**193,403**	**194,932**	182,243
Land sales and other revenue (Note 19)	**23,559**	**32,128**	27,018
Investment income	**28,131**	**30,486**	26,830
Total Revenues	**1,566,823**	**1,577,667**	1,496,748
EXPENSES			
Protection and community services	**525,443**	**549,180**	528,168
Utility operations	**419,283**	**398,148**	383,922
Public works	**342,517**	**326,279**	338,104
Property and development	**147,426**	**134,863**	131,921
Finance and administration	**89,304**	**84,515**	70,011
Civic corporations	**70,466**	**71,604**	69,847
General government	**51,329**	**27,316**	50,739
Total Expenses (Note 20)	**1,645,768**	**1,591,905**	1,572,712
Annual Deficit Before Other	**(78,945)**	**(14,238)**	(75,964)
OTHER			
Government transfers related to capital (Note 18)	**176,636**	**156,326**	151,550
Developer contributions-in-kind related to capital (Note 13)	**88,465**	**95,163**	59,020
Other capital contributions	**6,405**	**13,611**	27,528
	271,506	**265,100**	238,098
Annual Surplus	**$ 192,561**	**250,862**	162,134
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**5,784,587**	5,622,453
ACCUMULATED SURPLUS, END OF YEAR		**$ 6,035,449**	$ 5,784,587

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2017	2016
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	**$ 250,862**	$ 162,134
Add (deduct) items not impacting cash and cash equivalents		
Amortization of tangible capital assets	**245,941**	235,235
Developer contributions-in-kind related to capital	**(95,163)**	(59,020)
Change in other liabilities and employee benefits	**15,252**	57,119
Gain on sale of tangible capital assets	**(405)**	(1,630)
Other	**(63)**	(15)
	416,424	393,823
Net change in non-cash working capital balances related to operations	**9,754**	2,156
Cash provided by operating activities	**426,178**	395,979
CAPITAL		
Acquisition of tangible capital assets	**(377,099)**	(409,121)
Proceeds on disposal of tangible capital assets	**3,091**	3,931
Cash used in capital activities	**(374,008)**	(405,190)
FINANCING		
Increase (decrease) in bank loans and other debt	**34,127**	(8,167)
Debenture and serial debt retired	**(34,848)**	(4,848)
Increase in sinking fund investments	**(1,791)**	(12,561)
Sinking fund and serial debenture issued	**-**	80,000
Other	**(3,693)**	8,643
Cash (used in) provided by financing activities	**(6,205)**	63,067
INVESTING		
(Increase) decrease in investments	**16,250**	(8,988)
Cash (used in) provided by investing activities	**16,250**	(8,988)
Increase in cash and cash equivalents	**62,215**	44,868
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**393,863**	348,995
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 456,078**	$ 393,863

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL LIABILITIES

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

	Budget 2017 (Note 21)	Actual 2017	Actual 2016
ANNUAL SURPLUS	**$ 192,561**	**$ 250,862**	$ 162,134
Amortization of tangible capital assets	**246,784**	**245,941**	235,235
Proceeds on disposal of tangible capital assets	**5,340**	**3,091**	3,931
(Gain) loss on disposal of tangible capital assets	**1,682**	**(405)**	(1,630)
Change in inventories, prepaid expenses and deferred charges	**(1,021)**	**2,455**	(7,199)
Tangible capital assets received as contributions (Note 13)	**(88,465)**	**(95,163)**	(59,020)
Acquisition of tangible capital assets	**(536,134)**	**(377,099)**	(409,121)
DECREASE (INCREASE) IN **NET FINANCIAL LIABILITIES**	**(179,253)**	**29,682**	(75,670)
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(660,468)**	**(660,468)**	(584,798)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (839,721)**	**$ (630,786)**	$ (660,468)

See accompanying notes and schedules to the consolidated financial statements

1. Status of The City of Winnipeg

The City of Winnipeg (the "City") is a municipality that was created on January 1, 1972 pursuant to The City of Winnipeg Act, a statute of the Legislature of the Province of Manitoba (the "Province"). The City continued as a body corporate by virtue of the enactment by the Province of The City of Winnipeg Charter on January 1, 2003. The City provides municipal services such as police, fire, ambulance, public works, urban planning, parks and recreation, library and other general government operations. The City owns and operates a number of public utilities, has designated reserves and provides funding support for other entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

2. Significant Accounting Policies

These consolidated 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 consolidation

The consolidated financial statements include the assets, liabilities, reserves, surpluses/deficits, revenues and expenses of those City funds and governmental functions or entities which have been determined to comprise a part of the aggregate City operations based upon control by the City except for the City's government businesses. Inter-fund and inter-corporate balances and transactions have been eliminated.

i) Consolidated entities

The organizations included in the consolidated financial statements are as follows:

Assiniboine Park Conservancy Inc.	Winnipeg Arts Council Inc.
CentreVenture Development Corporation	Winnipeg Enterprises Corporation
The Convention Centre Corporation	Winnipeg Public Library Board

ii) Government partnerships

Economic Development Winnipeg Inc. is reported as a government partnership with the proportionate consolidation method being used. Accordingly, fifty percent of the assets, liabilities, revenues and expenses have been included.

iii) Government businesses

The investments in North Portage Development Corporation, River Park South Developments Inc. and Park City Commons are reported as government business partnerships and Winnipeg Housing Rehabilitation Corporation as a government business enterprise. These businesses are accounted for using the modified equity method. Under this method, the government businesses' accounting principles are not adjusted to conform with those of the City and inter-corporate transactions are not eliminated (Note 6).

2. Significant Accounting Policies (continued)

iv) Employees' pension funds

The employees' pension funds of the City are administered on behalf of the pension plans' participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (the "EBB") (Pension Fund) for the payment of pension benefits and accordingly are not included in the consolidated financial statements.

v) Group life insurance funds

The group life insurance funds of the City are administered on behalf of group life insurance plans' participants by the Civic and Police Employees' Group Life Insurance Plans Corporation for the payment of life insurance benefits and accordingly are not included in the consolidated financial statements.

b) Basis of accounting

The consolidated 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.

c) Cash equivalents

Cash equivalents consist of crown corporation bonds; City of Winnipeg municipal bonds; other municipal bonds; schedule 1 bank bonds, and bankers' acceptances; schedule 2 bankers' acceptances; and asset backed commercial paper. Cash equivalents are recorded at cost, which approximates their quoted market value, and are redeemable on demand.

d) Land held for resale

Land held for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

e) Investments

Bonds are carried at amortized cost. Discounts and premiums arising on the purchase of these investments are amortized over the remaining terms to maturity with annual amortization computed at amounts which, when combined with actual income received, result in a constant effective yield on the amortized book value.

f) Unamortized premium on debt

Debt is reported at face value and is adjusted by premiums which are amortized on a straight-line basis over the term to maturity of the respective debt instrument. The corresponding amortization is recorded as interest expense.

g) Solid waste landfills

The obligation to close and maintain solid waste landfill sites is based on the present value of estimated future expenses, adjusted for estimated inflation, and is charged to expenses as the landfill site's capacity is used.

2. Significant Accounting Policies (continued)

h) Contaminated sites

The City recognizes a liability for remediation of contaminated sites when conditions are identified which indicate non-compliance with environmental legislation. The liability reflects the City's best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date.

Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred.

i) Deferred revenue

Government transfers, contributions and other amounts are received from third parties pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs, in the completion of specific work or for the acquisition and construction of tangible capital assets. In addition, certain user charges and fees are collected for which the related services have yet to be performed. Revenue is recognized in the period when the related expenses are incurred, services performed or the tangible capital assets are acquired.

j) Employee benefit plans

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 pensions and other retirement benefits have been accounted for based on actuarially determined amounts using the projected benefit 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.

