THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2018	2017
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	**$ 433,985**	$ 456,078
Accounts receivable (Note 4)	**318,224**	320,008
Land held for resale	**4,408**	1,156
Investments (Note 5)	**308,067**	305,940
Investment in government businesses (Note 6)	**25,383**	30,213
	1,090,067	1,113,395
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	**271,785**	261,545
Deferred revenue (Note 8)	**55,547**	48,441
Debt (Note 9)	**1,083,658**	1,073,639
Other liabilities (Note 10)	**129,699**	138,931
Accrued employee benefits and other (Note 11)	**228,293**	221,625
	1,768,982	1,744,181
NET FINANCIAL LIABILITIES	**(678,915)**	(630,786)
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	**6,983,343**	6,638,195
Inventories	**19,623**	21,068
Prepaid expenses and deferred charges	**6,668**	6,972
	7,009,634	6,666,235
ACCUMULATED SURPLUS (Note 14)	**$ 6,330,719**	$ 6,035,449

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 2018 (Note 21)	Actual 2018	Actual 2017
REVENUES			
Taxation (Note 16)	**$ 733,693**	**$ 746,089**	$ 712,209
Sales of services and regulatory fees (Note 17)	**641,842**	**645,356**	599,342
Government transfers (Note 18)	**190,332**	**193,088**	194,932
Investment income	**29,213**	**35,425**	30,486
Land sales and other revenue (Note 19)	**20,164**	**12,921**	32,128
Total Revenues	**1,615,244**	**1,632,879**	1,569,097
EXPENSES			
Protection and community services	**542,224**	**544,557**	549,180
Utility operations	**456,060**	**433,215**	417,361
Public works	**322,105**	**315,897**	298,507
Property and development	**141,469**	**131,918**	134,852
Finance and administration	**97,329**	**92,009**	84,515
Civic corporations	**78,971**	**74,004**	71,604
General government	**32,142**	**27,430**	27,316
Total Expenses (Note 20)	**1,670,300**	**1,619,030**	1,583,335
Annual Surplus (Deficit) Before Other	**(55,056)**	**13,849**	(14,238)
OTHER			
Government transfers related to capital (Note 18)	**235,128**	**181,757**	156,326
Developer contributions-in-kind related to capital (Note 13)	**91,540**	**82,654**	95,163
Other capital contributions	**5,500**	**17,010**	13,611
	332,168	**281,421**	265,100
Annual Surplus	**$ 277,112**	**295,270**	250,862
ACCUMULATED SURPLUS, BEGINNING OF YEAR		**6,035,449**	5,784,587
ACCUMULATED SURPLUS, END OF YEAR		**$ 6,330,719**	$ 6,035,449

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)

	2018	2017
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Annual surplus	**$ 295,270**	$ 250,862
Add (deduct) items not impacting cash and cash equivalents		
Amortization of tangible capital assets	**257,362**	245,941
Developer contributions-in-kind related to capital (Note 13)	**(82,654)**	(95,163)
Change in other liabilities and employee benefits	**(2,564)**	15,252
Loss (gain) on sale of tangible capital assets	**3,224**	(405)
Other	**4,830**	(63)
	475,468	416,424
Net change in non-cash working capital balances related to operations	**19,937**	9,754
Cash provided by operating activities	**495,405**	426,178
CAPITAL		
Acquisition of tangible capital assets	**(533,505)**	(377,099)
Proceeds on disposal of tangible capital assets	**8,115**	3,091
Cash used in capital activities	**(525,390)**	(374,008)
FINANCING		
Service concession arrangements financed (retired)	**33,406**	(1,936)
Increase in sinking fund investments	**(14,597)**	(1,791)
Debenture and serial debt retired	**(4,848)**	(34,848)
(Decrease) increase in bank loans and other debt	**(2,071)**	34,127
Other	**(1,871)**	(1,757)
Cash provided (used in) by financing activities	**10,019**	(6,205)
INVESTING		
(Increase) decrease in investments	**(2,127)**	16,250
Cash (used in) provided by investing activities	**(2,127)**	16,250
(Decrease) Increase in cash and cash equivalents	**(22,093)**	62,215
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	**456,078**	393,863
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 433,985**	$ 456,078

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 2018 (Note 21)	Actual 2018	Actual 2017
ANNUAL SURPLUS	**$ 277,112**	**$ 295,270**	$ 250,862
Amortization of tangible capital assets	**256,958**	**257,362**	245,941
Proceeds on disposal of tangible capital assets	**5,065**	**8,115**	3,091
Loss (gain) on disposal of tangible capital assets	**548**	**3,224**	(405)
Change in inventories, prepaid expenses and deferred charges	**(1,117)**	**4,059**	2,455
Tangible capital assets received as contributions (Note 13)	**(91,540)**	**(82,654)**	(95,163)
Acquisition of tangible capital assets	**(572,529)**	**(533,505)**	(377,099)
(INCREASE) DECREASE IN NET FINANCIAL LIABILITIES	**(125,503)**	**(48,129)**	29,682
NET FINANCIAL LIABILITIES, BEGINNING OF YEAR	**(630,786)**	**(630,786)**	(660,468)
NET FINANCIAL LIABILITIES, END OF YEAR	**$ (756,289)**	**$ (678,915)**	$ (630,786)

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. 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; guaranteed investment certificates; municipal bonds; schedule 1 bank bonds; 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	3 to 40 years
Land improvements	5 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 2o).

