



Winnipeg

Detailed Financial Statements

2004

COMPANION TO
ANNUAL REPORT



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REPORT FROM THE CHIEF FINANCIAL OFFICER

FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

I am pleased to present The City of Winnipeg's 2004 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 the year's impact on the financial resources of the City, and should be read along with the audited financial statements.

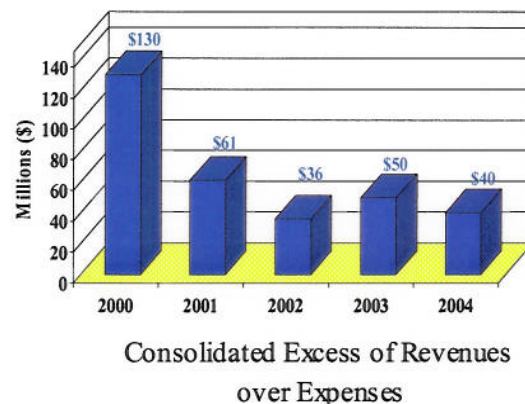
The consolidated financial statements include the assets, liabilities, revenues and expenses of the City's departments, special operating agencies, utilities, and corporations that the City owns or controls.

Results of Operations

The Consolidated Statement of Operations and Net Assets reports the City's changes in economic resources, obligations, and net assets for 2004, on a comparative basis. The annual excess of revenues over expenses indicates that the revenues raised during the year were sufficient to cover costs.

During the year, The City of Winnipeg recorded revenues of \$969.2 million (2003 - \$961.4 million) and expenses of \$929.6 million (2003 - \$911.0 million). This resulted in a \$39.6 million (2003 - \$50.4 million) increase in net assets. Consolidated revenues increased by \$7.8 million in 2004 from 2003, due mainly to an increase in sales of services and regulatory fees. Sales of services and regulatory fees include water and sewage services, transit fares, and police fines, to name a few. The increase was generated partially by transit and emergency medical service revenue increases as well as improved recyclable sales due to a higher tonnage of sales.

Consolidated expenses grew by \$18.6 million from the previous year. This is made up of increases and decreases to various expense categories. The major increase resulted from an additional \$14.7 million spent on protection and community services operations. Included in the protection and community service category are Police Service, Fire Paramedic Service, and Community Services. During 2004, these departments experienced wage increases resulting from negotiated labour settlements and an increased staff complement.



The General Revenue Fund reports on property tax-supported operations. These operations include services such as police, fire, recreation, library, street maintenance and other general government activities. These services are 57% funded by property tax revenues (2003 - 57%).

The budget for the property tax-supported operations was adopted by City Council on March 23, 2004. During the budget process, the City faced several challenges to produce a balanced budget with no tax increase, including wage pressures, general price increases, and infrastructure maintenance and renewal requirements. The result was another approved budget with no increase to property taxes following seven years of reductions and freezes. Within the budget, funding for public safety remained a priority, as did continued fiscal restraint. The business tax rate remained at its 1996 level of 9.75%, while frontline essential services were maintained. Effective February 1, 2004, the Federal Government provided a full rebate of the Goods and Services Tax. The overall benefit received by the City during 2004 totalled \$7 million.

During 2004, several unexpected events occurred that impacted the property tax-supported operation's financial results. The City experienced high snowfall levels, lower photo enforcement revenues and higher police services costs largely caused by overtime. These issues were identified early in the year, which allowed City Council and the Administration to initiate a discretionary spending freeze as well as transferring funding from the Snow Clearing Reserve. At the end of the year, \$6.1 million was transferred from the Snow Clearing Reserve leaving a remaining balance of \$3.3 million in the reserve. This contributed to a balanced General Revenue Fund at year end.

Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and net assets as at December 31, 2004, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. An important indicator on the Statement of Financial Position is the City's net financial assets (liabilities) position. This indicator is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2004, the City was in a net financial asset position of \$12.4 million (2003 - \$46.9 million; net financial liabilities), or a net change of \$59.3 million. The improved position is comprised of various positive elements including net revenues over expenses during the year of \$39.6 million.

Debt Management

During March 2004, the City refinanced \$46.4 million of debentures at 4.07% which related to a sinking fund debenture that matured in 2003 and had carried an interest rate of 8.50%. In addition, a sinking fund debenture originally issued in 1991 for \$32.9 million at a rate of 10.00% matured in 2004 and repayment in full was made from the Sinking Fund.

