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# Consolidated Financial Statements

## 2003

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# Financial Statement Discussion & Analysis

## REPORT FROM THE CHIEF FINANCIAL OFFICER

I am pleased to present The City of Winnipeg's 2003 consolidated financial statements, which are prepared in accordance with Canadian general accepted accounting principles. Management has also prepared the following *Financial Statement Discussion and Analysis*, which comments on how the financial resources of the City are being managed, and should be read along with the audited financial statements.

### Results of Operations

*The Consolidated Statement of Operations and Surplus* reports the results of operations for 2003, on a comparative basis. During the year, The City of Winnipeg recorded revenues of \$961.4 million and expenses of \$911.0 million, which resulted in a \$50.4 million increase in accumulated surpluses and reserves.

Consolidated revenues increased in 2003 by \$30.5 million from 2002 mainly due to a \$22.7 million increase in sales of services and regulatory fees. Commencing January 1, 2003, photo radar was introduced by the WINNIPEG POLICE SERVICE as a traffic safety initiative. The first year of operations generated \$9.7 million in regulation revenue offset by approximately \$7.8 million in expenses. The City's Utility operations experienced increased revenue of \$6.4 million. This was generated by a transit revenue increase as well as higher water and sewer consumption.

Consolidated expenses grew by \$16.2 million from the previous year which represents a number of increases and decreases in different areas. The major increase was the result of an additional \$17.2 million being

spent in protection and community services operating costs. Included in the protection and community service category are POLICE SERVICE, FIRE PARAMEDIC SERVICE, and COMMUNITY SERVICES. During 2003, these departments experienced wage increases resulting from negotiated labour settlements and increased staff complements. As previously mentioned, the POLICE SERVICE had increased costs partially as a result of the photo radar operations.

The City ended the year with its property tax-supported operations recording a \$0.7 million surplus which was transferred to the *Housing Rehabilitation Investment Reserve*. The budget for these operations was adopted by City Council on March 19, 2003. During the budget process, the City faced several challenges to produce a balanced budget on the basis of no tax increases. Amongst the challenges were wage pressures, general price increases, maintaining service levels to meet program needs, and infrastructure maintenance and renewal requirements. The result was a budget which embraced the City's commitment to no new borrowing for capital programs, increased funding for public safety and protection of front-line essential services. There continued to be no increase to property taxes after six years of reductions and freezes, and the business tax rate was maintained at its 1996 level.

### Debt Management

At the beginning of 2003 the City refinanced \$97.2 million of debentures at 4.88% relating to two sinking fund debentures that matured in 2000 and 2002 and had carried interest rates of 11.75% and 8.87% respectively. In addition, two sinking fund debentures originally issued in 1988 and 1993 in the total amount of \$206.0 million at rates of 10.25% and 8.50% respectively, matured in 2003. One of these issues, net of sinking fund equity, was refinanced on March 24, 2004 in the amount of \$46.4 million at a rate of 4.07%.



During October 2003, Moody's Investors Service raised the City's credit rating from Aa3 to Aa2. The City's fiscal restraint in controlling expenditures while maintaining service levels, and pay-as-you-go financing for tax-supported capital expenditures were among the reasons cited for an improved credit rating.

Since 1998, the City has had a policy of not issuing new tax-supported debt. Under its current capital plan, all new tax-supported projects are financed internally. As a result, the level of tax-supported debt is expected to decrease continuously over the next few years along with the associated debt-servicing costs.

On the utility side, the City anticipates issuing \$102.0 million in debt in the near future to finance a water treatment plant estimated to cost \$214.0 million. A *Water Treatment Reserve*, which was established on December 17, 1993, has a balance at December 31, 2003 of \$79.1 million. It is anticipated that this reserve will fund 50% of the cost for this project.

## Capital

During 2003, the City spent \$164.4 million on capital projects (2002 - \$157.5 million), including \$110.1 million for tax-supported projects. The \$110.1 million was invested primarily in regional and residential streets, the completion of the Provencher Bridge and land drainage.

Capital project costs were financed from several sources, with funding primarily from the City's current tax levies, various capital reserves, and grants from other levels of governments.

## Reserves

The City of Winnipeg builds reserves to meet specific future operating and capital expense requirements, and to provide for contingencies. Reserve balances have increased by \$4.2 million overall from the prior year. The *City's Capital Reserves* grew by \$11.1 million. These reserves were established to finance current and anticipated future capital projects, which reduce or eliminate the need to issue debt. *Special Purpose Reserves*, which were established to account for the use of designated revenue for specific purposes, such as a *Snow Clearing Reserve*, declined by \$9.4 million.

*Stabilization Reserves* were created to offset the effect of major unexpected expenses on the current operations of the City or fund deficits recorded in the property tax-supported operating budget. During 2003, these reserves increased by \$2.3 million and are anticipated to grow until they reach a targeted level of 10% of the property tax-supported adopted budget expenses.

## Investment Policy

During September 2003, Council adopted *The City of Winnipeg Investment Policy*. The purpose of the policy is to provide the City with an approved framework for managing its investment program. This policy provides direction and an accountability for administration in the execution and management of investment transactions. It also incorporates industry's best practices to ensure the safety of principal and liquidity of the investments.

The *Investment Policy* will be reviewed annually in consideration of meeting the City's financial goals, and achieving safety of capital taking into account regulatory standards, technology, and industry best practices.

## Financing Infrastructure

As with other municipalities in North America, The City of Winnipeg is experiencing a steady decline in the condition of its infrastructure. Over the past several years preservation of the infrastructure has been seriously strained due to lack of funding. The City undertook a comprehensive review of its infrastructure and found that there is a considerable deferred maintenance component of the infrastructure that will require future consideration. To address deferred maintenance, the City is seeking new funding mechanisms that involves other levels of government.

In closing I would like to thank all those who contributed to the preparation of the financial statements.



Robert P. Gannon, Chief Financial Officer

# *Responsibility* for Financial Reporting

The accompanying Consolidated Financial Statements and all other information contained in this Annual Report are the responsibility of the management of The City of Winnipeg. The preparation of periodic financial statements involves the use of estimates and approximations because the precise determination of financial information frequently depends on future events. These Consolidated Financial Statements have been prepared by management within reasonable limits of materiality and within the framework of Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

Prior to their submission to Council, the Consolidated Financial Statements are reviewed and approved by the Audit Committee – the Mayor, the Deputy Mayor, and the chairpersons of Council's Standing Committees. In addition, the Audit Committee meets periodically with management and with both the City's internal and external auditors to approve the scope and timing of their respective audits, to review their findings and to satisfy itself that their responsibilities have been properly discharged. The Committee is readily accessible to external and internal auditors.

Ernst & Young LLP, Chartered Accountants, as the City's appointed external auditors, have audited the Consolidated Financial Statements. The Auditors' Report is addressed to the Mayor and members of Council and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the Consolidated Financial Statements are free of material misstatement and present fairly the financial position and results of operations of the City in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink, appearing to read 'Gannon', with a horizontal line underneath it.