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) Loan guarantees

Periodically the City provides loan guarantees on specific debt issued by other entities not consolidated in these financial statements. Loan guarantees are accounted for as contingent liabilities and no amounts are accrued in the consolidated financial statements until the City considers it likely that the borrower will default on the specified loan obligation. Should a default occur, the City’s resulting liability would be recorded in the consolidated financial statements.

o) 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.

p) Budget

The 2018 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.

2. *Significant Accounting Policies (continued)*

q) Accounting policy changes

The Public Sector Accounting Board issued new standards, PS 2200 Related party disclosures and PS 3420 Inter-entity transactions. The new standards apply to the City for the fiscal year beginning January 1, 2018. As a result of this adoption, no material impact on the consolidated financial statements occurred.

3. *Cash and Cash Equivalents*

	2018	2017
Cash	**$ 42,086**	$ 32,596
Cash equivalents	**391,899**	423,482
	$ 433,985	$ 456,078

The average effective interest rate for cash equivalents at December 31, 2018 is 2.13% (2017 - 1.31%).

Cash and cash equivalents exclude $122.8 million (2017 - $226.6 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 $34.8 million (2017 - $30.5 million).

4. *Accounts Receivable*

	2018	2017
Property, payments-in-lieu and business taxes receivable	**$ 56,704**	$ 52,599
Allowance for property, payments-in-lieu and business taxes receivable	**(813)**	(756)
	55,891	51,843
Trade accounts and other receivables	**163,224**	165,455
Government of Canada	**60,784**	24,572
Province of Manitoba	**57,629**	101,111
Allowance for doubtful accounts	**(19,304)**	(22,973)
	262,333	268,165
	$ 318,224	$ 320,008

5. *Investments*

	2018	2017
Marketable securities		
Municipal bonds	**$ 72,577**	$ 56,884
Provincial bonds and bond coupons	**8,416**	16,483
Bank and trust companies	**2,003**	5,011
	82,996	78,378
Manitoba Hydro long-term receivable	**220,238**	220,238
Other	**4,833**	7,324
	$ 308,067	$ 305,940

5. Investments (continued)

a) Marketable securities

The aggregate market value of marketable securities at December 31, 2018 is $85.5 million (2017 - $83.7 million) and their maturity dates range from 2019 to 2053.

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 year ten and continuing thereafter 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.

b) 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.

c) 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.

d) Winnipeg Housing Rehabilitation Corporation

During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation (the "WHRC"). It was determined that the City no longer controls WHRC. As a result of this assessment, the City removed the investment and incurred a loss on disposal of $6.6 million.

Summary of investment in government businesses

	2018	2017
North Portage Development Corporation (1/3 share)	**$ 19,206**	$ 18,975
Park City Commons (1/2 share)	**5,921**	3,375
River Park South Developments Inc. (1/2 share)	**256**	1,231
Winnipeg Housing Rehabilitation Corporation	**-**	6,632
	$ 25,383	$ 30,213

6. *Investment in Government Businesses (continued)*

Summary of results of operations

	2018	2017
North Portage Development Corporation (1/3 share)	**$ 231**	$ 124
River Park South Developments Inc. (1/2 share)	**26**	1,431
Winnipeg Housing Rehabilitation Corporation	**-**	258
	$ 257	$ 1,813

The results of operations and the removal of the WHRC investment are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue (Note 19).

The condensed supplementary financial information of the government business entities are disclosed in schedule 1.