In the case of the Winnipeg Police Pension Plan, this plan's by-law provides that, in the event of a funding surplus or deficiency, within certain prescribed constraints, the contribution stabilization reserve will be utilized and amendments made to the rate of cost-of-living adjustments to pensions according to specific rules set out in the by-law. Consequently, actuarial gains and losses are recognized immediately to the extent that they are offset by changes in the contribution stabilization reserve and changes in the plan's accrued benefit obligation for future cost-of-living adjustments to pensions.

k) 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 surplus, provides the consolidated change in net financial liabilities for the year.

i) Tangible capital assets

Tangible capital assets are recorded at cost which includes all amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Buildings	10 to 50 years
Vehicles	
Transit buses	18 years
Other vehicles	5 to 10 years
Computer hardware and software	5 to 10 years

2. Significant Accounting Policies (continued)

Other	
Machinery and equipment	5 to 40 years
Land improvements	10 to 100 years
Water and waste plants and facilities	
Underground networks	50 to 100 years
Sewage treatment plants and lift stations	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	20 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and other structures	25 to 75 years

Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1.25% of specific costs of the project to a maximum of $100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by the City.

Works of art and historical treasures are not recorded as tangible capital assets.

a) Contributions of tangible capital assets

Developer-contributed tangible capital assets are recorded at their fair value at the date of receipt. The contribution is recorded as revenue.

b) Leases

Leases are classified as capital or operating leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as leased tangible capital assets. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

c) Service concession arrangements

Service concession arrangements are long-term performance-based approaches for procuring public infrastructure, where the City contracts with a private sector partner who assumes a major share of the responsibility for the delivery of the infrastructure. The operator is compensated over the period of the arrangements. The arrangements are governed by a contract that sets out performance standards and mechanisms for adjusting prices. The contract is binding on the parties to the arrangement and obliges the operator to maintain the tangible capital asset on behalf of the City.

In the case of tangible capital assets, where the operator bears the construction risk, the timing of initial recognition of the service concession asset by the City will be when the tangible capital asset is available for productive use.

ii) Inventories

Inventories held for consumption are recorded at the lower of cost and replacement cost.

l) Tax revenues

Tax revenues result from non-exchange transactions that are compulsorily paid to governments in accordance with the laws and regulations established to provide revenue to the government for public services. The revenue is recognized when the tax has been authorized and the taxable event has occurred.

2. Significant Accounting Policies (continued)

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, no tax revenue is recognized in these consolidated financial statements for amounts collected on behalf of school divisions, nor are the assets, liabilities, revenues and expenses, with respect to the operations of the school boards.

Property taxation revenue is based on market assessments that are subject to appeal. Therefore, a provision has been estimated for assessment appeals outstanding as at December 31. As well, estimates have been made for property tax amounts owing for prior years that have not yet been assessed at the end of the current fiscal year. By their nature, these estimates are subject to measurement uncertainty and the impact on future financial statements could be material (Note 2n).

m) Government transfers

Government transfers are transfers of monetary assets or tangible capital assets to or from the City that are not the result of an exchange transaction, a direct financial return, or expected to be repaid in the future.

Government transfers received are recognized in the consolidated financial statements as revenue in the financial period in which the transfers are authorized, any eligibility criteria have been met, stipulations, if any, have been met and reasonable estimates of the amounts can be determined.

Stipulations attached to transfers to the City that give rise to an obligation on the City’s behalf, are deferred in the consolidated financial statements to the extent that the obligation meets the definition of a liability.

n) Estimates

The preparation of financial statements in conformity with Canadian public sector accounting standards requires management to make estimates and assumptions in such areas as employee benefits, the useful life of tangible capital assets, assessment appeals, lawsuits and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

o) Budget

The 2017 budget is included on the consolidated statements of operations and accumulated surplus and change in net financial liabilities. The budget is compiled from the City Council-approved Operating Budget, estimates for controlled entities, adjustments to report the budget on a full accrual basis including capital revenue adjustments, assets capitalized on the statement of financial position, amortization of tangible capital assets and accruals for unfunded liabilities and administrative adjustments to provide for proper comparison to actual results presented herein.

p) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 3210 Assets, PS 3320 Contingent Assets and PS 3390 Contractual Rights. The new standards apply to the City for the fiscal year beginning January 1, 2018. As permitted in the standards, the City adopted these standards for the year ended December 31, 2017 and thus, they have been utilized for the preparation of these consolidated financial statements (Note 24).

3. *Cash and Cash Equivalents*

	2017	2016
Cash	**$ 32,596**	$ 5,869
Cash equivalents	**423,482**	387,994
	$ 456,078	$ 393,863

The average effective interest rate for cash equivalents at December 31, 2017 is 1.31% (2016 - 0.91%).

Cash and cash equivalents exclude $226.6 million (2016 - $118.4 million) which has been received from various entities including EBB. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is $30.5 million (2016 - $27.5 million).

4. *Accounts Receivable*

	2017	2016
Property, payments-in-lieu and business taxes receivable	**$ 52,599**	$ 51,550
Allowance for property, payments-in-lieu and business taxes receivable	**(756)**	(330)
	51,843	51,220
Trade accounts and other receivables	**165,455**	162,465
Province of Manitoba	**101,111**	103,433
Government of Canada	**24,572**	20,657
Allowance for doubtful accounts	**(22,973)**	(17,454)
	268,165	269,101
	$ 320,008	$ 320,321

5. *Investments*

	2017	2016
Marketable securities		
Municipal bonds	**$ 56,884**	$ 59,424
Provincial bonds and bond coupons	**16,483**	13,697
Bank and trust companies	**5,011**	-
Government of Canada Bonds	**-**	15,185
	78,378	88,306
Manitoba Hydro long-term receivable	**220,238**	220,238
Other	**7,324**	13,646
	$ 305,940	$ 322,190

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2017 is $83.7 million (2016 - $90.1 million) and their maturity dates range from 2018 to 2053.

5. Investments (continued)

b) Manitoba Hydro long-term receivable

On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. The terms of the proposal included payments to the City of $25 million per annum commencing in 2002 and for the next four years thereafter; $20 million per annum for years six through nine; and $16 million per annum for years ten and continuing in perpetuity.

The Manitoba Hydro investment represents the sum of the discounted future cash flows of the above annual payments to the City, discounted at the City's historical average long-term borrowing rate.

6. Investment in Government Businesses

a) North Portage Development Corporation

North Portage Development Corporation (the "NPDC") is a government business partnership that is jointly controlled by the Government of Canada, the Province of Manitoba and The City of Winnipeg. The mission of NPDC is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. NPDC is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks. NPDC is involved in certain business and core activities regarding the ownership, development and management of its two sites that include land investment properties and public amenities.

The condensed supplementary financial information of NPDC is disclosed in schedule 1.

b) River Park South Developments Inc.

On April 21, 2011, the City and Qualico Developments (Winnipeg) Ltd. entered into an agreement to jointly develop and sell residential land owned by the partners in the River Park South community of Winnipeg.

The condensed supplementary financial information of River Park South Developments Inc. is disclosed in schedule 1.

c) Winnipeg Housing Rehabilitation Corporation

Winnipeg Housing Rehabilitation Corporation (the "WHRC") is a non-profit developer and manager of affordable housing in Winnipeg. WHRC was founded by the City. Pursuant to operating agreements, WHRC receives subsidies from Canada Mortgage and Housing Corporation and Manitoba Housing.

The condensed supplementary financial information of WHRC is disclosed in schedule 1.

During the year, the City paid WHRC an operating grant of $180 thousand (2016 - $180 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of $2.0 million (2016 - $2.0 million). As at March 31, 2017, WHRC has utilized $1.3 million of this line of credit (2016 - $341 thousand).

6. Investment in Government Businesses (continued)

d) Park City Commons

On February 17, 2016 the City and EdgeCorp Developments Ltd. entered into an agreement to form Park City Commons joint venture to develop and sell certain land owned by the participants in the community of Transcona.

The condensed supplementary financial information of Park City Commons is disclosed in schedule 1.