Robert P. Gannon, Chief Financial Officer

# Auditors' Report

To the Mayor and Members of City Council of  
**The City of Winnipeg**

We have audited the consolidated statement of financial position of **The City of Winnipeg** as at December 31, 2003 and the consolidated statements of operations and surplus, reserve funds, cash flows and change in net financial liabilities for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of **The City of Winnipeg** as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada,

April 2, 2004

*Ernst & Young LLP*

Chartered Accountants

# Consolidated Statement of Financial Position

As at December 31  
(in thousands of dollars)

	2003	2002
<b>FINANCIAL ASSETS</b>		(Restated Note 21)
Cash and short-term investments	\$ 361,951	\$ 313,781
Accounts receivable (Note 3)	122,607	107,096
Investments (Note 4)	365,890	359,240
	850,448	780,117
<b>LIABILITIES</b>		
Notes payable (Note 5)	113,874	85,650
Accounts payable and accrued liabilities (Note 6)	127,979	146,721
Deferred revenue	8,373	6,171
	250,226	238,542
Debt (Note 7)	494,672	496,292
Other liabilities (Note 8)	44,514	41,488
Retirement allowance, vacation and other liabilities (Note 9)	112,910	102,485
	902,322	878,807
<b>NET FINANCIAL LIABILITIES</b>	(51,874)	(98,690)
<b>NON-FINANCIAL ASSETS</b>		
Tangible capital assets (Note 10)	930,929	927,507
Inventories	10,372	10,037
Prepaid expenses	3,571	3,086
Deferred charges	1,187	1,819
	946,059	942,449
<b>ACCUMULATED SURPLUS AND RESERVES</b>	\$ 894,185	\$ 843,759
Commitments and contingencies (Notes 11, 14 and 18)		
<b>Comprised of:</b>		
Surplus (Note 12)	\$ 596,284	\$ 550,088
Reserves (Note 13)	297,901	293,671
	\$ 894,185	\$ 843,759

See accompanying notes to the consolidated financial statements

Approved on behalf of the Audit Committee



Glen Murray – Mayor



Bill Clement – Chairperson, Fiscal Issues Committee

# Consolidated Statement of Operations and Surplus

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

	2003	2002
<b>REVENUES</b>		(Restated Note 21)
Taxation (Note 14)	\$ 489,996	\$ 484,220
Sales of services and regulatory fees (Note 15)	318,605	295,893
Government grants and transfers (Note 16)	97,082	94,026
Interest	45,504	48,058
Land sales and other revenue	10,242	8,711
Total Revenues	961,429	930,908
<b>EXPENSES</b> (Note 17)		
Protection and community services	281,683	264,492
Utility operations	219,178	223,814
Public works	205,897	202,087
General government	64,486	66,826
Finance and administration	56,296	53,884
Property and development	53,608	53,403
Civic corporations	29,855	30,307
Total Expenses	911,003	894,813
Excess Revenues Over Expenses	50,426	36,095
Allocated (to) from Reserves	(4,230)	12,084
	46,196	48,179
Gain on sale of Winnipeg Hydro (Note 4)	–	227,476
<b>CHANGE IN SURPLUS</b>	46,196	275,655
<b>SURPLUS, BEGINNING OF YEAR</b>	550,088	274,433
<b>SURPLUS, END OF YEAR</b> (Note 12)	\$ 596,284	\$ 550,088

See accompanying notes to the consolidated financial statements

# Consolidated Statement of Reserve Funds

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

	2003	2002
<b>INCREASE:</b>		(Restated Note 21)
Taxation	\$ 28,383	\$ 16,487
Transfer from operating and capital funds	26,857	49,382
Interest	11,105	10,334
Other revenue	7,467	6,207
	73,812	82,410
<b>DECREASE:</b>		
Expended during the year		
Transfer to operating and capital funds	54,012	77,756
Expended from Reserves	15,570	16,738
	69,582	94,494
Allocated from (to) operations	4,230	(12,084)
<b>BALANCE, BEGINNING OF YEAR</b>	293,671	305,755
<b>BALANCE, END OF YEAR</b> (Note 13)	\$ 297,901	\$ 293,671

See accompanying notes to the consolidated financial statements

# Consolidated Statement of Cash Flows

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

	2003	2002
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</b>		(Restated Note 21)
<b>OPERATING</b>		
Excess Revenues Over Expenses	\$ 50,426	\$ 36,095
Non-cash charges to operations		
Amortization	77,456	81,594
Other	15,243	4,911
Working capital from operations	143,125	122,600
Net change in working capital other than cash assets	(32,871)	14,116
Cash provided by operating transactions	110,254	136,716
<b>CAPITAL</b>		
Acquisition of tangible capital assets	(109,890)	(94,502)
Government of Canada capital grants	5,435	9,427
Province of Manitoba capital grants	22,352	19,682
	(82,103)	(65,393)
<b>FINANCING</b>		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(10,790)	(19,432)
Debenture and serial debt retired	(214,212)	(87,845)
Sinking fund investments applied to debt redemption	155,451	45,274
Sinking fund debenture installments	(27,274)	(30,873)
Serial debt issued	97,180	-
Other	(1,970)	6,979
	(1,615)	(85,897)
<b>INVESTING</b>		
Purchase of investments	(6,590)	(2,104)
<b>INCREASE (DECREASE) IN CASH ASSETS</b>	19,946	(16,678)
<b>CASH ASSETS, BEGINNING OF YEAR</b>	228,131	244,809
<b>CASH ASSETS, END OF YEAR</b>	\$ 248,077	\$ 228,131
<b>COMPONENTS OF CASH ASSETS</b>		
Cash and short-term investments	\$ 361,951	\$ 313,781
Notes payable	(113,874)	(85,650)
	\$ 248,077	\$ 228,131

See accompanying notes to the consolidated financial statements

# Consolidated Statement of Change in Net Financial Liabilities

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

	2003	2002
		(Restated Note 21)
<b>Excess Revenues Over Expenses</b>	<b>\$ 50,426</b>	<b>\$ 36,095</b>
Gain on sale of Winnipeg Hydro (Note 4)	–	227,476
	<b>50,426</b>	<b>263,571</b>
Amortization of tangible capital assets	77,456	81,594
Province of Manitoba grants for capital asset purchases	22,352	19,682
Government of Canada grants for capital asset purchases	5,435	9,427
Change in other non-financial assets	1,037	(2,627)
Sale of Winnipeg Hydro non-financial assets	–	196,501
Acquisition of tangible capital assets	(109,890)	(94,502)
<b>DECREASE IN NET FINANCIAL LIABILITIES</b>	<b>46,816</b>	<b>473,646</b>
<b>NET FINANCIAL LIABILITIES, BEGINNING OF YEAR</b>	<b>(98,690)</b>	<b>(572,336)</b>
<b>NET FINANCIAL LIABILITIES, END OF YEAR</b>	<b>\$ (51,874)</b>	<b>\$ (98,690)</b>

*See accompanying notes to the consolidated financial statements*

# Notes to the Consolidated Financial Statements

As at December 31, 2003  
(in thousands of dollars, except as noted)

## 1. Status of The City of Winnipeg

The City of Winnipeg ("the City") is a municipality which 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 several designated special purpose reserves and provides funding support for other financial entities involved in economic development, recreation, entertainment, convention, tourism and housing activities.

## 2. Summary of Significant Accounting Policies

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted principles for governments established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The significant accounting policies are summarized as follows:

### a) Consolidation principles and basis of presentation

The consolidated financial statements of the City 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 ownership or control exercised by the City. Interfund and intercorporate balances and transactions have been eliminated except for amounts related to services offered commercially including utility charges. In 2003, two new funds (\*) were added and the Equipment Replacement Reserve was eliminated.