7. *Accounts Payable and Accrued Liabilities*

	2018	2017
Accrued liabilities	**$ 146,403**	$ 142,000
Trade accounts payable	**119,116**	113,203
Accrued interest payable	**6,266**	6,342
	$ 271,785	$ 261,545

8. *Deferred Revenue*

	2018	2017
Federal gas tax transfer		
Opening balance	**$ 20,539**	$ 17,043
Revenue earned	**(32,625)**	(38,959)
Inflows	**43,944**	42,455
Closing balance	**31,858**	20,539
Province of Manitoba		
Opening balance	**$ 9,670**	$ 9,594
Revenue earned	**(9,670)**	(66)
Inflows	**-**	142
Closing balance	**-**	9,670
Prepayment for services	**23,689**	18,232
	$ 55,547	$ 48,441

9. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2018	2017
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	767,568
Equity in The Sinking Funds (Notes 9a and b)					**(82,065)**	(67,468)
Net sinking fund debentures outstanding					**685,503**	700,100

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% (2017 - 4.50%)	**4,848**	9,696
Bank loans and other with varying maturities up to 2046 and a weighted average interest rate of 2.94% (2017 - 2.90%)	**157,003**	159,075
Obligations for leased tangible capital assets (Note 9c)	**22,519**	23,398
Service concession arrangement obligations (Notes 9d and 15d)	**183,839**	150,432
	1,053,712	1,042,701
Unamortized premium on debt (Note 9e)	**29,946**	30,938
	$ 1,083,658	$ 1,073,639

9. Debt (continued)

Debt segregated by fund/organization:

	2018	2017
General Capital Fund	**$ 684,477**	$ 705,348
Waterworks System	**121,280**	125,847
Transit System	**138,839**	105,222
Consolidated entities	**37,545**	38,549
Fleet Special Operating Agency	**37,237**	30,817
Solid Waste Disposal	**26,860**	29,162
Sewage Disposal	**23,381**	23,875
Land Drainage	**2,982**	3,507
Other	**11,057**	11,312
	$ 1,083,658	$ 1,073,639

Debt to be retired over the next five years:

	2019	2020	2021	2022	2023	2024+
Sinking fund debentures	$ -	$ -	$ -	$ -	$ -	$ 767,568
Other debt	34,458	37,342	18,681	17,075	16,095	244,558
	$ 34,458	$ 37,342	$ 18,681	$ 17,075	$ 16,095	$ 1,012,126

a) As at December 31, 2018, sinking fund assets have a market value of $116.4 million (2017 - $108.5 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 $39.1 million (2017 - $26.0 million) and a market value of $40.5 million (2017 - $28.8 million).

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:

2019	$ 2,563
2020	2,680
2021	2,794
2022	2,930
2023	3,141
Thereafter	20,917
Total future minimum lease payments	35,025
Amount representing interest at a weighted average rate of 8.18%	(12,506)
Capital lease obligations	$ 22,519

9. Debt (continued)

d) Service concession arrangement obligations are as follows:

	2018	2017
DBF2 Limited Partnership - Chief Peguis Trail Extension	**$ 46,202**	$ 46,881
Plenary Roads Winnipeg GP - Disraeli Bridges	**102,137**	103,551
Plenary Roads Winnipeg Transitway LP	**35,500**	-
	$ 183,839	$ 150,432

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, 2018, $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.

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, 2018, $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.

9. Debt (continued)

Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass

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 Infrastructure Canada, sinking fund debentures of $40.0 million, and other cash consideration of $9.8 million.

As at December 31, 2018, $35.5 million was capitalized for assets completed and in use (Note 13). 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 totalling $8.4 million annually over the 30-year contract.

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

e) Included in the Consolidated Statement of Financial Position are investments of $33.3 million (2017 - $33.3 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 2018 is $52.0 million (2017 - $52.8 million) and cash paid for interest during the year is $52.0 million (2017 - $53.3 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 Trustees 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, 2018 is $60.0 million (2017 - $60.0 million).

10. Other Liabilities

	2018	2017
Expropriation	**$ 54,560**	$ 59,419
Landfill	**50,178**	48,717
Contaminated sites	**13,678**	12,656
Veolia agreement (Note 15e)	**1,498**	9,383
Developer deposits and other	**9,785**	8,756
	$ 129,699	$ 138,931

10. Other Liabilities (continued)

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% (2017 - 4.5%). Amounts to be accrued in future years as the landfill's capacity is consumed are estimated at $9.9 million.

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% (2017 - 91%) of its total capacity and its remaining life is approximately 108 years (2017 - 108 years) after which perpetual post-closure maintenance is required.

The Landfill Rehabilitation Reserve was established for the purpose of providing funding, over time, for closure and post-closure landfill needs including leachate management, environmental monitoring and site restoration costs for active and closed landfills maintained under the responsibility of the City. It is financed through a monthly transfer from the Solid Waste Disposal Fund based on tonnages processed at the landfill. As at December 31, 2018, the reserve had a balance of $7.8 million (2017 - $7.4 million) (Schedule 3).

As of December 31, 2018, the liability for contaminated sites includes sites associated with former City operations, sites acquired through tax forfeiture, and historical acquisition of properties. The nature of contamination includes chemicals, heavy metals, salt, and other organic and inorganic contaminants. The sources of contamination include underground fuel storage tanks, rail lines, fuel handling, vehicle storage and maintenance, snow storage and stockyards.

Liability estimates are based on environmental site assessments or are derived by extrapolating remediation costs incurred by the City for similar sites.