Summary of investment in government businesses

	2017	2016
North Portage Development Corporation (1/3 share)	**$ 18,975**	$ 18,852
River Park South Developments Inc. (1/2 share)	**1,231**	3,799
Winnipeg Housing Rehabilitation Corporation	**6,632**	6,374
Park City Commons (1/2 share)	**3,375**	1,125
	$ 30,213	$ 30,150

Summary of results of operations

	2017	2016
North Portage Development Corporation (1/3 share)	**$ 124**	$ (137)
River Park South Developments Inc. (1/2 share)	**1,431**	2,964
Winnipeg Housing Rehabilitation Corporation	**258**	567
	$ 1,813	$ 3,394

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue.

7. Accounts Payable and Accrued Liabilities

	2017	2016
Accrued liabilities	**$ 142,000**	$ 135,644
Trade accounts payable	**113,203**	115,688
Accrued interest payable	**6,342**	6,821
	$ 261,545	$ 258,153

8. Deferred Revenue

	2017	2016
Federal gas tax transfer	**$ 20,539**	$ 17,043
Province of Manitoba	**9,670**	9,594
Prepayment for services	**18,232**	22,985
	$ 48,441	$ 49,622

9. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	**2017**	2016
1997-2017	Nov. 17	6.250	VU	7000/97	**-**	30,000
2006-2036	July 17	5.200	VZ	183/04 and 72/06	**60,000**	60,000
2008-2036	July 17	5.200	VZ	72/06B and 32/07	**100,000**	100,000
2010-2041	June 3	5.150	WB	183/08	**60,000**	60,000
2011-2051	Nov. 15	4.300	WC	72/06, 183/08 and 150/09	**50,000**	50,000
2012-2051	Nov. 15	3.853	WC	93/11	**50,000**	50,000
2012-2051	Nov. 15	3.759	WC	120/09, 93/11 and 138/11	**75,000**	75,000
2013-2051	Nov. 15	4.391	WC	93/11 and 84/13	**60,000**	60,000
2014-2045	June 1	4.100	WD	144/11, 23/13 and 149/13	**60,000**	60,000
2014-2045	June 1	3.713	WD	100/12, 23/13 and 149/13	**60,000**	60,000
2014-2051	Nov. 15	3.893	WC	93/11 and 145/13	**52,568**	52,568
2015-2045	June 1	3.828	WD	144/11, 100/12, 23/13, 149/13, 5/15 and 61/15	**60,000**	60,000
2016-2045	June 1	3.303	WD	72/06, 23/13, 149/13, 5/15, 96/15 and 40/16	**80,000**	80,000
					767,568	797,568
Equity in The Sinking Funds (Notes 9a and b)					**(67,468)**	(65,677)
Net sinking fund debentures outstanding					**700,100**	731,891

9. Debt (continued)

Other debt outstanding

Serial and instalment debt issued by the City with varying maturities up to 2019 and a weighted average interest rate of 4.50% (2016 - 4.50%)	**9,696**	14,544
Bank loans and other with varying maturities up to 2046 and a weighted average interest rate of 2.90% (2016 - 3.19%)	**159,075**	124,948
Obligations for leased tangible capital assets (Note 9c)	**23,398**	24,162
Service concession arrangement obligations (Notes 9d and 15d)	**150,432**	152,368
	1,042,701	1,047,913
Unamortized premium on debt (Note 9e)	**30,938**	31,931
	$ 1,073,639	$ 1,079,844

Debt segregated by fund/organization:

	2017	2016
General Capital Fund	**$ 708,855**	$ 712,560
Waterworks System	**125,847**	130,217
Transit System	**105,222**	88,531
Consolidated entities	**38,549**	38,741
Fleet Special Operating Agency	**30,817**	29,834
Solid Waste Disposal	**29,162**	31,400
Sewage Disposal	**23,875**	24,351
Other	**11,312**	24,210
	$ 1,073,639	$ 1,079,844

Debt to be retired over the next five years:

	2018	2019	2020	2021	2022	2023+
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 767,568
Other debt	31,800	28,126	32,428	13,682	12,449	224,116
	$ 31,800	$ 28,126	$ 32,428	$ 13,682	$ 12,449	$ 991,684

a) As at December 31, 2017, sinking fund assets have a market value of $108.5 million (2016 - $101.8 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of $26.0 million (2016 - $32.4 million) and a market value of $28.8 million (2016 - $33.7 million).

9. Debt (continued)

b) The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund Trustees of The City of Winnipeg on debt outstanding as at December 31, 2002. At the end of 2017, all outstanding debt that required annual payments by the City to the Sinking Fund Trustees have matured. Sinking fund arrangements after December 31, 2002 are managed in a separate fund by the City. The City is currently paying between 1 to 3% on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

c) Future minimum lease payments together with the balance of the obligation for leased tangible capital assets are as follows:

2018	$ 2,553
2019	2,563
2020	2,680
2021	2,794
2022	2,930
Thereafter	24,059
Total future minimum lease payments	37,579
Amount representing interest at a weighted average rate of 8.18%	(14,181)
Capital lease obligations	$ 23,398

d) Service concession arrangement obligations are as follows:

	2017	2016
DBF2 Limited Partnership - Chief Peguis Trail Extension	**$ 46,881**	$ 47,509
Plenary Roads Winnipeg GP - Disraeli Bridges	**103,551**	104,859
	$ 150,432	$ 152,368

Chief Peguis Trail Extension

The City has entered into a fixed-price contract with DBF2 Limited Partnership ("DBF2") to design, build, finance and maintain the Chief Peguis Trail Extension. The contract was executed in September 2010 and terminates in January 2042. The Chief Peguis Trail Extension was commissioned for use in 2011.

The $107.7 million project has been financed through a grant of $23.9 million from PPP Canada Inc., a Provincial government transfer of $9.0 million, sinking fund debentures (Series WC) of $18.7 million, a $50.0 million service concession arrangement obligation to DBF2 and cash consideration paid by the City of $6.1 million. As at December 31, 2017, $107.4 million was capitalized (Note 13). Monthly capital and interest performance-based payments totalling $4.5 million annually, for the service concession arrangement obligation to DBF2 commenced in January 2012, commensurate with commissioning the project and are payable to termination of the contract with DBF2.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the full $107.7 million project is 4.6%. Specifically, the sinking fund debt and service concession arrangement obligation to DBF2 bear a combined weighted average interest rate of 7.2%.

The City will also make a monthly performance-based maintenance payment to DBF2 as disclosed in Note 15d.

9. Debt (continued)

Disraeli Bridges

The City has entered into a fixed-price contract with Plenary Roads Winnipeg GP ("PRW") to design, build, finance and maintain the Disraeli Bridges. The contract was executed in March 2010 and terminates in October 2042. The Disraeli Bridges were commissioned for use in 2012 with decommissioning of the old structures and construction of a separate pedestrian bridge following in 2013.

The $195.0 million project has been financed through sinking fund debentures (Series WC) of $25.0 million, a $109.4 million service concession arrangement obligation to PRW, Federal gas tax revenue of $50.0 million, and net cash consideration paid by the City of $10.6 million. As at December 31, 2017, $195.0 million was capitalized for commissioned works (Note 13). Monthly capital and interest performance-based payments totalling $9.8 million annually, for the service concession arrangement obligation to PRW commenced in October 2012, commensurate with commissioning the project and are payable to termination of the contract with PRW.

Overall, taking into account the various forms of funding and financing for the project, the effective interest rate incurred by the City based on the $195.0 million project is 5.2%. Specifically, the sinking fund debt and service concession arrangement obligation to PRW bear a combined weighted average interest rate of 7.5%.