The consolidated financial statements include the following:

#### Capital Reserves:

- Watermain Renewal Reserve
- Combined Sewer Renewal Reserve
- Wastewater Sewer Renewal Reserve
- Water Treatment Reserve
- Environmental Projects Reserve
- Brady Landfill Site Rehabilitation Reserve
- Golf Course Reserve
- Library Reserve
- Transit Bus Replacement Reserve
- Concession Equipment Replacement Reserve
- Computer Replacement Reserve
- Aqueduct Rehabilitation Reserve

#### Special Purpose Reserves:

- Workers Compensation Reserve
- Perpetual Maintenance Fund
  - Brookside Cemetery
- Perpetual Maintenance Fund
  - St. Vital Cemetery
- Perpetual Maintenance Fund
  - Transcona Cemetery
- Insurance Reserve

#### Special Purpose Reserves (continued):

- Contributions in Lieu of Land Dedication Reserve
- Land Operating Reserve
- Recreation Programming Reserve
- Snow Clearing Reserve
- Idea Bank Reserve
- Commitment Reserve
- Heritage Investment Reserve
- Housing Rehabilitation Investment Reserve
- Economic Development Investment Reserve
- Assiniboine Park Enterprises Reserve
- General Purpose Reserve

#### Stabilization Reserves:

- Fiscal Stabilization Reserve
- Mill Rate Stabilization Reserve

#### Other Funds:

- General Capital Fund
- General Revenue Fund
- General Revenue Enterprises Fund
- Equity in Capital Assets
- Transit System

#### Other Funds (continued):

- Waterworks System
- Sewage Disposal System
- Solid Waste Disposal System
- Equipment and Material Services
- Civic Accommodations Fund
- Building Services Fund
- Animal Services
  - Special Operating Agency
- Glacial Sand and Gravel
  - Special Operating Agency
- Golf Services – Special Operating Agency
- Fleet Management
  - Special Operating Agency\*

#### Other Entities:

- Winnipeg Public Library Board
- The Convention Centre Corporation
- Destination Winnipeg Inc.
- Winnipeg Enterprises Corporation (May 31st Year End)
- Winnipeg Housing Rehabilitation Corporation (March 31st Year End)
- CentreVenture Development Corporation\*

The employees' pension and group life insurance funds of the City are administered on behalf of the pension and group life insurance plan participants by the Board of Trustees of the Winnipeg Civic Employees' Benefits Program (Pension Fund) for the payment of pensions and life insurance benefits and accordingly are not included in the consolidated financial statements. In addition, certain trust funds administered by the City, amounting to \$0.2 million (2002 – \$0.2 million), are not included in the consolidated statement of financial position nor have their operations been included in the consolidated statements of operations and change in net financial liabilities.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2003 Detailed Financial Statements Report, a companion document to the City's 2003 Annual Report and Consolidated Financial Statements.

## 2. Summary of Significant Accounting Policies (continued)

### 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) School taxes

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, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

### d) Short-term investments

Short-term investments consist of bankers' acceptance and term deposits and are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to March 30, 2004, and have an effective average interest rate of 2.7% (2002 – 2.8%).

### e) Investments

Bonds and debentures 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.

Bond residues and coupons are carried at cost, plus accrued interest. Interest is accrued on the book value of the investments at a rate equivalent to the effective yield of each investment.

### f) Assessment appeal costs

The City accrues a liability to reflect the amount of future payments related to the assessment period, net of certain assessments, which will be deferred and amortized over the balance of the reassessment period.

### g) Solid waste landfills

The estimated costs to close and maintain solid waste landfill sites are based on estimated future expenses in current dollars, adjusted for estimated inflation, and are charged to expense as the landfill sites' capacity is used.

### h) Environmental provisions

The City provides for the cost of compliance with environmental legislation when conditions are identified which indicate non-compliance with environmental legislation and costs can be reasonably determined. The estimated amounts of future restoration costs are reviewed regularly, based on available information and governing legislation.

### i) Deferred revenue

Certain amounts are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain user charges and fees are collected for which the related services have yet to be performed. These amounts are recognized as revenue in the fiscal year in which the related expenses are incurred or services performed.

### j) Employee benefit plans

The costs of pensions and other retirement benefits are actuarially determined using the projected benefits method prorated on services and management's best estimate of retirement ages of employees, salary escalation and plan investment performance. Past service costs from plan amendments are amortized on a straight-line basis over the average remaining service period of employees active at the date of amendment. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period.

## 2. Summary of Significant Accounting Policies (continued)

### 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 excess of revenues over expenses, provides the Change in Net Financial Liabilities for the year.

#### i) Tangible capital assets

Tangible capital assets, including land, financed by debt are initially recorded at cost and amortized in the consolidated statement of operations and surplus at an amount equal to the principal repayments of the debt. Other, generally smaller, acquired tangible capital assets are budgeted for and charged to expenses in the consolidated statement of operations and surplus. Assets financed by debentures that are retired prior to maturity are amortized over the remaining expected useful life of the asset. In general, other assets are expensed in the year of purchase.

Commencing in 2003, tangible capital assets of the Waterworks System Fund are recorded at cost and amortized over their expected useful life. Prior to this change, these assets were expensed based on the funding arrangements. This change has been applied prospectively.

Cost includes certain interest and overhead expenses incurred during the period the asset is acquired, constructed or developed. Contributions in aid of construction are recorded as a reduction in the cost of the tangible capital asset.

#### ii) 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 capital leases. Tangible capital assets acquired under a capital lease are recorded at the amount of the related obligation. These capital leases are amortized based upon the principal portion of the capital lease payments in the consolidated statement of operations and surplus. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

#### iii) Inventories

Inventories are recorded at the lower of cost and replacement cost.

#### iv) Other deferred charges

The cost of certain initiatives that are long-term in nature and/or provide future economic or operational benefits to the City are deferred and amortized over the future periods to which they relate.

### l) Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions on such areas as employee benefits, assessment appeals and environmental provisions. These estimates and assumptions are based on the City's best information and judgment and may differ significantly from actual results.

## 3. Accounts Receivable

	2003	2002
Property, payments-in-lieu and business taxes receivable	\$ 42,761	\$ 47,978
Allowance for property, payments-in-lieu and business tax arrears	(5,056)	(4,023)
	37,705	43,955
Trade accounts and other receivables	64,222	50,308
Province of Manitoba	20,797	10,826
Government of Canada	2,410	4,089
Allowance for doubtful accounts	(2,527)	(2,082)
	84,902	63,141
	\$ 122,607	\$ 107,096

#### 4. Investments

	2003	2002
Marketable securities:		
Provincial bonds, bond residues and coupons	\$ 48,237	\$ 35,590
Government of Canada bonds, bond residues and coupons	40,329	38,081
Other	3,000	3,000
	91,566	76,671
Manitoba Hydro long-term receivable	271,483	279,701
Other investments	2,841	2,868
	\$ 365,890	\$ 359,240

The aggregate market value of marketable securities at December 31, 2003 is \$95.3 million (2002 – \$81.8 million).

On February 27, 2002, City Council approved Manitoba Hydro's ("Hydro") proposal to purchase Winnipeg Hydro. The terms of the proposal included annual 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-nine; and \$16 million for years ten 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 2002 average long-term borrowing rate of 6%.