11. Accrued Employee Benefits and Other

	2018	2017
Retirement allowance - accrued obligation	**$ 83,502**	$ 86,138
Unamortized net actuarial gain	**5,785**	2,527
Retirement allowance - accrued liability	**89,287**	88,665
Vacation	**60,418**	58,304
Workers' compensation	**46,924**	48,109
Compensated absences	**23,851**	20,197
Other	**7,813**	6,350
	$ 228,293	$ 221,625

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 (2017 - 15.7 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.

11. Accrued Employee Benefits and Other (continued)

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, 2018 using year-end assumptions.

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

	2018	2017
Retirement allowance - accrued liability		
Balance, beginning of year	**$ 88,665**	$ 90,056
Current service cost	**4,964**	5,359
Interest cost	**2,608**	2,848
Amortization of net actuarial loss	**95**	543
Plan amendment	**-**	(94)
Benefit payments	**(7,045)**	(10,047)
Balance, end of year	**$ 89,287**	$ 88,665

Retirement allowance expense consists of the following:

Current service cost	**$ 4,964**	$ 5,359
Interest cost	**2,608**	2,848
Amortization of net actuarial loss	**95**	543
Plan amendment	**-**	(94)
	$ 7,667	$ 8,656

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

Discount rate on liability	**3.25%**	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 2018, and for future years, consistent with 2017. The City and participating employers are required to make matching contributions.

An actuarial valuation of the Benefits Program was prepared as at December 31, 2017, which indicated an excess of actuarial value of program assets over actuarial liabilities of $275.4 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, 2018 was $8.4 million (2017 - $3.8 million).

Total contributions by the City to the Benefits Program in 2018 were $40.2 million (2017 - $37.1 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 the rate of 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, 2017. 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 46.7% to 52.8% of the inflation rate.

An actuarial valuation of the Plan as of December 31, 2020 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, 2017, the actuarial valuation showed that the Plan has a solvency excess at December 31, 2017 under this wind-up scenario.

The results of the December 31, 2017 actuarial valuation of the Plan were extrapolated to December 31, 2018. 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 (2017 - 5.25%); inflation rate of 2.00% per year (2017 - 2.00%); and general pay increases of 3.25% per year (2017 - 3.25%). The accrued pension obligation was valued using the projected benefit method pro-rated on services.

12. Pension Costs and Obligations (continued)

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

	2018	2017
Plan assets:		
Fair value, beginning of year	**$ 1,537,642**	$ 1,403,598
Employer contributions	**29,364**	28,288
Employee contributions and transfers	**13,293**	13,524
Benefits and expenses paid	**(54,807)**	(51,173)
Net investment income	**1,997**	143,405
Fair value, end of year	**1,527,489**	1,537,642
Actuarial adjustment	**(10,577)**	(98,854)
Actuarial value, end of year	**$ 1,516,912**	$ 1,438,788
Accrued pension obligation:		
Beginning of year	**$ 1,413,621**	$ 1,299,066
Interest on accrued pension obligation	**73,958**	71,229
Current period benefit cost	**45,002**	43,188
Actuarial loss	**(13,373)**	51,311
Benefits and expenses paid	**(54,807)**	(51,173)
End of year	**$ 1,464,401**	$ 1,413,621
Funded status	**$ 52,511**	**$** 25,167
Less: city account	**(305)**	(274)
Less: contribution stabilization reserve	**(52,206)**	(24,893)
Actuarial surplus	**$ -**	**$ -**

	2018	2017
Expenses related to pensions:		
Current period benefit cost	**$ 45,002**	$ 43,188
Amortization of actuarial gains	**(1,086)**	(301)
Less: employee contributions and transfers	**(13,293)**	(13,524)
Pension benefit expense	**30,623**	29,363
Interest on accrued benefit obligation	**73,958**	71,229
Expected return on plan assets	**(75,217)**	(72,304)
Pension interest income	**(1,259)**	(1,075)
Total expenses related to pensions	**$ 29,364**	$ 28,288

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 2018 were $29.4 million (2017 - $28.3 million). Total employee contributions to the Plan in 2018 were $13.0 million (2017 - $12.8 million). Benefits paid from the Plan in 2018 were $53.8 million (2017 - $50.2 million).

The expected rate of return on Plan assets in 2018 was 5.25% (2017 - 5.50%). The actual rate of return, net of investment expenses, on the fair value of Plan assets in 2018 was 0.13% (2017 - 10.25%).

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 a surplus. The above extrapolation anticipates that the funding surplus at December 31, 2018 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 2018, the City paid out $0.3 million (2017 - $0.3 million). An actuarially determined pension obligation of $3.6 million (2017 - $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.