On November 4, 2004, Moody's Investors Service advised the City that its credit rating would be maintained at Aa2. Moody's reported "that over the past several years, the City has undertaken significant restructuring to restore fiscal stability. These efforts have generated a series of consolidated surpluses and increases in reserves, which are now equivalent to 44% of operating revenue or 75% of net direct debt."

On December 22, 2004, Standard & Poor's maintained the City's credit rating at AA.

Beginning in 1998, the City adopted 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 decreased by \$171.4 million from 1998, and is expected to decrease continuously over the next few years along with the associated debt-servicing costs. Within the utilities, the City anticipates issuing \$102.0 million in debt over the next few years to finance a water treatment plant estimated to cost \$227.3 million. The Water Treatment Reserve, which was established on December 17, 1993, has a balance at December 31, 2004 of \$93.2 million. It is anticipated this Reserve will fund a significant percentage of the cost for this project.

In addition the 2005 utilities capital budget includes \$157.6 million in debt over the next six year period to fund projects mandated by the Province of Manitoba through the Clean Environment Commission ("CEC"). During 2003 the CEC, at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50 year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period, which is estimated to cost \$900 million. Partial funding for these improvements will be provided by the Environmental Projects Reserve, which has a balance at December 31, 2004 of \$51.2 million.

Capital Expenditures

During 2004, the City spent \$143.3 million on capital projects (2003 -\$164.4 million), which included \$91.4 million for tax-supported projects. The \$91.4 million was invested primarily in regional and residential streets, the Millennium Library, completion of the Provencher Bridge and the Police Automated Records and Communication System. 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 \$18.6 million overall from the prior year. The City's Capital Reserves grew by \$26.9 million. In particular, the Water Treatment Reserve grew by \$14.1 million, while the Environmental Projects Reserve increased by \$12.1 million. The Capital 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 \$10.1 million.

Stabilization Reserves were created to offset the effect of major unexpected expenses in the current operations of the City or fund deficits recorded in the property tax-supported operating budget. During 2004, these Reserves increased by \$1.7 million and are anticipated to grow until they reach a targeted level of 10% of the property tax-supported adopted budget expenses.

Debt Management Policy

Recently Council adopted The City of Winnipeg Debt Management Policy. The City recognized that the foundation of any well-managed debt program is a comprehensive debt policy. This Policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued and the types of debt and structural features that may be incorporated.

Financing Infrastructure

As with other municipalities in North America, the City of Winnipeg is experiencing a steady decline in the condition of its infrastructure. 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.

Looking Forward

On March 22, 2005, City Council approved the 2005 operating budget and the 2006 projected operating budget was approved in principle. The 2005 mill rate remained fixed at the 2002 level, the business tax rate for 2005 was set at 7.75% for the downtown geographic area, while being frozen at the 1996 level for areas outside the downtown.

In addition, the Federal government announced a program to assist municipalities to fund improvements to infrastructure. After the program is fully implemented within the next five years, the City of Winnipeg will receive up to \$44 million yearly to address infrastructure requirements.

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



Robert P. Gannon
Chief Financial Officer



Consolidated Financial Statements



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.



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, 2004 and the consolidated statements of operations and net assets, cash flows and change in net financial assets 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, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Ernst & Young LLP

Winnipeg, Canada,
April 6, 2005

Chartered Accountants

THE CITY OF WINNIPEG

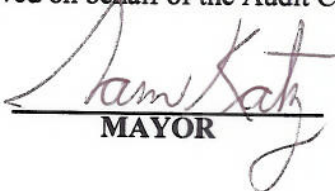
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	2004	2003
FINANCIAL ASSETS		
Cash and short-term investments	\$ 551,697	\$ 361,951
Accounts receivable (Note 3)	142,541	130,207
Investments (Note 4)	368,019	365,890
	<u>1,062,257</u>	<u>858,048</u>
LIABILITIES		
Notes payable (Note 5)	250,777	113,874
Accounts payable and accrued liabilities (Note 6)	129,939	127,979
Deferred revenue	9,408	8,373
	<u>390,124</u>	<u>250,226</u>
Debt (Note 7)	494,840	494,672
Other liabilities (Note 8)	47,760	47,114
Retirement allowance, vacation and other liabilities (Note 9)	117,091	112,910
	<u>1,049,815</u>	<u>904,922</u>
NET FINANCIAL ASSETS (LIABILITIES)	<u>12,442</u>	<u>(46,874)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	903,714	925,929
Inventories	13,699	10,372
Prepaid expenses	2,884	3,571
Deferred charges	1,025	1,187
	<u>921,322</u>	<u>941,059</u>
NET ASSETS	<u>\$ 933,764</u>	<u>\$ 894,185</u>
Commitments and contingencies (Notes 11, 14 and 18)		
Comprised of:		
Surplus (Note 12)	\$ 617,296	\$ 596,284
Reserves (Note 13)	316,468	297,901
	<u>\$ 933,764</u>	<u>\$ 894,185</u>