#### 5. Notes Payable

	2003	2002
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 91,939	\$ 35,686
Winnipeg Police Pension Plan	16,410	27,529
Civic Employees' Group Life Insurance Plan	3,670	4,761
The Sinking Fund Trustees of The City of Winnipeg	1,851	17,668
Council Members' (Pre-1972) Pension Plan	4	6
	\$ 113,874	\$ 85,650

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 2.7% (2002 – 2.7%). These notes are callable by the issuers.

#### 6. Accounts Payable and Accrued Liabilities

	2003	2002
Accrued liabilities	\$ 73,188	\$ 73,999
Trade accounts payable	39,803	50,146
Accrued interest payable	14,988	22,576
	\$ 127,979	\$ 146,721

## 7. Debt

### SINKING FUND DEBENTURES OUTSTANDING

Term	Maturity Date	Rate of Interest	Series	By-Law No.	2003	2002
1988-2003	Feb. 23	10.250	VF	4783/88	\$ –	\$ 90,000
1993-2003	May 19	8.500	VP	6163/93	–	116,000
1991-2004	Nov. 1	10.000	VL	5779/91	32,985	32,985
1990-2005	Oct. 1	11.700	VI	5507/90	66,424	66,424
1999-2009	Feb. 2	5.350	VV	7368/99	50,000	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	85,500	85,500
1993-2013	Feb. 11	9.375	VN	6090/93	90,000	90,000
1994-2014	Jan. 20	8.000	VQ	6300/94	85,000	85,000
1995-2015	May 12	9.125	VR	6620/95	88,000	88,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
					527,909	733,909
Equity in Sinking Fund					(245,709)	(363,097)
<b>NET SINKING FUND DEBENTURES OUTSTANDING</b>					<b>282,200</b>	<b>370,812</b>
<b>OTHER DEBT OUTSTANDING</b>						
Serial and installment debt issued by the City with varying maturities up to 2013 and a weighted average interest rate of 5.37% (2002 – 5.94%)					143,433	54,466
Mortgages and bank loans incurred primarily by Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation with varying maturities up to 2018 and a weighted average interest rate of 8.58% (2002 – 8.62%)					43,120	43,666
Capital lease obligations (Note 7c)					25,919	27,348
					<b>\$ 494,672</b>	<b>\$ 496,292</b>

Debt to be retired over the next five years:

	2004	2005	2006	2007	2008	2009 +
Sinking fund debentures	\$ 32,985	\$ 66,424	\$ –	\$ –	\$ –	\$ 428,500
Other debt	18,778	19,501	20,493	31,351	12,371	109,978
	<b>\$ 51,763</b>	<b>\$ 85,925</b>	<b>\$ 20,493</b>	<b>\$ 31,351</b>	<b>\$ 12,371</b>	<b>\$ 538,478</b>

a) Sinking fund assets have a market value of \$271.2 million (2002 – \$386.3 million). Sinking fund assets are comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of \$81.3 million (2002 – \$99.9 million) and a market value of \$87.7 million (2002 – \$108.4 million).

## 7. Debt (continued)

b) **The City of Winnipeg Charter** requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002, and subsequent to this date levies on new debentures issued will be managed by the City. The City is currently paying three percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

Sinking fund debenture issues provide for full sinking fund at maturity except for the following debenture which, as a result of the levies being provided and the terms of the issue, will have a sinking fund deficiency requiring the issue to be refinanced at maturity.

Year of Maturity	Debenture By-Law	Issued Amount	Maturity Shortfall
2009	7368/99	\$ 50,000	\$ 30,981

The following sinking fund debenture matured with a sinking fund deficiency. As anticipated, it will be refinanced at a later date.

Year of Maturity	Debenture By-Law	Issued Amount	Amount to be Refinanced
2003	6163/93	\$ 116,000	\$ 46,392

c) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

		Capital Leases
	2004	\$ 3,550
	2005	3,323
	2006	3,299
	2007	3,707
	2008	3,275
	Thereafter	37,057
	Total future minimum lease payments	54,211
	Amount representing interest at a weighted average rate of 9.40%	(28,292)
	Capital lease liability	\$ 25,919

d) Certain City of Winnipeg debentures are held as investments in the two pension plans for the employees of the City, as follows:

	2003	2002
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 32,275	\$ 32,275
Winnipeg Police Pension Plan	4,000	4,000
	\$ 36,275	\$ 36,275

e) Interest on debt recorded in the Statement of Operations in 2003 is \$65.4 million (2002 – \$76.2 million).

f) Cash paid for interest during the year is \$72.9 million (2002 – \$78.5 million).

## 8. Other Liabilities

	2003	2002
Deferred:		
Other deferred liabilities	\$ 24,020	\$ 22,571
Developer deposits	7,455	6,902
Development agreement paybacks	2,039	2,015
	<b>33,514</b>	<b>31,488</b>
Environmental liabilities (Note 18)	11,000	10,000
	<b>\$ 44,514</b>	<b>\$ 41,488</b>

Included in environmental liabilities is \$10.6 million (2002 – \$8.5 million) of 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 closure and post closure care activities discounted at the City's average long-term borrowing rate of 6.0%.

Landfill closure and post closure care requirements have been defined in accordance with the **Environmental 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 100 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 Landfill Site, is 97% of its total estimated capacity and its estimated remaining life is 100 years, after which perpetual post closure maintenance is estimated.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady 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, 2003, the reserve had a balance of \$1.6 million (2002 – \$1.3 million).

## 9. Retirement Allowance, Vacation and Other Liabilities

	2003	2002
Retirement allowance - accrued obligation	\$ 72,963	\$ 69,136
Unamortized net actuarial loss	(4,745)	(4,110)
Retirement allowance - accrued liability	68,218	65,026
Vacation	36,478	32,823
Other	8,214	4,636
Retirement allowance, vacation and other liabilities	<b>112,910</b>	<b>102,485</b>
Accrued liabilities recorded in the Funds' financial statements	(5,185)	(3,843)
Unfunded retirement allowance, vacation and other liabilities (Note 12)	<b>\$ 107,725</b>	<b>\$ 98,642</b>

a) Under the retirement allowance plan (including certain sick leave credits) for the majority of employees of the City, unused sick leave credits accumulate and employees with specified minimum service requirements become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). This liability was actuarially calculated as at December 31, 2003. The liability excludes net actuarial losses amortized on a straight-line basis over 11.2 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

b) Employees accrue vacation credits, which together with unused holidays from previous years, generally become a charge to operations in the year that they are earned.

c) The City operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, the City pays actual costs incurred plus an administration charge. The City has a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims.

## 10. Tangible Capital Assets

	2003	2002
Tax supported municipal structures, facilities and initiatives:		
Streets and bridges	\$ 337,544	\$ 321,596
Core area initiative and other special projects	164,252	162,598
Civic accommodations, equipment and other property	108,123	100,967
Culture and recreation facilities	57,665	57,530
Land drainage sewers	57,593	63,484
Protection facilities	28,346	28,003
Public transportation vehicles and facilities	24,974	27,527
Health and social development facilities	5,167	5,718
Local improvements	3,734	4,614
	<b>787,398</b>	<b>772,037</b>
Self supporting entities:		
Sewage collection, treatment and disposal facilities	88,757	96,174
Water supply and distribution facilities	48,032	51,910
Solid waste collection and disposal facilities	6,742	7,386
	<b>143,531</b>	<b>155,470</b>
	<b>\$ 930,929</b>	<b>\$ 927,507</b>

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2003 is \$1,090.5 million (2002 – \$1,021.9 million).