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, 2018. The principal long-term assumptions on which the valuation was based were: discount rate of 4.50% per year (2017 - 4.50%); and general pay increases of 3.50% per year (2017 - 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:

	2018	2017
Group life insurance plan assets, at actuarial value	**$ 163,639**	$ 160,451
Accrued post-retirement life insurance obligations	**$ 99,154**	$ 95,648

13. Tangible Capital Assets

	Net Book Value	
	2018	2017
General		
Land	**$ 286,421**	$ 288,906
Buildings	**834,893**	840,360
Vehicles	**205,186**	180,429
Computer	**43,024**	41,892
Other	**273,028**	274,201
Infrastructure		
Plants and facilities	**600,931**	588,423
Roads	**1,525,212**	1,420,521
Underground and other networks	**2,224,599**	2,146,093
Bridges and other structures	**581,985**	580,104
	6,575,279	6,360,929
Assets under construction	**408,064**	277,266
	$ 6,983,343	$ 6,638,195

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

During the year, $1.3 million (2017 - $0.1 million) of tangible capital assets were written-down. Interest capitalized during 2018 was $4.8 million (2017 - $4.0 million). In addition, roads and underground networks contributed to the City totalled $82.7 million in 2018 (2017 - $95.2 million) and were capitalized at their fair value at the time of receipt.

Included in the above net book values are $304.0 million (2017 - $273.6 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:

	2018	2017
Invested in tangible capital assets	**$ 5,836,664**	$ 5,638,975
Reserves (Schedule 3)	**348,559**	297,785
Manitoba Hydro long-term receivable (Note 5)	**220,238**	220,238
Other surplus accumulated in utility operations, consolidated entities and other	**195,423**	139,230
Equity in government businesses (Note 6)	**25,383**	30,213
Unfunded expenses to be funded from future revenues:		
Accrued employee benefits and other	**(226,843)**	(223,849)
Landfill (Note 10)	**(50,178)**	(48,717)
Contaminated sites (Note 10)	**(13,678)**	(12,656)
Canadian Museum for Human Rights grant	**(4,849)**	(5,770)
	$ 6,330,719	$ 6,035,449

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, 2018 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:

2019	$	8,236
2020		8,191
2021		7,878
2022		7,785
2023		6,628
Thereafter		58,685
	$	97,403

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, 2018 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, 2018 is $34.0 million (2017 - $38.7 million). The City does not anticipate incurring future payment on these guarantees, and has no balance related to this contingent liability on its financial statements.

Some of the capital projects related to guarantees are in progress at year-end, meaning that the full line of credit has not been used. The at risk amount is $36.7 million (2017 - $46.9 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) As disclosed in Note 9d, upon commissioning of the project the City will commence monthly performance-based maintenance payments to PRWT related to the Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass project. The monthly payment averaging $3.1 million annually is to be adjusted by CPI and is payable upon substantial completion of the project until the termination of the thirty year contract.

15. Commitments and Contingencies (continued)

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.

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. In 2018, Veolia withdrew $9.4 million from EARA and replaced this at risk amount with a standby letter of credit.

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

15. Commitments and Contingencies (continued)

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.

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, 2018, the forgivable loans totalled $2.7 million (2017 - $3.1 million).

16. Taxation

	2018	2017
Municipal and school property taxes	**$ 1,237,214**	$ 1,175,939
Payments-in-lieu of property (municipal and school) and business taxes	**51,163**	51,125
	1,288,377	1,227,064
Payments to Province and school divisions	**(699,765)**	(667,369)
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	**588,612**	559,695
Local improvement and frontage levies	**65,006**	63,120
Business taxes and license-in-lieu of business taxes	**57,634**	55,844
Electricity and natural gas sales taxes	**21,736**	20,383
Amusement and accommodation taxes and mobile home licences	**13,101**	13,167
	$ 746,089	$ 712,209

The property tax roll includes school taxes of $668.9 million (2017 - $636.9 million) assessed and levied on behalf of the Province and school divisions. Payments-in-lieu of school taxes assessed in 2018 totalled $30.9 million (2017 - $30.5 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 $5.7 million (2017 - $5.4 million).

17. Sales of Services and Regulatory Fees

	2018	2017
Water sales and sewage services	**$ 325,016**	$ 297,703
Other sales of goods and services	**136,218**	136,386
Regulatory fees	**97,860**	86,175
Transit fares	**86,262**	79,078
	$ 645,356	$ 599,342