The City will also make a monthly performance-based maintenance payment to PRW as disclosed in Note 15d.

e) Included in the Consolidated Statement of Financial Position are investments of $33.3 million (2016 - $30.5 million) that will be used for making semi-annual debt service payments on the sinking fund debentures issued with a premium.

f) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2017 is $52.8 million (2016 - $51.8 million) and cash paid for interest during the year is $53.3 million (2016 - $51.8 million).

g) On February 27, 2002, City Council approved Manitoba Hydro's proposal to purchase Winnipeg Hydro. As part of the purchase agreement The City of Winnipeg Sinking Fund Trustee's are required to hold Manitoba Hydro Electric Bonds issued by Manitoba Hydro to the City of Winnipeg in connection with the Winnipeg Hydro portion of the City's debt. The bonds were issued for the purpose of enabling the City to repay the Winnipeg Hydro portion of the City's debt, and were issued with identical terms and conditions as to par value, interest and date of maturity as the Winnipeg Hydro portion of the City's debt. The bonds are guaranteed by the Province of Manitoba and are non-transferable and non-redeemable prior to maturity. This debt has been defeased under this arrangement, and accordingly, is not reported in the Consolidated Statement of Financial Position. The book value of this debt as at December 31, 2017 is $60.0 million (2016 - $80.0 million).

10. Other Liabilities

	2017	2016
Expropriation	**$ 59,419**	$ 54,273
Landfill	**48,717**	49,054
Contaminated sites	**12,656**	15,050
Veolia agreement (Note 15e)	**9,383**	7,273
Developer deposits and other	**8,756**	7,812
	$ 138,931	$ 133,462

Included in landfill liabilities is the estimated total landfill closure and post-closure care expenses. The estimated liability for these expenses is recognized as the landfill site's capacity is used. Estimated total expenses represent the sum of the discounted future cash flows for future closure and post-closure care activities discounted at the City's average, long-term, borrowing rate of 4.5% (2016 - 4.5%).

Landfill closure and post-closure care requirements have been defined in accordance with The Environment Act and include final covering and landscaping of the landfill, pumping of ground, methane gas and leachate management, and ongoing environmental monitoring, site inspection and maintenance. The reported liability is based on estimates and assumptions with respect to events extending over a 108-year period using the best information available to management. Future events may result in significant changes to the estimated total expenses, capacity used or total capacity and the estimated liability, and would be recognized prospectively, as a change in estimate, when applicable.

The estimated remaining capacity of the City's one remaining landfill, the Brady Road Landfill Site, is 91% (2016 - 92%) of its total capacity and its remaining life is approximately 108 years (2016 - 108 years) after which perpetual post-closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady Road Landfill Site. The reserve is financed through a transfer from the Solid Waste Disposal Fund and is based upon residential and commercial tonnes. As at December 31, 2017, the reserve had a balance of $7.4 million (2016 - $6.6 million). This reserve was closed effective January 1, 2018 with the funds in this reserve being transferred to a new reserve, the Landfill Rehabilitation Reserve. The purpose of this reserve is to provide funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for all active and closed landfills maintained under the responsibility of the City.

11. Accrued Employee Benefits and Other

	2017	2016
Retirement allowance - accrued obligation	**$ 86,138**	$ 93,983
Unamortized net actuarial gain (loss)	**2,527**	(3,927)
Retirement allowance - accrued liability	**88,665**	90,056
Vacation	**58,304**	55,805
Workers' compensation	**48,109**	43,242
Compensated absences	**20,197**	16,833
Other	**6,350**	5,906
	$ 221,625	$ 211,842

11. Accrued Employee Benefits and Other (continued)

Under the retirement allowance programs, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (excluding resignation). In addition, adjustments arising from plan amendments, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 15.7 years (2016 - 15.3 years), which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year the actuarial gains or losses occur.

The City measures its accrued retirement allowance obligation as at December 31 of each year. An actuarial valuation of the obligation was calculated as of July 31, 2017. The results of this valuation were extrapolated to the financial reporting date of December 31, 2017 using year-end assumptions.

Information about the City's retirement allowance benefit plan is as follows:

	2017	2016
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 90,056**	$ 90,143
Current service cost	**5,359**	5,321
Interest cost	**2,848**	2,716
Amortization of net actuarial loss	**543**	930
Plan amendment	**(94)**	-
Benefit payments	**(10,047)**	(9,054)
Balance, end of year	**$ 88,665**	$ 90,056

Retirement allowance expense consists of the following:

Current service cost	**$ 5,359**	$ 5,321
Interest cost	**2,848**	2,716
Amortization of net actuarial loss	**543**	930
Plan amendment	**(94)**	-
	$ 8,656	$ 8,967

The significant actuarial assumptions adopted in measuring the retirement allowance obligation for the year ended December 31 are as follows:

Discount rate on liability	**3.00%**	3.00%
General increases in pay	**2.50 - 3.00%**	2.50 - 3.00%

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.

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

12. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

The Winnipeg Civic Employees' Benefits Program (the "Benefits Program") is a multi-employer benefit program governed by an independent board of trustees and a trust agreement that limits the City's contribution rate. Accordingly, the Benefits Program is accounted for similar to a defined contribution benefits program. The Benefits Program provides pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers.

Members' contribution rates were 9.5% of their Canada Pension Plan earnings and 11.8% of pensionable earnings in excess of Canada Pension Plan earnings in 2017, and for future years, consistent with 2016. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Benefits Program was prepared as at December 31, 2016, which indicated an excess of actuarial value of program assets over actuarial liabilities of $200.7 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute actuarial surpluses to individual employers. However, a portion of actuarial surpluses is allocated to a City Account that the City and other participating employers may use to finance reductions in their contributions. In the event of unfavourable financial experience, additional amounts may be transferred from the City Account to cover a funding deficiency.

The balance of the City Account at December 31, 2017 was $3.8 million (2016 - $15.6 million).

Total contributions by the City to the Benefits Program in 2017 were $37.1 million (2016 - $34.4 million), which were expensed as incurred.

b) Winnipeg Police Pension Plan

The Winnipeg Police Pension Plan (the "Plan") is a contributory defined benefit plan, providing pension benefits to police officers. Members are required to make contributions at the rate of 8% of pensionable earnings. The City is required to finance the cost of the Plan’s benefits other than cost-of-living adjustments and to contribute 2% of pensionable earnings in respect of cost-of-living adjustments. A contribution stabilization reserve has been established to maintain the City’s contribution rate at 8% of pensionable earnings, when permitted under provincial pension legislation. The Plan incorporates a risk-sharing arrangement under which actuarial surpluses are first allocated to maintain cost-of-living adjustments to pensions at 75% of the inflation rate and maintain the contribution stabilization reserve. Thereafter, actuarial surpluses are shared equally between the City and Plan members. Funding deficiencies are resolved through reductions in the contribution stabilization reserve and the rate of cost-of-living adjustments to pensions.

An actuarial funding valuation of the Plan was prepared as of December 31, 2016. The valuation revealed a funding surplus, which, in accordance with the terms of the Plan, was resolved by an increase in the contribution stabilization reserve and by increasing the rate of cost-of-living adjustments to pensions from 39.5% to 46.7% of the inflation rate.

12. Pension Costs and Obligations (continued)

An actuarial valuation of the Plan as of December 31, 2017 is to be prepared and filed with the Office of the Superintendent - Pension Commission. In addition to a calculation of the actuarial surplus or funding deficiency, in accordance with pension legislation in Manitoba, the Plan must also be valued under the hypothetical scenario that the Plan is wound up and members' benefit entitlements settled on the valuation date. As of the date of the last valuation of the Plan that was filed with the Office of the Superintendent - Pension Commission, December 31, 2016, the actuarial valuation showed that the Plan has a solvency deficiency at December 31, 2016 under this wind-up scenario, which needs to be addressed by the City over a period not to exceed five years either by an increase in contributions starting in 2017, or by obtaining a yearly renewable letter of credit with face value equal to the value of additional contributions with interest cumulatively otherwise required.

City Council has previously secured the letter of credit option and has obtained a letter of credit with respect to the December 2016 valuation.