## 11. Commitments and Contingencies

The following significant commitments and contingencies existed at December 31, 2003:

a) 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 totalling \$17.6 million are as follows:

	Operating Leases	
2004	\$	3,938
2005		3,434
2006		3,254
2007		2,588
2008		1,840
Thereafter		2,567

b) The City is a defendant in four significant lawsuits as at December 31, 2003. At this time the ultimate liability is not determinable. Other contingent liabilities consisting of routine claims for street and sidewalk accidents, property damage, etc. will be accounted for as revenue or expense in the period which the settlement occurs.

c) The City has also unconditionally guaranteed the payment of principal and interest on capital improvement loans for several community centres. The outstanding balance on these loans as at December 31, 2003 is \$5.6 million (2002 – \$8.5 million).

## 12. Surplus

Consolidated surplus consists of the following individual fund surpluses/(deficits):

	2003	2002
Appropriated:		
Equity in Capital Assets	\$ 305,951	\$ 274,317
Sewage Disposal System	23,870	16,726
Waterworks System	7,359	3,326
General Capital Fund	1,247	1,128
	338,427	295,497
Unappropriated:		
Unamortized gain on Winnipeg Hydro	271,483	279,701
Waterworks System	27,779	24,620
Sewage Disposal System	24,029	27,302
Fleet Management – Special Operating Agency	19,265	–
Solid Waste Disposal	12,626	14,423
CentreVenture Development Corporation	9,222	5,495
The Sinking Fund Trustees of The City of Winnipeg	5,144	7,100
General Revenue Enterprises Fund	4,447	4,247
Equipment and Material Services	2,643	850
Other	(56)	(505)
	376,582	363,233
Unfunded:		
Environmental liabilities (Note 8)	(11,000)	(10,000)
Retirement allowance, vacation and other liabilities (Note 9)	(107,725)	(98,642)
	(118,725)	(108,642)
	\$ 596,284	\$ 550,088

The consolidated surplus represents the City's combined operating and capital fund balances. Separate disclosure of the operating and capital funds has not been presented as this information is not readily available.

Included in Accumulated Surplus and Reserves is Equity in Tangible Capital Assets which is determined as follows:

	2003	2002
Non-financial assets	\$ 946,059	\$ 942,449
Debt (Note 7)	(494,672)	(496,292)
	451,387	446,157
Other surplus and reserve balances	442,798	397,602
Accumulated Surplus and Reserves	\$ 894,185	\$ 843,759

### 13. Reserves

Consolidated reserves consist of the following restricted reserves:

	2003	2002
Capital Reserves:		
Water Treatment Reserve	\$ 79,073	\$ 65,433
Environmental Projects Reserve	39,175	32,280
Combined Sewer Renewal Reserve	21,917	16,539
Other	6,344	5,879
Library Reserve	3,199	3,132
Aqueduct Rehabilitation Reserve	1,949	2,679
Transit Bus Replacement Reserve	1,147	4,659
Equipment Replacement Reserve	–	11,143
	152,804	141,744
Special Purpose Reserves:		
General Purpose Reserve	16,923	26,082
Perpetual Maintenance Fund – Brookside Cemetery	9,282	9,045
Snow Clearing Reserve	9,161	8,845
Heritage Investment Reserve	8,723	7,329
Insurance Reserve	7,145	6,536
Land Operating Reserve	6,697	4,773
Economic Development Investment Reserve	5,608	7,072
Workers Compensation Reserve	5,605	5,088
Commitment Reserve	5,247	8,186
Other	3,719	3,951
Contributions in Lieu of Land Dedication Reserve	2,405	2,609
Housing Rehabilitation Investment Reserve	1,849	2,227
	82,364	91,743
Stabilization Reserves:		
Fiscal Stabilization Reserve	34,246	33,128
Mill Rate Stabilization Reserve	26,342	25,151
	60,588	58,279
Other Reserves	2,145	1,905
	\$ 297,901	\$ 293,671

## 14. Taxation

	2003	2002
Municipal and school property taxes	\$ 760,145	\$ 750,120
Payments-in-lieu of property (municipal and school) and business taxes	47,643	49,412
	807,788	799,532
Payments to Province and school divisions	(425,053)	(414,140)
Net property taxes and payments-in-lieu of property and business taxes available for municipal purposes	382,735	385,392
Business tax and license-in-lieu of business tax	60,853	62,564
Local improvement and frontage levies	28,365	17,947
Electricity and gas sales taxes	15,240	15,257
Amusement tax and mobile home license	2,803	3,060
	\$ 489,996	\$ 484,220

The property tax roll includes school taxes of \$399.3 million (2002 – \$387.2 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2003 totalled \$25.7 million (2002 – \$27.0 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 of Manitoba. 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.

## 15. Sales of Services and Regulatory Fees

	2003	2002
Water sales and sewage services	\$ 145,643	\$ 141,694
Other sales of goods and services	88,108	82,236
Transit fares	49,491	47,620
Regulatory fees	35,363	24,343
	\$ 318,605	\$ 295,893

## 16. Government Grants and Transfers

	2003	2002
Province of Manitoba grants:		
Tax sharing	\$ 47,343	\$ 47,343
Ambulance, libraries and other	27,759	25,370
Unconditional	19,887	19,888
Transit	17,354	16,854
Support	8,169	7,843
Support for Provincial programs	(23,650)	(23,500)
	96,862	93,798
Government of Canada grants:		
Canada Mortgage and Housing Corporation	174	177
Dutch elm disease program, job training and other	46	51
	220	228
	\$ 97,082	\$ 94,026

## 17. Expenses by Object

	2003	2002
Salaries and benefits	\$ 465,442	\$ 433,185
Goods and services	290,573	283,703
Debt repayment and interest	133,537	143,856
Grants and other expenses	21,451	34,069
	<b>\$ 911,003</b>	<b>\$ 894,813</b>

## 18. Environmental Liabilities

In 2003, the City has accrued an overall liability for environmental matters in the amount of \$11.0 million (2002 – \$10.0 million) which represents management's best estimate of this liability. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

## 19. Pension Costs and Obligations

### a) Winnipeg Civic Employees' Benefits Program

Effective January 1, 2003, the restructuring of the City of Winnipeg's Employee Benefits Program was completed with The Winnipeg Civic Employees' Benefits Program becoming jointly trustee. The Board of Trustees, representing Program members and employers, is responsible for overseeing the management of the Program, including the investment of assets and administration of the Program. The Program is a multi-employer contributory defined benefit program, providing pension and disability benefits to all City of Winnipeg employees, other than police officers, and to employees of certain other participating employers. Program members are currently required to make contributions of 6.5% of Canada Pension Plan earnings and 7.5% of pensionable earnings in excess of Canada Pension Plan earnings. The City and participating employers are required to make matching contributions. In the event of unfavourable financial experience, Program member and employers contributions can be increased, on an equal basis, to a rate not exceeding 8% of pensionable earnings.

An actuarial valuation of the Program was made at January 1, 2003, which indicated an actuarial surplus of \$186.2 million. The Pension Trust Agreement specifies how actuarial surpluses can be used but does not attribute surplus 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.

The balance of the City Account at December 31, 2003 is \$123.8 million (2002 – \$91.8 million). Total contributions by the City to the Program in 2003 were \$8.5 million (2002 – \$6.5 million) which were expensed as incurred.