18. Government Transfers

	2018	2017
Operating		
Province of Manitoba		
Municipal Operating Grant	**$ 139,679**	$ 139,586
Public Safety	**23,955**	23,955
	163,634	163,541
Less: Support for Provincial Programs	**(23,650)**	(23,650)
	139,984	139,891
Transfer for paramedic services	**33,301**	27,306
Other	**12,272**	13,663
	185,557	180,860
Government of Canada	**7,531**	14,072
Total Operating	**193,088**	194,932
Capital		
Province of Manitoba		
Public Transit Infrastructure Fund	**17,027**	1,142
Manitoba Winnipeg Infrastucture Agreement	**16,493**	38,393
Sewage	**10,968**	6,864
Manitoba Winnipeg Infrastucture Fund	**10,035**	5,873
Waverely underpass	**9,031**	6,236
Southwest Rapid Transitway (Stage 2) and Pembina Highway Underpass	**7,328**	2,677
Other roads	**1,238**	28,489
Other	**4,341**	6,765
	76,461	96,439
Government of Canada		
Federal gas tax (Note 8)	**32,625**	38,959
Waverely underpass	**15,197**	-
Assiniboine Park Conservancy	**12,100**	6,257
Public Transit Infrastructure Fund	**34,930**	2,302
Other	**10,444**	12,369
	105,296	59,887
Total Capital	**181,757**	156,326
	$ 374,845	$ 351,258

Not included in the Province of Manitoba capital transfer above is $40 million of the $50 million included in the 2018 capital budget.

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

	2018	2017
Land sales	**$ 7,994**	$ 15,550
Contributions in lieu of land dedication	**1,501**	5,055
(Loss) income from government businesses (Note 6)	**(6,375)**	1,813
Other	**9,801**	9,710
	$ 12,921	$ 32,128

20. Expenses by Object

	2018	2017
Salaries and benefits	**$ 860,556**	$ 845,087
Goods and services	**420,798**	404,044
Amortization of tangible capital assets	**257,362**	245,941
Interest	**51,962**	52,834
Other expenses	**28,352**	35,429
	$ 1,619,030	$ 1,583,335

21. Budget

On March 19, 2019 Council approved the 2019 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 2019 budget document is the 2018 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 2018 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:

23. Segmented Information (continued)

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 Garbage Collection

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 garbage collection operations.

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 four distinct utilities - water, wastewater, land drainage 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 garbage collection operations are reported in the General Revenue Fund and are included in the Public Works and Garbage Collection segment.

Effective January 1, 2018, net assets of land drainage were transferred into the Water and Waste Funds Segment as a separate utility fund. Comparative figures have been reclassified to conform to the presentation made in the current year.

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

23. Segmented Information (continued)

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

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, which 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		Park City Commons [1] December 31	
	2018	2017	**2018**	2017
Financial Position				
Assets				
Current	**$ 5,892**	$ 7,969	**$ 7,134**	$ 2,387
Capital	**74,787**	73,639	**-**	5,054
Other	**914**	715	**-**	-
	$ 81,593	$ 82,323	**$ 7,134**	$ 7,441
Liabilities				
Current	**$ 3,651**	$ 3,663	**$ 1,237**	$ 691
Long-term	**20,325**	21,734	**-**	-
	23,976	25,397	**1,237**	691
Net equity	**57,617**	56,926	**5,897**	6,750
	$ 81,593	$ 82,323	**$ 7,134**	$ 7,441
City share (Note 6)	**$ 19,206**	$ 18,975	**$ 5,921**	$ 3,375
Results of Operations				
Revenues	**$ 15,594**	$ 13,281	**$ -**	$ -
Expenses	**14,903**	12,910	**-**	-
Net income	**$ 691**	$ 371	**$ -**	$ -
City's share (Note 6)	**$ 231**	$ 124	**$ -**	$ -

1 No income or expenses were incurred during the year.

2 During the year, management assessed the control of Winnipeg Housing Rehabilitation Corporation. It was determined that the City no longer controls WHRC. As a result of this assessment, the City removed the investment and incurred a loss on disposal.

Schedule 1

River Park South Developments Inc. December 31		Winnipeg Housing Rehabilitation Corporation [2] March 31		Total	
2018	2017	**2018**	2017	**2018**	2017
$ 2,957	$ 6,510	**$ -**	$ 3,367	**$ 15,983**	$ 20,233
-	-	**-**	18,309	**74,787**	97,002
-	-	**-**	4,916	**914**	5,631
$ 2,957	$ 6,510	**$ -**	$ 26,592	**$ 91,684**	$ 122,866
$ 2,444	$ 4,049	**$ -**	$ 3,083	**$ 7,332**	$ 11,486
-	-	**-**	16,877	**20,325**	38,611
2,444	4,049	**-**	19,960	**27,657**	50,097
513	2,461	**-**	6,632	**64,027**	72,769
$ 2,957	$ 6,510	**$ -**	$ 26,592	**$ 91,684**	$ 122,866
$ 256	$ 1,231	**$ -**	$ 6,632	**$ 25,383**	$ 30,213
$ 4	$ 5,038	**$ -**	$ 8,466	**$ 15,598**	$ 26,785
(47)	2,176	**-**	8,208	**14,856**	23,294
$ 51	$ 2,862	**$ -**	$ 258	**$ 742**	$ 3,491
$ 26	$ 1,431	**$ -**	$ 258	**$ 257**	$ 1,813