See accompanying notes to the consolidated financial statements

Approved on behalf of the Audit Committee:


MAYOR


CHAIRPERSON
FISCAL ISSUES COMMITTEE

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF OPERATIONS AND NET ASSETS

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

	<u>2004</u>	<u>2003</u>
REVENUES		
Taxation (Note 14)	\$ 491,698	\$ 489,996
Sales of services and regulatory fees (Note 15)	328,206	318,605
Government grants and transfers (Note 16)	94,100	97,082
Interest	44,638	45,504
Land sales and other revenue	<u>10,508</u>	<u>10,242</u>
Total Revenues	<u>969,150</u>	<u>961,429</u>
EXPENSES (Note 17)		
Protection and community services	298,484	283,803
Utility operations	217,171	218,246
Public works	213,944	205,278
Finance and administration	58,786	55,916
General government	56,458	64,486
Property and development	53,514	53,419
Civic corporations	<u>31,214</u>	<u>29,855</u>
Total Expenses	<u>929,571</u>	<u>911,003</u>
Excess Revenues Over Expenses	39,579	50,426
NET ASSETS, BEGINNING OF YEAR	<u>894,185</u>	<u>843,759</u>
NET ASSETS, END OF YEAR	<u><u>\$ 933,764</u></u>	<u><u>\$ 894,185</u></u>

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG

CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	\$ 39,579	\$ 50,426
Non-cash charges to operations		
Amortization	76,214	77,456
Other	6,046	17,843
Working capital from operations	121,839	145,725
Net change in working capital other than cash assets	(11,979)	(40,471)
Cash provided by operating transactions	109,860	105,254
CAPITAL		
Acquisition of tangible capital assets (Note 10)	(96,920)	(109,890)
Government of Canada capital grants	6,089	5,435
Province of Manitoba capital grants	35,974	27,352
	(54,857)	(77,103)
FINANCING		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(9,208)	(10,790)
Debenture and serial debt retired	(49,216)	(214,212)
Sinking fund investments applied to debt redemption	32,985	155,451
Sinking fund debenture installments	(17,899)	(27,274)
Serial debt issued	46,392	97,180
Other	(3,470)	(1,970)
	(416)	(1,615)
INVESTING		
Purchase of investments	(1,744)	(6,590)
Increase in cash assets	52,843	19,946
CASH ASSETS, BEGINNING OF YEAR	248,077	228,131
CASH ASSETS, END OF YEAR	\$ 300,920	\$ 248,077
COMPONENTS OF CASH ASSETS		
Cash and short-term investments	\$ 551,697	\$ 361,951
Notes payable	(250,777)	(113,874)
	\$ 300,920	\$ 248,077

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL
ASSETS (LIABILITIES)

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

	<u>2004</u>	<u>2003</u>
<i>EXCESS REVENUES OVER EXPENSES</i>	\$ 39,579	\$ 50,426
Amortization of tangible capital assets	76,214	77,456
Province of Manitoba grants for capital asset purchases	35,974	27,352
Government of Canada grants for capital asset purchases	6,089	5,435
Change in other non-financial assets	(1,620)	1,037
Acquisition of tangible capital assets (Note 10)	<u>(96,920)</u>	<u>(109,890)</u>
<i>INCREASE IN NET FINANCIAL ASSETS</i>	59,316	51,816
<i>NET FINANCIAL LIABILITIES, BEGINNING OF YEAR</i>	<u>(46,874)</u>	<u>(98,690)</u>
<i>NET FINANCIAL ASSETS (LIABILITIES), END OF YEAR</i>	<u>\$ 12,442</u>	<u>\$ (46,874)</u>

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2004

(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 2004, one new fund (*) was added.