### b) Winnipeg Police Pension Plan

Effective January 1, 2003, the City entered into an agreement with its two Police Associations concerning the sharing of surpluses and risks under the Winnipeg Police Pension Plan. Under the terms of the agreement, the existing Regular Account (which financed the Plan's defined pension benefits other than cost-of-living adjustments) and the Supplementary Account (which financed cost-of-living adjustments to pensioners) were merged into a single account and the actuarial surplus was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the inflation rate, as well as establish a contribution stabilization reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that which police employees contribute to the Plan. Future actuarial surpluses, over and above those required to fully fund future cost-of-living adjustments to pensions at 75% of the inflation rate and the contribution stabilization reserve sufficient to maintain the City's contribution rate at 8% of pensionable earnings, will be shared equally between the City and the Plan members. The City will remain responsible for ensuring the financial solvency of the Plan with respect to benefits other than cost-of-living adjustments to pensions.

## 19. Pension Costs and Obligations (continued)

### b) Winnipeg Police Pension Plan (continued)

An actuarial valuation of the Plan was carried out as at January 1, 2003 and the results were extrapolated to December 31, 2003. The principal long-term assumptions on which the valuation was based were: discount rate of 6% per year; inflation rate of 2% per year; and general pay increases 3.5% per year. The accrued pension obligation was valued using the projected benefit method pro-rated on services. Based on this valuation and extrapolation, the funded status of the Plan is as follows:

	2003	2002
Pension fund assets, at actuarial value	\$ 706,139	\$ 678,251
Accrued pension obligations	\$ 658,800	\$ 520,086
Future cost-of-living increases	–	57,504
Contribution stabilization reserve	51,801	–
	\$ 710,601	\$ 577,590

*The market value of the pension fund assets as at December 31, 2003, is \$693 million (2002 – \$620 million).*

Total contributions made by the City to the Plan in 2003 were \$6.2 million (2002 – \$3.8 million). Total employee contributions to the Plan in 2003 were \$6.3 million (2002 – \$6.4 million). Benefits paid from the Plan in 2003 were \$23.9 million (2002 – \$22.5 million).

The expected rate of return on Plan assets in 2003 was 6% (2002 – 6%). The actual rate of return, net of investment expenses, on Plan assets in 2003 was 13.8% (2002 – (5.2)%).

### c) Councillors' Pension Plan

#### i) Pension Plan Established Under By-law 3553/83

On November 2, 1992, the pension plan provided to members of 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 2003, the City paid out \$0.3 million (2002 – \$0.3 million).

#### ii) Pension Plan Established Under By-law 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 Council for The City of Winnipeg which is consistent with the Civic Employees' Pension Plan.

### d) Group Life Insurance Plan

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

## 20. 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 Fund that enables the City to carry a large self-insured retention level which mitigates the effect of poor claims experience in any given year. The balance of the reserve as at December 31, 2003 is \$7.1 million (2002 – \$6.5 million).

## 21. Comparative Figures

For 2003, CentreVenture Development Corporation is included in the City of Winnipeg's consolidated financial statements on a retroactive basis. The 2003 opening surplus has been increased by \$5.5 million (2002 - \$4.4 million).

Certain other comparative figures have been reclassified to conform with the current year's presentation.

# Consolidated Financial Statements

## Five-Year Review

As at December 31  
(amounts in thousands of dollars, except as noted)

(Unaudited)	2003	2002	2001	2000	1999
1. Population (as restated per Statistics Canada)	644,500	639,800	637,000	634,100	630,700
Unemployment rate (per Statistics Canada)					
• Winnipeg	5.2%	5.3%	5.1%	5.3%	5.8%
• National average	7.6%	7.7%	7.2%	6.8%	7.6%
2. Average total employees	8,385	8,333	8,870	8,888	9,097
3. Number of taxable properties	199,118	198,827	198,252	192,792	189,519
Payments-in-lieu					
• Number of properties	872	825	859	898	834
4. Assessment					
• Residential	\$ 18,069,819	17,711,900	16,950,454	17,641,656	17,486,001
• Commercial and industrial	7,099,635	7,011,063	6,242,499	5,295,751	5,202,799
• Farm and golf	104,099	108,179	106,799	108,943	113,363
	\$ 25,273,553	24,831,142	23,299,752	23,046,350	22,802,163
Assessment per capita (in dollars)	\$ 39,214	38,811	36,577	36,345	36,154
Commercial and industrial as a percentage of assessment	28.09%	28.23%	26.79%	22.98%	22.82%
5. Tax arrears	\$ 42,761	47,978	45,283	48,333	47,332
6. Tax arrears – per capita (in dollars)	\$ 66.35	74.99	71.09	76.22	75.05
7. Municipal mill rate	29.686	29.686	32.140	32.809	33.479
• Percentage change adjusted for portioning and reassessment	0.00%	-2.00%	-2.42%	-2.00%	-0.40%
8. Winnipeg consumer price index (annual average)					
• 1992 base year 100	125.50	123.30	121.50	118.10	115.30
• Percentage increase	1.78%	1.48%	2.88%	2.43%	2.04%
9. Consolidated revenue					
• Taxation	\$ 489,996	484,220	480,974	488,334	485,786
• User charges	318,605	295,893	416,408	409,474	402,968
• Government transfers	97,082	94,026	93,741	92,530	96,318
• Interest and other revenue	55,746	56,769	50,078	86,460	57,894
• Gain on sale of Hydro	–	227,476	–	–	–
	\$ 961,429	1,158,384	1,041,201	1,076,798	1,042,966
10. Consolidated expenses by function					
• Municipal operations	\$ 661,970	640,692	627,964	612,442	624,398
• Public utilities	219,178	223,814	324,858	307,868	323,502
• Civic corporations	29,855	30,307	27,758	26,566	26,576
	\$ 911,003	894,813	980,580	946,876	974,476
11. Growth in Surplus for the year	\$ 46,196	275,655	33,830	31,577	26,634
Growth (Decline) in Reserves for the year	\$ 4,230	(12,084)	26,791	98,345	41,856

Notes:

In 2002, the City conducted a general reassessment which moved from a 1996 level of value to a 1999 level of value.

For 2001 and prior years, the revenue, expenses, change in surplus, and net financial liabilities figures have not been restated for CentreVenture Development Corporation.

The 2001 - 1999 figures include Winnipeg Hydro's operations.