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	Land [1]	**Buildings**[2]	**Vehicles**	**Computer**	**Other**
Cost					
Balance, beginning of year	**$ 288,906**	**1,254,757**	**417,912**	**169,658**	**505,760**
Add:					
Additions during the year	**5,439**	**31,705**	**53,248**	**11,956**	**32,951**
Less:					
Disposals during the year	**7,924**	**2,848**	**30,499**	**416**	**630**
Balance, end of year	**286,421**	**1,283,614**	**440,661**	**181,198**	**538,081**
Accumulated amortization					
Balance, beginning of year	**-**	**414,397**	**237,483**	**127,766**	**231,559**
Add:					
Amortization	**-**	**35,443**	**27,420**	**10,824**	**33,807**
Less:					
Accumulated amortization on disposals	**-**	**1,119**	**29,428**	**416**	**313**
Balance, end of year	**-**	**448,721**	**235,475**	**138,174**	**265,053**
Net Book Value of Tangible Capital Assets	**$ 286,421**	**$ 834,893**	**$ 205,186**	**$ 43,024**	**$ 273,028**

1 Included in land additions is $1.3 million of land transfers from land held for resale.
1 Included in land disposals is $1.9 million of land transfers to land held for resale.
2 Included in building disposals is $1.7 million of building transfers to land held for resale.

Infrastructure					Totals	
Plants and Facilities	**Roads**	**Underground and Other Networks**	**Bridges and Other Structures**	**Assets Under Construction**	**2018**	2017
907,519	**2,627,717**	**3,270,413**	**849,910**	**277,266**	**$ 10,569,818**	$ 10,140,480
29,659	**175,983**	**125,724**	**16,386**	**130,798**	**613,849**	475,911
-	**3,413**	**6,472**	**-**	**-**	**52,202**	46,573
937,178	**2,800,287**	**3,389,665**	**866,296**	**408,064**	**11,131,465**	10,569,818
319,096	**1,207,196**	**1,124,320**	**269,806**	**-**	**3,931,623**	3,721,482
17,151	**71,078**	**47,134**	**14,505**	**-**	**257,362**	245,941
-	**3,199**	**6,388**	**-**	**-**	**40,863**	35,800
336,247	**1,275,075**	**1,165,066**	**284,311**	**-**	**4,148,122**	3,931,623
$ 600,931	**$ 1,525,212**	**$ 2,224,599**	**$ 581,985**	**$ 408,064**	**$ 6,983,343**	$ 6,638,195

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF RESERVES

Schedule 3

As at December 31
(in thousands of dollars)

	2018	2017
Reserves		
Capital Reserves		
Environmental Projects	**$ 106,383**	$ 93,934
Impact Fee	**16,702**	4,102
Transit Bus Replacement	**11,026**	11,281
SWRT Payment	**10,325**	5,016
Landfill Rehabilitation	**7,788**	-
Sewer System Rehabilitation	**6,496**	6,546
Waste Diversion	**5,188**	7,202
SWRT Corridor	**2,144**	4,220
Computer Replacement	**1,589**	967
Federal Gas Tax Revenue	**491**	235
Watermain Renewal	**258**	2,279
Regional Street Renewal	**118**	115
Local Streets Renewal	**98**	95
Brady Landfill Site Rehabilitation	**-**	7,421
	168,606	143,413
Special Purpose Reserves		
Perpetual Maintenance Fund - Brookside Cemetery	**17,210**	16,811
Destination Marketing	**14,834**	14,148
Land Dedication	**8,763**	10,310
Insurance (Note 21)	**4,758**	4,626
Commitment	**3,648**	4,329
Workers Compensation	**3,173**	4,886
Housing Rehabilitation Investment	**3,134**	7,170
Insect Control Urgent Expenditures	**3,000**	3,000
Land Operating *	**2,832**	(2,091)
Economic Development Investment	**2,482**	1,756
Multi-Family Dwelling Tax Investment	**1,469**	3,572
Permit	**1,376**	2,000
Perpetual Maintenance Fund - St.Vital Cemetery	**1,224**	1,182
Perpetual Maintenance Fund - Transcona Cemetery	**854**	824
General Purpose	**173**	150
Heritage Investment	**62**	1,935
	68,992	74,608
Stabilization Reserve		
Financial Stabilization	**110,961**	79,764
Total Reserves	**$ 348,559**	$ 297,785

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

	2018	2017
Reserve balance as disclosed above	**$ 2,832**	$ (2,091)
Investments held in government business (Note 6)	**6,177**	4,606
	$ 9,009	$ 2,515

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2018
(in thousands of dollars)