The results of the December 31, 2016 actuarial valuation of the Plan were extrapolated to December 31, 2017. In accordance with the terms of the Plan, extrapolated surpluses and deficiencies are resolved through transfers to and from the contribution stabilization reserve and increases or reductions in the rate of cost-of-living adjustments to pensions. The principal long-term assumptions on which the extrapolation was based were: discount rate of 5.25% per year (2016 - 5.50%); inflation rate of 2.00% per year (2016 - 2.00%); and general pay increases of 3.25% per year (2016 - 3.50%). The accrued pension obligation was valued using the projected benefit method pro-rated on services.

Based on this valuation and extrapolation, the Plan's assets, accrued pension obligation and pension expenses are as follows:

	2017	2016
Plan assets:		
Fair value, beginning of year	**$ 1,403,598**	$ 1,300,291
Employer contributions	**28,288**	28,655
Employee contributions and transfers	**13,524**	13,402
Benefits and expenses paid	**(51,173)**	(49,874)
Net investment income	**143,405**	111,124
Fair value, end of year	**1,537,642**	1,403,598
Actuarial adjustment	**(98,854)**	(84,301)
Actuarial value, end of year	**$ 1,438,788**	$ 1,319,297
Accrued pension obligation:		
Beginning of year	**$ 1,299,066**	$ 1,218,904
Interest on accrued pension obligation	**71,229**	66,842
Current period benefit cost	**43,188**	42,689
Actuarial loss	**51,311**	20,505
Benefits and expenses paid	**(51,173)**	(49,874)
End of year	**$ 1,413,621**	$ 1,299,066
Funded status	**$ 25,167**	**$** 20,231
Less: city account	**(274)**	(62)
Less: contribution stabilization reserve	**(24,893)**	(20,169)
Actuarial surplus	**$ -**	**$ -**

12. Pension Costs and Obligations (continued)

	2017	2016
Expenses related to pensions:		
Current period benefit cost	**$ 43,188**	$ 42,689
Amortization of actuarial gains	**(301)**	(649)
Less: employee contributions and transfers	**(13,524)**	(13,402)
Pension benefit expense	**29,363**	28,638
Interest on accrued benefit obligation	**71,229**	66,842
Expected return on plan assets	**(72,304)**	(66,825)
Pension interest expense (income)	**(1,075)**	17
Total expenses related to pensions	**$ 28,288**	$ 28,655

The actuarial value of the Plan's assets is determined by averaging over five years differences between the pension fund's net investment income and expected investment income based on the expected rate of return.

Total contributions made by the City to the Plan in 2017 were $28.3 million (2016 - $28.7 million). Total employee contributions to the Plan in 2017 were $12.8 million (2016 - $13.4 million). Benefits paid from the Plan in 2017 were $50.2 million (2016 - $49.9 million).

The expected rate of return on Plan assets in 2017 was 5.50% (2016 - 5.50%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2017 was 10.25% (2016 - 8.57%).

As the City's contributions to the Plan each year are equal to its pension expense, no accrued pension asset or liability is reflected in the Consolidated Statement of Financial Position. As noted above, the Plan provides that within certain prescribed constraints, in the event of a funding deficiency, a transfer from the contribution stabilization reserve and amendments to the rate of cost-of-living adjustments to pensions will be utilized to resolve the deficiency, and vice versa in the event of surplus. The above extrapolation anticipates that the funding surplus at December 31, 2017 will be resolved through an increase in the rate of cost-of-living adjustment and an allocation to the contribution stabilization reserve.

c) Councillors' Pension Plan

i) Pension Plan Established Under By-Law Number 3553/83

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2017, the City paid out $0.3 million (2016 - $0.3 million). An actuarially determined pension obligation of $3.9 million (2016 - $3.9 million) has been reflected in the Consolidated Statement of Financial Position.

ii) Pension Plan Established Under By-Law Number 7869/01

On November 22, 2000, City Council adopted the policy that effective January 1, 2001, a Council Pension Plan be created for all members of City Council for The City of Winnipeg.

12. Pension Costs and Obligations (continued)

d) Group Life Insurance Plan

Employees of the City who are members of the Civic Employees' Pension Plan or the Winnipeg Police Pension Plan must become members of the Civic Employees' Group Life Insurance Plan and the Police Employees' Group Life Insurance Plan, (the "Plans") respectively. These plans provide life insurance for members while employed and can be continued into retirement at the employees' option. Plan members and the City share the cost of basic life insurance until retirement. An actuarial valuation as of December 31, 2016 indicated that this post-retirement liability is fully funded.

During 2015, City Council approved by-law 80/2015 in respect of the Plans. The purpose of the by-law was to transfer the plans' administration from the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Board to The Civic and Police Employees' Group Life Insurance Plans Corporation ("CPEGLIPCo"). The Province of Manitoba approved the establishing of CPEGLIPCo as a municipal corporation. The benefits offered by the plans have not changed.

An actuarial valuation of the Plans was prepared as of December 31, 2016 and the results were extrapolated to December 31, 2017. The principal long-term assumptions on which the valuation was based were: discount rate of 4.50% per year (2016 - 4.50%); and general pay increases of 3.50% per year (2016 - 3.50%). The accrued group life insurance obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plans is as follows:

	2017	2016
Group life insurance plan assets, at actuarial value	**$ 160,451**	$ 153,122
Accrued post-retirement life insurance obligations	**$ 95,648**	$ 92,204

13. Tangible Capital Assets

	Net Book Value	
	2017	2016
General		
Land	**$ 288,906**	$ 283,762
Buildings	**840,360**	824,579
Vehicles	**180,429**	167,234
Computer	**41,892**	30,488
Other	**274,201**	274,246
Infrastructure		
Plants and facilities	**588,423**	587,367
Roads	**1,420,521**	1,361,701
Underground and other networks	**2,146,093**	2,075,634
Bridges and other structures	**580,104**	586,868
	6,360,929	6,191,879
Assets under construction	**277,266**	227,119
	$ 6,638,195	$ 6,418,998

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 2).

During the year, $0.1 million (2016 - $nil) of tangible capital assets were written-down. Interest capitalized during 2017 was $4.0 million (2016 - $3.8 million). In addition, roads and underground networks contributed to the City totalled $95.2 million in 2017 (2016 - $59.0 million) and were capitalized at their fair value at the time of receipt.

13. Tangible Capital Assets (continued)

Included in the above net book values are $273.6 million (2016 - $278.7 million) of tangible capital assets that were acquired through service concession arrangements. The amount includes estimated, yet to be determined settlements for land expropriations.

Works of art and historical treasures are held by the City in various locations. Due to the subjective nature of the assets they are not included in the values shown on these statements.

14. Accumulated Surplus

Accumulated surplus consists of the following:

	2017	2016
Invested in tangible capital assets	**$ 5,638,975**	$ 5,396,951
Reserves (Schedule 3)	**297,785**	294,624
Manitoba Hydro long-term receivable (Note 5)	**220,238**	220,238
Other surplus accumulated in utility operations, consolidated entities and other	**139,230**	123,730
Equity in government businesses (Note 6)	**30,213**	30,150
Unfunded expenses to be funded from future revenues:		
Accrued employee benefits and other	**(223,849)**	(210,312)
Landfill	**(48,717)**	(49,054)
Contaminated sites	**(12,656)**	(15,050)
Canadian Museum for Human Rights grant	**(5,770)**	(6,690)
	$ 6,035,449	$ 5,784,587

Invested in tangible capital assets represents equity in non-financial assets, which is either a portion or the entire accumulated surpluses of specific funds consolidated in these statements. For those funds, where a portion of their accumulated surplus is allocated to invested in tangible capital assets, the amount is determined based on tangible capital assets less debt.