# Consolidated Financial Statements

## Five-Year Review

As at December 31  
(amounts in thousands of dollars, except as noted)

(Unaudited)	2003	2002	2001	2000	1999
12. Consolidated expenses by object					
• Salaries and benefits	\$ 465,442	433,185	437,557	435,028	449,514
• Goods and services	290,573	283,703	340,983	299,586	310,958
• Debt interest and repayment	133,537	143,856	176,253	189,312	182,818
• Grants and other expenses	21,451	34,069	25,787	22,950	31,186
	<b>\$ 911,003</b>	<b>894,813</b>	<b>980,580</b>	<b>946,876</b>	<b>974,476</b>
13. Payments to school authorities	<b>\$ 425,053</b>	<b>414,140</b>	<b>395,404</b>	<b>380,905</b>	<b>368,983</b>
14. Debt					
• Tax-supported	\$ 489,974	576,659	631,332	636,340	741,286
• Transit	33,606	38,007	42,607	42,782	45,951
• City-owned utilities	177,429	204,833	419,957	419,517	420,272
• Other	39,372	39,890	40,892	41,881	41,811
• Total gross debt	740,381	859,389	1,134,788	1,140,520	1,249,320
• Less: Sinking Fund	245,709	363,097	405,865	353,101	345,859
• Total debt	<b>\$ 494,672</b>	<b>496,292</b>	<b>728,923</b>	<b>787,419</b>	<b>903,461</b>
Percentage of total assessment	1.96%	2.00%	3.13%	3.42%	3.96%
15. Acquisition of tangible capital assets					
Gross purchase	<b>\$ 164,384</b>	<b>157,511</b>	<b>135,693</b>	<b>124,075</b>	<b>181,090</b>
Less: internally financed					
• Combined Sewer Renewal	15,398	18,074	16,957	17,532	13,838
• Transit Bus Replacement	9,237	4,865	3,686	–	8,251
• Watermain Renewal	6,541	8,964	7,940	7,399	7,944
• General Revenue	5,072	3,900	4,645	1,200	–
• Sewage Disposal System	4,514	3,412	3,749	3,500	3,253
• General Purpose	4,170	–	–	–	–
• Other	3,837	2,681	1,709	1,058	2,900
• Aqueduct Rehabilitation	3,458	8,242	5,659	4,813	5,516
• Environmental Projects	1,187	935	453	792	5,403
• Waterworks System	1,080	1,635	1,601	3,333	6,594
• Frontage levies	–	10,000	–	–	–
• Equipment and Material Services	–	301	6,727	1,994	1,795
	<b>54,494</b>	<b>63,009</b>	<b>53,126</b>	<b>41,621</b>	<b>55,494</b>
	<b>\$ 109,890</b>	<b>94,502</b>	<b>82,567</b>	<b>82,454</b>	<b>125,596</b>
16. Net Financial Liabilities	<b>\$ (51,874)</b>	<b>(98,690)</b>	<b>(576,326)</b>	<b>(668,103)</b>	<b>(828,704)</b>
17. Reserves and Surplus					
• Reserves	\$ 297,901	293,671	305,755	278,964	180,619
• Surplus	\$ 596,284	550,088	270,076	236,246	204,669
18. Area in acres at the end of the year	<b>116,000</b>	<b>116,000</b>	<b>116,000</b>	<b>116,000</b>	<b>116,000</b>
19. Construction					
• Permits issued	8,344	8,719	7,938	7,893	7,701
• Value	<b>\$ 649,071</b>	<b>427,028</b>	<b>372,969</b>	<b>475,691</b>	<b>504,158</b>
Housing starts	<b>2,208</b>	<b>1,451</b>	<b>1,290</b>	<b>1,044</b>	<b>1,127</b>

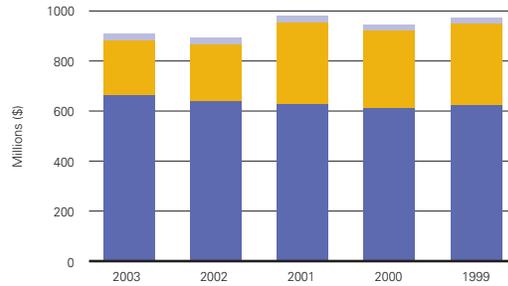
# Consolidated Financial Statements

## Five-Year Review

As at December 31

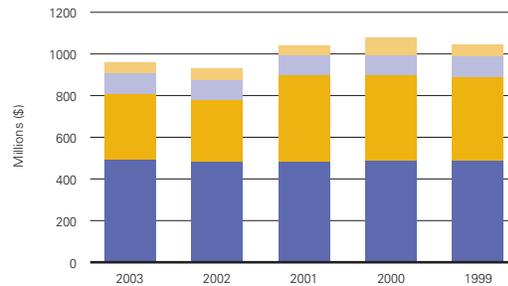
### Consolidated Expenses by Function (1)

- Civic Corporations
- Public Utilities
- Municipal Operations



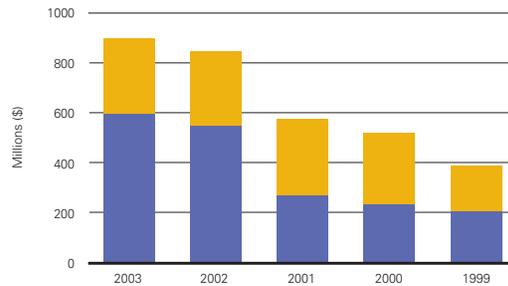
### Consolidated Revenues by Source (1 and 2)

- Interest and Other Revenue
- Government Transfers
- User Charges
- Taxation



### Reserves and Surplus (1)

- Reserves
- Surplus

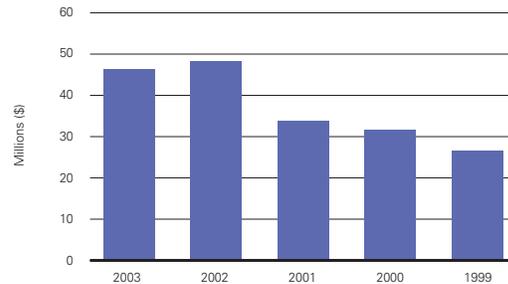


### Growth in Surplus for the Year (1 and 2)

- Surplus

(1) Figures for 2001 – 1999 exclude CentreVenture Development Corporation and include Winnipeg Hydro.

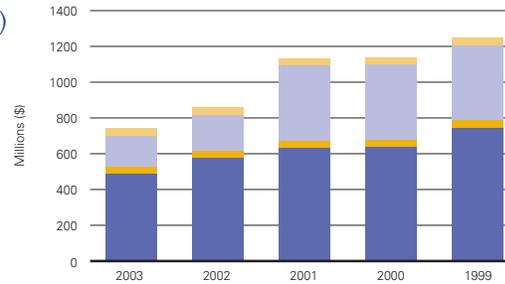
(2) Excludes the gain on sale of Winnipeg Hydro in 2002.



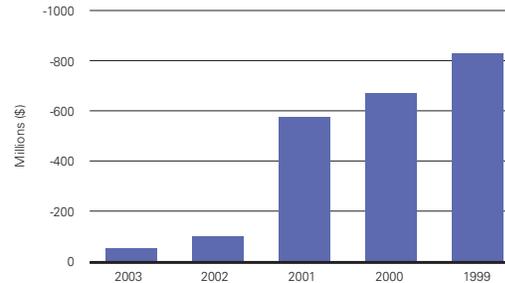
# Consolidated Financial Statements Five-Year Review

As at December 31

## Summary of Consolidated Long-Term Debt (1)



## Net Financial Liabilities (1)



## Principal Corporate Taxpayers

Total 2003 Municipal  
and Business Taxes  
(in millions of dollars)

Ontrea Inc.	\$ 3.5
Centra Gas (Manitoba) Inc.	\$ 3.4
OPB Realty (St. Vital) Inc.	\$ 2.8
North Portage Development Corp.	\$ 2.1
Canadian National Railway Co.	\$ 2.0

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# A Responsive Political Structure

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On January 1, 1972, The City of Winnipeg Act came into force creating the new unified City of Winnipeg. The legislation amalgamated a previously fragmented municipal structure of 12 municipalities and the Metropolitan Corporation of Greater Winnipeg into one single unified city government (Unicity). In the last 30 years, the City's political decision-making structure has been both reduced in size and significantly streamlined. On January 1, 2003 The City of Winnipeg Act was replaced by Bill 38 – The City of Winnipeg Charter Act.