	General Revenue Fund			
	Protection	**Community Services**	**Planning**	**Public Works and Garbage Collection[1]**
REVENUES				
Taxation	**$ 319,421**	**$ 46,179**	**$ -**	**$ 210,923**
Sales of services and regulatory fees	**53,279**	**14,994**	**30,493**	**9,816**
Government transfers (Note 18)	**89,865**	**9,219**	**-**	**20,141**
Transfer from other funds	**1,932**	**1,359**	**8,617**	**3,070**
Other	**26,743**	**6,200**	**2,248**	**15,407**
	491,240	**77,951**	**41,358**	**259,357**
EXPENSES *(Note 20)*				
Salaries and benefits	**412,176**	**41,636**	**26,624**	**75,534**
Goods and services	**48,586**	**9,126**	**3,711**	**103,882**
Interest	**7,139**	**2,483**	**16**	**4,229**
Transfer to other funds	**15,595**	**3,414**	**11,852**	**91,328**
Other	**7,744**	**21,292**	**(845)**	**(15,616)**
	491,240	**77,951**	**41,358**	**259,357**
ANNUAL SURPLUS	**$ -**	**$ -**	**$ -**	**$ -**

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

	General Revenue Fund			
	Protection	Community Services	Planning	Public Works and Garbage Collection[1]
REVENUES				
Taxation	$ 314,926	$ 80,544	$ -	$ 208,357
Sales of services and regulatory fees	56,370	14,815	29,358	9,338
Government transfers (Note 18)	82,839	9,515	-	20,029
Transfer from other funds	1,888	1,416	13,943	2,289
Other	23,225	5,637	2,392	14,212
	479,248	111,927	45,693	254,225
EXPENSES *(Note 20)*				
Salaries and benefits	404,575	40,566	25,254	75,666
Goods and services	41,634	8,829	3,663	109,352
Interest	6,722	2,076	22	4,716
Transfer to other funds	20,153	39,721	16,848	80,136
Other	6,164	20,735	(94)	(15,645)
	479,248	111,927	45,693	254,225
ANNUAL SURPLUS	$ -	$ -	$ -	$ -

1 Effective January 1, 2018, net assets of land drainage of $829.7 million were transferred into the Water and Waste Funds Segment as a separate utility fund. Comparative figures have been reclassified to conform to the presentation made in the current year.

Schedule 4

Finance and Administration	Transit System Fund	Water and Waste Funds[1]	Other Funds and Corporations[1]	Eliminations	Consolidated
$ 154,976	**$ -**	**$ -**	**$ 26,000**	**$ (11,410)**	**$ 746,089**
22,927	**89,490**	**369,702**	**119,631**	**(64,976)**	**645,356**
15,687	**102,490**	**27,138**	**153,715**	**(43,410)**	**374,845**
9,820	**80,305**	**911,409**	**413,876**	**(1,430,388)**	**-**
19,830	**948**	**66,142**	**60,862**	**(50,370)**	**148,010**
223,240	**273,233**	**1,374,391**	**774,084**	**(1,600,554)**	**1,914,300**
52,646	**114,408**	**72,525**	**60,348**	**4,659**	**860,556**
26,019	**53,372**	**130,155**	**110,104**	**(64,157)**	**420,798**
840	**4,946**	**10,280**	**42,037**	**(20,008)**	**51,962**
122,336	**8,878**	**122,337**	**1,054,966**	**(1,430,706)**	**-**
21,399	**24,313**	**61,857**	**229,499**	**(63,929)**	**285,714**
223,240	**205,917**	**397,154**	**1,496,954**	**(1,574,141)**	**1,619,030**
$ -	**$ 67,316**	**$ 977,237**	**$ (722,870)**	**$ (26,413)**	**$ 295,270**

Finance and Administration	Transit System Fund	Water and Waste Funds[1]	Other Funds and Corporations[1]	Eliminations	Consolidated
$ 110,414	$ -	$ -	$ 13,810	$ (15,842)	$ 712,209
21,007	82,940	345,955	103,625	(64,066)	599,342
15,266	54,299	23,322	170,241	(24,253)	351,258
1,801	67,848	72,600	403,200	(564,985)	-
16,141	835	43,403	101,640	(36,097)	171,388
164,629	205,922	485,280	792,516	(705,243)	1,834,197
48,125	110,442	71,470	59,993	8,996	845,087
15,434	51,520	123,837	110,500	(60,725)	404,044
77	4,973	10,612	43,024	(19,388)	52,834
81,364	6,919	112,104	228,734	(585,979)	-
19,629	21,040	60,576	215,730	(46,765)	281,370
164,629	194,894	378,599	657,981	(703,861)	1,583,335
$ -	$ 11,028	$ 106,681	$ 134,535	$ (1,382)	$ 250,862