15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2017 are as follows:

a) Operating leases

The City has entered into a number of lease agreements mainly for the lease of accommodations for civic offices and office equipment. Future minimum lease payments on operating leases are as follows:

2018	$ 8,344
2019	8,335
2020	7,950
2021	7,751
2022	7,522
Thereafter	71,546
	$ 111,448

15. Commitments and Contingencies (continued)

b) Legal obligations

As part of the normal course of operations, lawsuits are pending against the City. The final outcome with respect to actions that will arise from these lawsuits as at December 31, 2017 cannot be predicted with certainty. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements. Where the occurrence of future events is considered undeterminable, no amount has been accrued in the financial statements.

c) Loan guarantees

The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several organizations. The outstanding balance on these loans as at December 31, 2017 is $38.7 million (2016 - $37.6 million).

d) Service concession arrangements

(i) As disclosed in Note 9d, the City will pay PRW a monthly performance-based maintenance payment related to the Disraeli Bridges Project contract. The monthly payment totalling $1.8 million annually is to be adjusted by CPI and is payable commencing October 2012 until the termination of the contract with PRW in October 2042.

(ii) As disclosed in Note 9d, the City will pay DBF2 a monthly performance-based maintenance payment related to the Chief Peguis Trail Extension contract. The monthly payment totalling $1.5 million annually is to be adjusted by CPI and is payable commencing January 2012 until the termination of the contract with DBF2 in January 2042.

(iii) The City has entered into a project agreement with Plenary Roads Winnipeg Transitway LP, Plenary Roads Winnipeg Transitway GP Inc. and PCL BRT (Winnipeg) GP Inc. (together, "PRWT") to design, build, finance, (operate) and maintain the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass. The contract was executed in June 2016 and terminates 30 years after substantial completion of the project.

The project is currently under construction with commissioning anticipated to be in the fall of 2019. The $467.3 million project is budgeted to be financed through a Provincial government transfer of $187.0 million, a $137.2 million service concession arrangement obligation to PRWT, a payment of $93.3 million from PPP Canada Inc., City-issued debt of $40.0 million, and other cash consideration of $9.8 million.

Upon commissioning the project, the City will commence repayment of the service concession agreement obligation to PRWT through monthly capital and interest performance-based payments totaling $8.35 million annually over the 30-year contract. The City will also pay PRWT over the term of the contract, a monthly performance-based maintenance payment averaging $3.16 million annually, to be adjusted by CPI.

e) Veolia agreement

On April 20, 2011, the City entered into an agreement ("Agreement") with VWNA Winnipeg Inc. ("Veolia") for the provision of expert advice to the City to assist with construction and operating improvements to the City's sewage treatment system (the "Program"). The Agreement commenced May 1, 2011, and has a term of 30 years, subject to certain termination provisions.

15. Commitments and Contingencies (continued)

The City's sewage treatment system treats and handles wastewater and resulting residuals at its existing three major sewage treatment facilities, the South End, West End and North End Water Pollution Control Centres (the "Facilities"). Veolia's role is to provide services to the City. Representatives of Veolia are working collaboratively with representatives of the City providing advice and recommendations in respect of the City's (i) management and operation of the Facilities (ii) assessment, planning and delivery of upgrades and capital modification to the Facilities; and (iii) assessment, planning and delivery of operational improvement to the Facilities during the term of this agreement. The Program does not include the City's supply of water or its waterworks system or work relating to the collection system or land drainage system.

Under the Agreement, the City: retains complete ownership of all the sewage system assets; continues to exercise control over the sewage treatment systems by means of City Council budget approvals and by setting service quality standards that will be reported publicly on a regular basis; continues to control operating and maintenance parameters by which the sewage system shall operate; and retains full accountability for compliance with regulatory permits and licenses.

Decisions for the sewage treatment system are made by the City based upon the best advice of City management and Veolia experts working together.

The Agreement provides both parties with a variety of responsibilities, rights, protections, and obligations reflecting reasonable commercial terms.

Compensation to Veolia under the Agreement includes the following components:

1. Reimbursement of Veolia's actual direct costs related to the Program ("Direct Costs");
2. An agreed-upon margin percentage which is applied to Direct Costs of the Program. The quantum of the margin percentage is dependent on the nature of the cost ("Fee");
3. For capital projects and operations under the Program, a target cost is to be set. Veolia is to receive a share of the savings when actual operating costs and/or capital costs are below target costs ("Gainshare"). Veolia is to receive a share of the expense when actual operating costs and/or capital costs are above target costs ("Painshare"); and
4. Key performance indicators ("KPIs") will be established under the Program. Veolia is to earn amounts for achieving or completing established KPIs ("KPI earnings"), and to be deducted amounts for failing to achieve minimum KPIs ("KPI Deductions").

The Agreement only guarantees payment to Veolia in respect of the Direct Costs incurred in providing services as indicated in item 1 in the above paragraph.

Amounts earned by Veolia over the term of the Agreement (Fee, Gainshare, and KPI earnings) are credited to an Earning at Risk Account ("EARA"- (note 10)). Painshare and KPI deductions reduce the EARA. All of these amounts remain at risk for the duration of the Agreement and are not guaranteed to be paid to Veolia, and by their nature, are dependent on the financial and overall results of the Program.

Veolia's withdrawals of amounts from the EARA are subject to certain limits and security posting requirements.

If at the end of the 30-year term the EARA is negative, Veolia must repay the City this amount.

The Agreement requires a Performance Guarantee Security ("PGS"), which is a letter of credit and performance bond that together provide security to the City. In addition to the PGS, Veolia provides a Parental Guarantee by its parent company.

15. Commitments and Contingencies (continued)

f) Forgivable loans

The City has received funding from the federal and provincial governments for the purchase of certain properties. Repayment of this funding is not required as long as the properties operate as an affordable housing complex or offer services for the homeless. As at December 31, 2017, the forgivable loans totalled $3.1 million (2016 - $3.4 million).

16. Taxation

	2017	2016
Municipal and school property taxes	**$ 1,175,939**	$ 1,130,639
Payments-in-lieu of property (municipal and school) and business taxes	**51,125**	52,082
	1,227,064	1,182,721
Payments to Province and school divisions	**(667,369)**	(645,823)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**559,695**	536,898
Local improvement and frontage levies	**63,120**	63,129
Business taxes and license-in-lieu of business taxes	**55,844**	57,254
Electricity and natural gas sales taxes	**20,383**	20,145
Amusement and accommodation taxes and mobile home licences	**13,167**	13,590
	$ 712,209	$ 691,016

The property tax roll includes school taxes of $636.9 million (2016 - $614.6 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2017 totalled $30.5 million (2016 - $31.2 million) and are treated the same as school taxes. School taxes and payments-in-lieu of school taxes are remitted to the Province and school divisions based upon a formula and schedule set by the Province. If property taxes are reduced due to an assessment reduction, the City is required by legislation to fund the repayment of both the municipal and school taxes with applicable interest.

Business taxes do not include the amount of levy imposed for business improvement zones of $5.4 million (2016 - $4.9 million).

17. Sales of Services and Regulatory Fees

	2017	2016
Water sales and sewage services	**$ 297,703**	$ 260,440
Other sales of goods and services	**144,956**	146,838
Regulatory fees	**86,175**	83,743
Transit fares	**79,078**	78,620
	$ 607,912	$ 569,641

18. Government Transfers

	2017	2016
Operating		
Province of Manitoba	**$ 180,860**	$ 177,117
Government of Canada	**14,072**	5,126
Total Operating	**194,932**	182,243
Capital		
Province of Manitoba	**96,439**	94,467
Government of Canada	**59,887**	57,083
Total Capital	**156,326**	151,550
	$ 351,258	$ 333,793

Included in Government of Canada capital transfers above is $39.0 million relating to transfers received from Federal Gas Tax revenue (2016 - $39.8 million).

In accordance with the recommendations of the Public Sector Accounting Board, government transfers, to the extent a liability does not exist, and developer contributions-in-kind related to capital acquisitions are required to be recognized as revenue in the consolidated financial statements in the period in which the tangible capital assets are acquired.