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The citizens of Winnipeg are served by the Mayor, who is elected at large, and 15 full-time Councillors, each representing one ward. On September 25, 2002, new boundaries and names for each of the 15 wards came into force, as approved by the Winnipeg Wards Boundaries Commissions on November 15, 2001.

Council is the governing body of the City and the custodian of its powers, both legislative and administrative. The City may exercise only those powers granted to it by legislation. Council is supported by its EXECUTIVE POLICY COMMITTEE (EPC), four Standing Committees, as well as community and ad hoc committees.

Passed by Council on October 29, 1997, The City Organization By-law, No. 7100/97, provides for the governance and administrative structure of the City and the delegation of certain powers and responsibilities from Council to EPC, the Standing Committees, and the Chief Administrative Officer, and sets out Council's delegation of authority.

## Executive Policy Committee

EPC is chaired by the Mayor and is comprised of the chairpersons of the standing committees, and other members of Council appointed by the Mayor. The number of members of EPC cannot exceed seven.

## Standing Committees

Council is assisted in the discharge of its responsibilities by its Standing Committees. These committees are delegated certain powers and duties, and provide policy advice related to their specific responsibilities to Council through EPC. They also receive recommendations from the five Community Committees which provide the forum for public input.

The Standing Policy Committees on Property and Development, Protection and Community Services, and Public Works are responsible for providing policy advice to Council on matters within their respective jurisdictions, as detailed in the chart on the facing page.

The Standing Committee on Fiscal Issues is responsible for coordinating and advising EPC on the City's fiscal policy development and fiscal strategies.

## Chief Administrative Officer:

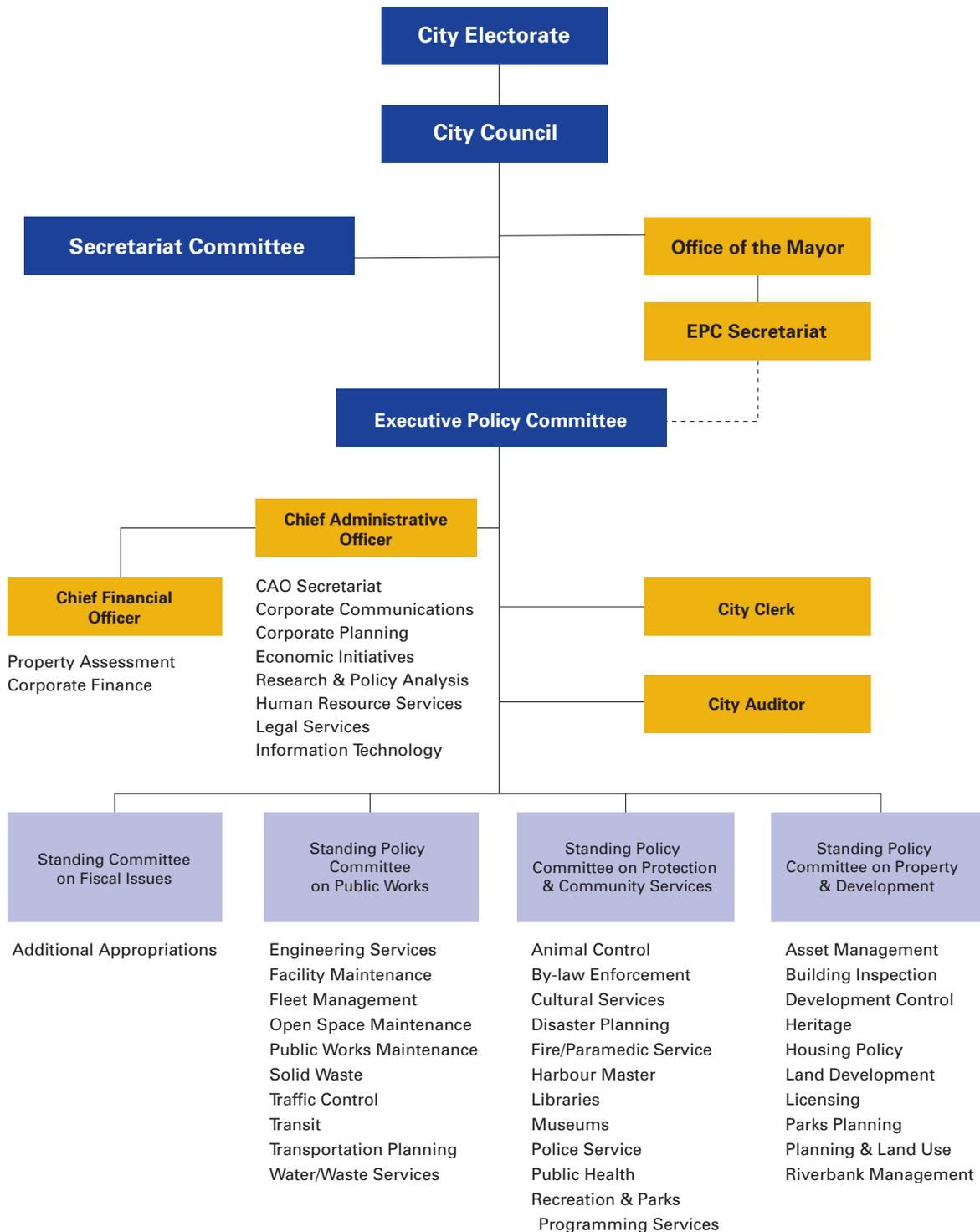
The City Organization By-law provides for a Chief Administrative Officer (CAO), reporting directly to EPC. As the senior representative of the civic administration, the CAO is responsible for overseeing implementation of the policies and programs of the city. The CAO also make policy recommendations and provides information to Council for its deliberation.

A Chief Financial Officer (CFO) reports to the CAO.

Current administrative departments include:

COMMUNITY SERVICES, CORPORATE FINANCE, PROPERTY ASSESSMENT, CORPORATE INFORMATION TECHNOLOGY, CORPORATE SERVICES, POLICE SERVICE, FIRE/PARAMEDIC SERVICE, PUBLIC WORKS, TRANSIT, WATER AND WASTE, and PLANNING, PROPERTY AND DEVELOPMENT.

# Executive & Functional Organization



## KEY CITY CONTACTS

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Inside back cover Butterfly

Terry Aseeltine

Inside front cover City Park

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Thomas Fricke Photography

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Private Eye

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Peter Rhoades

Page 14 Jogger with dogs

Jim Steinhart of PlanetWare.com

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Dave Darichuk

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Inside back cover Suburbs

Winnipeg Minor Basketball

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Folklorama - Canada's Cultural

Celebration; Andrew Sikorsky

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Travel Manitoba

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Henry Kalen

Page 29 Baseball Field

Manitoba Theatre Centre/Bruce Monk

Mainstage 2003

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Page 26 Blythe Wilson in *Evita*

Winnipeg's Contemporary Dancers/

Hugh Conacher

Page 7 Gabriela Rehak-Dovgoselets in

Rachel Browne's *Songs That Dance*

Permission by Simon Fields, Producer

*Shall We Dance*

Page 26 Jennifer Lopez and

Richard Gere



*Creating beauty in new suburbs and the inner city*