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

Special Purpose Reserves: (continued)

Insurance Reserve
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
* Multi-Family Dwelling Tax Investment Reserve
Stabilization Reserves:
Fiscal Stabilization Reserve
Mill Rate Stabilization Reserve

2. Summary of Significant Accounting Policies (continued)

a) Consolidation principles and basis of presentation (continued)

Other Funds:

General Capital Fund
General Revenue Fund
General Revenue Enterprises Fund
Equity in Capital Assets
Transit System
Waterworks System
Sewage Disposal System
Solid Waste Disposal System
Equipment and Material Services
Civic Accommodations Fund
Building Services Fund
Animal Services - Special Operating Agency

Other Funds: (continued)

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 \$0.3 million (2003 - \$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 assets/liabilities.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2004 Detailed Financial Statements Report, a companion document to the City's 2004 Annual Report and 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) 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 31, 2005, and have an effective average interest rate of 2.6% (2003 - 2.7%).

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

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 Assets/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 net assets 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 net assets. Assets financed by debentures that are retired prior to maturity are amortized over the remaining expected useful life of the asset.

Commencing in 2004, tangible capital assets of the Sewage Disposal System Fund are recorded at cost and amortized over their expected useful life. Commencing in 2003, tangible capital assets of the Waterworks System Fund were recorded at cost and amortized over their expected useful life. Prior to these changes, these assets were expensed based on the funding arrangements. These changes have 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 net assets. 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*

	2004	2003
Property, payments-in-lieu and business taxes receivable	\$ 40,436	\$ 42,761
Allowance for property, payments-in-lieu and business tax arrears	(6,394)	(5,056)
	<u>34,042</u>	<u>37,705</u>
Trade accounts and other receivables	65,731	64,222
Province of Manitoba	40,222	28,397
Government of Canada	5,435	2,410
Allowance for doubtful accounts	(2,889)	(2,527)
	<u>108,499</u>	<u>92,502</u>
	<u>\$ 142,541</u>	<u>\$ 130,207</u>

4. *Investments*

	2004	2003
Marketable securities		
Provincial bonds, bond residues and coupons	\$ 58,877	\$ 48,237
Government of Canada bonds, bond residues, coupons and treasury bills	40,552	40,329
Other	<u>3,000</u>	<u>3,000</u>
	102,429	91,566
Manitoba Hydro long-term receivable	262,772	271,483
Other investments	<u>2,818</u>	<u>2,841</u>
	<u>\$ 368,019</u>	<u>\$ 365,890</u>

The aggregate market value of marketable securities at December 31, 2004 is \$105.7 million (2003 - \$95.3 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*

	2004	2003
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 157,752	\$ 91,939
The Sinking Fund Trustees of The City of Winnipeg	64,702	1,851
Winnipeg Police Pension Plan	26,822	16,410
Civic Employees' Group Life Insurance Plan	1,499	3,670
Council Members' (Pre-1972) Pension Plan	<u>2</u>	<u>4</u>
	<u>\$ 250,777</u>	<u>\$ 113,874</u>

The City finances short-term borrowing requirements from various entities at market rates of interest, which have an effective average interest rate of 2.2% (2003 - 2.7%). These notes are callable by the issuers.

6. Accounts Payable and Accrued Liabilities

	2004	2003
Accrued liabilities	\$ 76,397	\$ 73,188
Trade accounts payable	39,332	39,803
Accrued interest payable	14,210	14,988
	<u>\$ 129,939</u>	<u>\$ 127,979</u>

7. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2004	2003
1991-2004	Nov. 1	10.000	VL	5779/91	\$ -	\$ 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
					<u>494,924</u>	<u>527,909</u>
Equity in Sinking Fund					<u>(239,831)</u>	<u>(245,709)</u>
Net sinking fund debentures outstanding					<u>255,093</u>	<u>282,200</u>

Other debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.79% (2003 - 5.37%)

173,594 143,433

Mortgages and bank loans incurred primarily by Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation with varying maturities up to 2021 and a weighted average interest rate of 8.59% (2003 - 8.58%)

41,451 43,120

Capital lease obligations (Note 7c)

24,702 25,919

\$ 494,840 \$ 494,672

Debt to be retired over the next five years:

	2005	2006	2007	2008	2009	2010+
Sinking fund debentures	\$ 66,424	\$ -	\$ -	\$ -	\$ 135,500	\$ 293,000
Other debt	23,332	24,415	35,454	16,669	17,747	122,130
	<u>\$ 89,756</u>	<u>\$ 24,415</u>	<u>\$ 35,454</u>	<u>\$ 16,669</u>	<u>\$ 153,247</u>	<u>\$ 415,130</u>

7. Debt (continued)

- a) Sinking fund assets have a market value of \$262.2 million (2003 - \$271.2 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 \$116.7 million (2003 - \$81.3 million) and a market value of \$120.4 million (2003 - \$87.7 million).
- 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. Future sinking fund arrangements will be managed by the City. The City is currently paying three percent or greater to The Sinking Fund 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.

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

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

	<u>Capital Leases</u>
2005	\$ 3,323
2006	3,299
2007	3,707
2008	3,275
2009	3,378
Thereafter	<u>33,679</u>
Total future minimum lease payments	50,661
Amount representing interest at a weighted average rate of 9.40%	<u>(25,959)</u>
Capital lease liability	<u>\$ 24,702</u>

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

	<u>2004</u>	<u>2003</u>
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 19,000	\$ 32,275
Winnipeg Police Pension Plan	<u>4,000</u>	<u>4,000</u>
	<u>\$ 23,000</u>	<u>\$ 36,275</u>

- e) Interest on debt recorded in the Statement of Operations in 2004 is \$60.2 million (2003 - \$65.4 million).
- f) Cash paid for interest during the year is \$60.9 million (2003 - \$72.9 million).

8. *Other Liabilities*

	<u>2004</u>	<u>2003</u>
Deferred:		
Other deferred liabilities	\$ 21,933	\$ 24,020
Developer deposits	8,314	7,455
Development agreement paybacks	<u>6,513</u>	<u>4,639</u>
	36,760	36,114
Environmental liabilities (Note 18)	<u>11,000</u>	<u>11,000</u>
	<u>\$ 47,760</u>	<u>\$ 47,114</u>

Included in environmental liabilities is \$10.1 million (2003 - \$10.6 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, 2004, the reserve had a balance of \$1.8 million (2003 - \$1.6 million).

9. *Retirement Allowance, Vacation and Other Liabilities*

	<u>2004</u>	<u>2003</u>
Retirement allowance - accrued obligation	\$ 75,328	\$ 72,963
Unamortized net actuarial loss	<u>(5,545)</u>	<u>(4,745)</u>
Retirement allowance - accrued liability	69,783	68,218
Vacation	38,315	36,478
Other	<u>8,993</u>	<u>8,214</u>
Retirement allowance, vacation and other liabilities	117,091	112,910
Accrued liabilities recorded in the Funds' financial statements	<u>(5,479)</u>	<u>(5,185)</u>
Unfunded retirement allowance, vacation and other liabilities (Note 12)	<u>\$ 111,612</u>	<u>\$ 107,725</u>

9. Retirement Allowance, Vacation and Other Liabilities (continued)

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, 2004. 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.

10. Tangible Capital Assets

	2004	2003
Tax supported municipal structures, facilities and initiatives:		
Streets and bridges	\$ 332,408	\$ 332,544
Core area initiative and other special projects	147,114	164,252
Civic accommodations, equipment and other property	113,496	108,123
Land drainage sewers	53,861	57,593
Culture and recreation facilities	53,453	57,665
Public transportation vehicles and facilities	28,493	24,974
Protection facilities	26,631	28,346
Health and social development facilities	4,549	5,167
Local improvements	3,973	3,734
	<u>763,978</u>	<u>782,398</u>
Self supporting entities:		
Sewage collection, treatment and disposal facilities	82,766	88,757
Water supply and distribution facilities	50,679	48,032
Solid waste collection and disposal facilities	6,291	6,742
	<u>139,736</u>	<u>143,531</u>
	<u>\$ 903,714</u>	<u>\$ 925,929</u>

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2004 is \$1,167.9 million (2003 - \$1,090.5 million).

Gross tangible capital acquisitions during the year was \$143.3 million (2003 - \$164.4 million), which was reduced by \$46.4 million (2003 - \$54.5 million) of internal financing from Reserves and Surpluses.