19. Land Sales and Other Revenue

	2017	2016
Land sales	**$ 15,550**	$ 11,334
Contributions in lieu of land dedication	**5,055**	1,220
Investment in government businesses (Note 6)	**1,813**	3,394
Other	**9,710**	11,070
	$ 32,128	$ 27,018

20. Expenses by Object

	2017	2016
Salaries and benefits	**$ 845,087**	$ 836,857
Goods and services	**412,614**	417,643
Amortization of tangible capital assets	**245,941**	235,235
Interest	**52,834**	51,799
Other expenses	**35,429**	31,178
	$ 1,591,905	$ 1,572,712

21. Budget

On December 12, 2017 Council approved the 2018 budget for the City of Winnipeg, including operating budgets for tax supported, utility, special operating agency and reserve operations as well as a capital budget. Included in the Council approved 2018 budget document is the 2017 consolidated budget that considers inter-fund transaction eliminations, tangible capital asset based revenues and amortization, controlled entity operations and the accrual of unfunded expenses. The resulting 2017 consolidated budget has been utilized in these consolidated financial statements.

22. Property and Liability Insurance

The City purchases comprehensive insurance coverage for property and liability with a self-insured retention level of $250 thousand per claim for most of the policies. The City has established an Insurance Reserve (Schedule 3) that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year.

23. Segmented Information

The City of Winnipeg is a diversified municipal government institution that provides a wide range of services to its citizens, including police, fire, ambulance, public transit and water. For management reporting purposes the City's operations and activities are organized and reported by fund. Funds were created for the purpose of recording specific activities to attain certain objectives in accordance with special regulations, restrictions or limitations.

City services are provided by departments and their activities are reported in these funds. Certain departments that have been separately disclosed in the segmented information, along with the services they provide, are as follows:

Protection

Protection is comprised of the Police Service and Fire Paramedic Service departments. The mandate of the Police Service department is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. The Fire Paramedic Service department is responsible for providing fire suppression service; fire prevention programs; and training and education related to prevention, detection or extinguishment of fires. It is also responsible for pre-hospital emergency paramedical care and the transport of the sick and injured; for handling hazardous materials incidents; for the mitigation of calamitous incidents; and for the evacuation of people when in charge at an incident.

Community Services

The Community Services department provides public services that contribute to neighbourhood development and sustainability through the provision of recreation and leisure services such as fitness and aquatic programs. It provides public services that contribute to healthy communities through partnerships, promotion, prevention, protection and enforcement. The department also contributes to the information needs of the City's citizens through the provision of library services.

Planning

The Planning, Property and Development department provides a diverse bundle of services. It manages urban development for business interests, environmental concerns, heritage matters, local neighbourhoods and the downtown through city planning, community development and parks and riverbank planning. It ensures an acceptable quality of building construction and maintenance of properties through enforcement of construction codes and building standards. It facilitates economic development by providing services for the approval of all land development plans, the processing of building permit applications and the provision of geomatics services, as well as providing cemetery services to citizens.

Public Works and Water

The Public Works department is responsible for the delivery of municipal public works services related to the planning, development and maintenance of roadway systems, the maintenance of parks and open space, and street lighting. The Water and Waste department is responsible for land drainage and garbage collection operations.

23. Segmented Information (continued)

Transit System Fund

The Transit department is responsible for providing local public transportation service.

Water and Waste Funds

The Water and Waste department consists of three distinct utilities - water, wastewater and solid waste disposal. The department provides drinking water to citizens of Winnipeg, collects and treats wastewater, and provides collection, disposal and waste minimization programs and facilities for solid waste. Their land drainage and garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Water segment.

For each reported segment, revenues and expenses represent both amounts that are directly attributable to the segment and amounts that are allocated on a reasonable basis. Therefore, certain allocation methodologies are employed in the preparation of segmented financial information. The General Revenue Fund reports on municipal services that are funded primarily by taxation such as property and business tax revenues. Taxation and payments-in-lieu of taxes are apportioned to General Revenue Fund services based on the Fund's net surplus. Certain government transfers, transfers from other funds, and other revenues have been apportioned based on a percentage of budgeted expenses.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information, see the Consolidated Schedule of Segment Disclosure - Service (Schedule 4).

24. Contractual Rights

The significant contractual rights that existed at December 31, 2017 are as follows:

a) Developer contributions

The City has entered into a number of property development agreements which require the developers to contribute various infrastructure assets to the City, including roads and underground networks. The timing and extent of these future contributions vary depending on development activity and fair value of the assets received at time of contribution cannot be determined with certainty at this time.

25. Comparative Figures

Certain comparative figures have been reclassified to conform to the presentation made in the current year.

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF GOVERNMENT BUSINESSES

As at and for the years ended
(in thousands of dollars)

	North Portage Development Corporation March 31		River Park South Developments Inc. December 31	
	2017	2016	**2017**	2016
Financial Position				
Assets				
Current	**$ 7,969**	$ 10,079	**$ 6,510**	$ 12,746
Capital	**73,639**	72,494	**-**	-
Other	**715**	1,018	**-**	-
	$ 82,323	$ 83,591	**$ 6,510**	$ 12,746
Liabilities				
Current	**$ 3,663**	$ 3,836	**$ 4,049**	$ 5,148
Long-term	**21,734**	23,200	**-**	-
	25,397	27,036	**4,049**	5,148
Net equity	**56,926**	56,555	**2,461**	7,598
	$ 82,323	$ 83,591	**$ 6,510**	$ 12,746
City share (Note 6)	**$ 18,975**	$ 18,852	**$ 1,231**	$ 3,799
Results of Operations				
Revenues	**$ 13,281**	$ 11,926	**$ 5,038**	$ 12,470
Expenses	**12,910**	12,338	**2,176**	6,542
Net income (loss)	**$ 371**	$ (412)	**$ 2,862**	$ 5,928
City's share (Note 6)	**$ 124**	$ (137)	**$ 1,431**	$ 2,964

* No income or expenses were incurred during the year.

Schedule 1

Winnipeg Housing Rehabilitation Corporation March 31		Park City Commons * December 31		Total	
2017	2016	**2017**	2016	**2017**	2016
$ 3,367	$ 3,136	**$ 2,387**	$ 979	**$ 20,233**	$ 26,940
18,309	20,283	**5,054**	1,865	**97,002**	94,642
4,916	4,988	**-**	-	**5,631**	6,006
$ 26,592	$ 28,407	**$ 7,441**	$ 2,844	**$ 122,866**	$ 127,588
$ 3,083	$ 3,098	**$ 691**	$ 594	**$ 11,486**	$ 12,676
16,877	18,935	**-**	-	**38,611**	42,135
19,960	22,033	**691**	594	**50,097**	54,811
6,632	6,374	**6,750**	2,250	**72,769**	72,777
$ 26,592	$ 28,407	**$ 7,441**	$ 2,844	**$ 122,866**	$ 127,588
$ 6,632	$ 6,374	**$ 3,375**	$ 1,125	**$ 30,213**	$ 30,150
$ 8,466	$ 8,338	**$ -**	$ -	**$ 26,785**	$ 32,734
8,208	7,771	**-**	-	**23,294**	26,651
$ 258	$ 567	**$ -**	$ -	**$ 3,491**	$ 6,083
$ 258	$ 567	**$ -**	$ -	**$ 1,813**	$ 3,394

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land *	**Buildings**	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	**$ 283,762**	**1,206,573**	**400,083**	**152,849**	**473,671**
Add:					
Additions during the year	**13,787**	**51,201**	**39,797**	**20,509**	**33,048**
Less:					
Disposals during the year	**8,643**	**3,017**	**21,968**	**3,700**	**959**
Balance, end of year	**288,906**	**1,254,757**	**417,912**	**169,658**	**505,760**
Accumulated amortization					
Balance, beginning of year	**-**	**381,994**	**232,849**	**122,361**	**199,425**
Add:					
Amortization	**-**	**35,189**	**25,443**	**9,058**	**33,103**
Less:					
Accumulated amortization on disposals	**-**	**2,786**	**20,809**	**3,653**	**969**
Balance, end of year	**-**	**414,397**	**237,483**	**127,766**	**231,559**
Net Book Value of Tangible Capital Assets	**$ 288,906**	**$ 840,360**	**$ 180,429**	**$ 41,892**	**$ 274,201**

* Included in land additions is $3.6 million of land transfers from land held for resale.
Included in land disposals is $8.1 million of land transfers to land held for resale.

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2017**	2016
889,627	**2,505,223**	**3,159,452**	**842,121**	**227,119**	**$ 10,140,480**	$ 9,712,420
17,892	**125,175**	**116,566**	**7,789**	**50,147**	**475,911**	475,619
-	**2,681**	**5,605**	**-**	**-**	**46,573**	47,559
907,519	**2,627,717**	**3,270,413**	**849,910**	**277,266**	**10,569,818**	10,140,480
302,260	**1,143,522**	**1,083,818**	**255,253**	**-**	**3,721,482**	3,531,505
16,836	**66,074**	**45,685**	**14,553**	**-**	**245,941**	235,235
-	**2,400**	**5,183**	**-**	**-**	**35,800**	45,258
319,096	**1,207,196**	**1,124,320**	**269,806**	**-**	**3,931,623**	3,721,482
$ 588,423	**$ 1,420,521**	**$ 2,146,093**	**$ 580,104**	**$ 277,266**	**$ 6,638,195**	$ 6,418,998

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF RESERVES

Schedule 3

As at December 31
(in thousands of dollars)

	2017	2016
Reserves		
Capital Reserves		
Environmental Projects	**$ 93,934**	$ 93,167
Transit Bus Replacement	**11,281**	16,250
Brady Landfill Site Rehabilitation	**7,421**	6,609
Waste Diversion	**7,202**	6,612
Sewer System Rehabilitation	**6,546**	9,826
SWRT Payment	**5,016**	1,700
SWRT Corridor	**4,220**	4,209
Impact Fee	**4,102**	-
Watermain Renewal	**2,279**	5,583
Computer Replacement	**967**	475
Federal Gas Tax Revenue	**235**	182
Regional Street Renewal	**115**	576
Local Streets Renewal	**95**	438
Golf Course	**-**	343
	143,413	145,970
Special Purpose Reserves		
Perpetual Maintenance Fund - Brookside Cemetery	**16,811**	16,393
Destination Marketing	**14,148**	13,340
Land Dedication	**10,310**	7,468
Housing Rehabilitation Investment	**7,170**	2,780
Workers Compensation	**4,886**	5,081
Insurance (Note 21)	**4,626**	2,691
Commitment	**4,329**	1,742
Multi-Family Dwelling Tax Investment	**3,572**	5,216
Insect Control Urgent Expenditures	**3,000**	2,228
Permit	**2,000**	2,000
Heritage Investment	**1,935**	2,743
Economic Development Investment	**1,756**	1,375
Perpetual Maintenance Fund - St.Vital Cemetery	**1,182**	1,152
Perpetual Maintenance Fund - Transcona Cemetery	**824**	797
General Purpose	**150**	149
Land Operating *	**(2,091)**	16,089
	74,608	81,244
Stabilization Reserve		
Financial Stabilization	**79,764**	67,410
Total Reserves	**$ 297,785**	$ 294,624

***** This excludes the investments held for the River Park South Developments Inc. and Park City Commons government business partnerships.

	2017	2016
Reserve balance as disclosed above	**$ (2,091)**	$ 16,089
Investments held in government business (Note 6)	**4,606**	4,924
	$ 2,515	$ 21,013

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2017
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Water**
REVENUES				
Taxation	**$ 314,926**	**$ 80,544**	**$ -**	**$ 208,357**
Sales of services and regulatory fees	**56,370**	**14,815**	**29,358**	**9,717**
Government transfers (Note 18)	**82,839**	**9,515**	**-**	**20,029**
Transfer from other funds	**1,888**	**1,416**	**13,943**	**12,961**
Other	**23,225**	**5,637**	**2,392**	**14,212**
	479,248	**111,927**	**45,693**	**265,276**
EXPENSES *(Note 20)*				
Salaries and benefits	**404,575**	**40,566**	**25,254**	**75,668**
Goods and services	**41,634**	**8,829**	**3,663**	**113,752**
Interest	**6,722**	**2,076**	**22**	**5,144**
Transfer to other funds	**20,153**	**39,721**	**16,848**	**85,731**
Other	**6,164**	**20,735**	**(94)**	**(15,019)**
	479,248	**111,927**	**45,693**	**265,276**
ANNUAL SURPLUS	**$ -**	**$ -**	**$ -**	**$ -**

For the year ended December 31, 2016
(in thousands of dollars)

	General Revenue Fund			
	Protection	Community Services	Planning	Public Works and Water
REVENUES				
Taxation	$ 305,544	$ 77,133	$ -	$ 205,859
Sales of services and regulatory fees	58,618	15,007	28,359	12,016
Government transfers (Note 18)	77,826	9,409	-	19,331
Transfer from other funds	11,450	3,383	15,481	22,009
Other	22,130	5,317	2,511	12,517
	475,568	110,249	46,351	271,732
EXPENSES *(Note 20)*				
Salaries and benefits	403,236	40,021	24,113	77,056
Goods and services	38,838	9,014	3,057	126,359
Interest	6,673	1,734	29	4,841
Transfer to other funds	21,800	39,955	18,195	79,542
Other	5,021	19,525	957	(16,066)
	475,568	110,249	46,351	271,732
ANNUAL SURPLUS	$ -	$ -	$ -	$ -

Schedule 4

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 110,414	**$ -**	**$ -**	**$ 13,810**	**$ (15,842)**	**$ 712,209**
21,007	**82,940**	**345,576**	**103,625**	**(55,496)**	**607,912**
15,266	**54,299**	**23,322**	**170,241**	**(24,253)**	**351,258**
1,801	**67,848**	**61,928**	**403,200**	**(564,985)**	**-**
16,141	**835**	**25,058**	**119,985**	**(36,097)**	**171,388**
164,629	**205,922**	**455,884**	**810,861**	**(696,673)**	**1,842,767**
48,125	**110,442**	**71,468**	**59,993**	**8,996**	**845,087**
15,434	**51,520**	**119,169**	**110,768**	**(52,155)**	**412,614**
77	**4,973**	**10,184**	**43,024**	**(19,388)**	**52,834**
81,364	**6,919**	**105,382**	**229,861**	**(585,979)**	**-**
19,629	**21,040**	**42,407**	**233,273**	**(46,765)**	**281,370**
164,629	**194,894**	**348,610**	**676,919**	**(695,291)**	**1,591,905**
$ -	**$ 11,028**	**$ 107,274**	**$ 133,942**	**$ (1,382)**	**$ 250,862**

Finance and Administration	Transit System Fund	Water and Waste Funds	Other Funds and Corporations	Eliminations	Consolidated
$ 103,845	$ -	$ -	$ 15,330	$ (16,695)	$ 691,016
19,858	82,387	307,058	98,053	(51,715)	569,641
16,239	55,512	29,678	151,313	(25,515)	333,793
7,873	76,971	48,784	378,605	(564,556)	-
14,960	6,121	13,362	98,342	(34,864)	140,396
162,775	220,991	398,882	741,643	(693,345)	1,734,846
46,011	108,100	69,110	59,935	9,275	836,857
14,811	49,535	113,805	111,876	(49,652)	417,643
309	5,003	9,419	40,385	(16,594)	51,799
85,892	26,969	99,776	11,083	(383,212)	-
15,752	20,403	38,456	218,624	(36,259)	266,413
162,775	210,010	330,566	441,903	(476,442)	1,572,712
$ -	$ 10,981	$ 68,316	$ 299,740	$ (216,903)	$ 162,134