11. *Commitments and Contingencies*

The following significant commitments and contingencies existed at December 31, 2004:

- 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 \$16.9 million are as follows:

	Operating Leases
2005	\$ 4,346
2006	3,892
2007	3,214
2008	2,333
2009	943
Thereafter	<u>2,241</u>
	<u>\$ 16,969</u>

- b) The City is a defendant in four significant lawsuits as at December 31, 2004. 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 organizations. The outstanding balance on these loans as at December 31, 2004 is \$7.8 million (2003 - \$8.0 million).

12. Surplus

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

	2004	2003
Appropriated		
Equity in Capital Assets	\$ 335,267	\$ 305,951
Sewage Disposal System	40,181	23,870
Waterworks System	9,967	7,359
General Capital Fund	1,293	1,247
	<u>386,708</u>	<u>338,427</u>
Unappropriated		
Unamortized gain on Winnipeg Hydro	262,772	271,483
Waterworks System	28,502	27,779
Fleet Management - Special Operating Agency	25,320	19,265
Solid Waste Disposal	12,462	12,626
CentreVenture Development Corporation	9,869	9,222
Sewage Disposal System	6,528	24,029
General Revenue Enterprises Fund	5,445	4,447
The Sinking Fund Trustees of The City of Winnipeg	2,135	5,144
Equipment and Material Services	806	2,643
Other	(639)	(56)
	<u>353,200</u>	<u>376,582</u>
Unfunded		
Environmental liabilities (Note 8)	(11,000)	(11,000)
Retirement allowance, vacation and other liabilities (Note 9)	(111,612)	(107,725)
	<u>(122,612)</u>	<u>(118,725)</u>
	<u>\$ 617,296</u>	<u>\$ 596,284</u>

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.

Equity in Tangible Capital Assets is included in Net Assets which are determined as follows:

	2004	2003
Non-financial assets	\$ 921,322	\$ 941,059
Debt (Note 7)	<u>(494,840)</u>	<u>(494,672)</u>
	426,482	446,387
Other surplus and reserve balances	<u>507,282</u>	<u>447,798</u>
Net Assets	<u>\$ 933,764</u>	<u>\$ 894,185</u>

13. Reserves

Consolidated reserves consist of the following restricted reserves:

	2004	2003
Capital Reserves:		
Water Treatment Reserve	\$ 93,191	\$ 79,073
Environmental Projects Reserve	51,230	39,175
Combined Sewer Renewal Reserve	25,132	21,917
Watermain Renewal Reserve	2,005	1,391
Brady Landfill Site Rehabilitation Reserve	1,845	1,576
Library Reserve	1,821	3,199
Golf Course Reserve	1,714	1,683
Computer Replacement Reserve	1,092	1,143
Aqueduct Rehabilitation Reserve	857	1,949
Other	703	551
Transit Bus Replacement Reserve	89	1,147
	<u>179,679</u>	<u>152,804</u>
Special Purpose Reserves:		
General Purpose Reserve	14,060	16,923
Perpetual Maintenance Fund - Brookside Cemetery	9,523	9,282
Heritage Investment Reserve	8,888	8,723
Insurance Reserve	6,721	7,145
Workers Compensation Reserve	6,146	5,605
Land Operating Reserve	5,920	6,697
Economic Development Investment Reserve	5,474	5,608
Commitment Reserve	4,174	5,247
Snow Clearing Reserve	3,272	9,161
Contributions in Lieu of Land Dedication Reserve	2,914	2,405
Other	1,494	1,191
Idea Bank Reserve	1,336	1,497
Assiniboine Park Enterprises Reserve	1,164	1,031
Housing Rehabilitation Investment Reserve	1,138	1,849
	<u>72,224</u>	<u>82,364</u>
Stabilization Reserves:		
Fiscal Stabilization Reserve	34,712	34,246
Mill Rate Stabilization Reserve	27,613	26,342
	<u>62,325</u>	<u>60,588</u>
Other Reserves	<u>2,240</u>	<u>2,145</u>
	<u>\$ 316,468</u>	<u>\$ 297,901</u>

The change during the year to the Reserves is the result of the following:

	2004	2003
Taxation revenue	\$ 27,728	\$ 28,383
Interest revenue	8,992	11,105
Other revenue	8,576	7,467
Net transfer to the operating and capital funds	(14,493)	(27,155)
Expended from the Reserves	(12,236)	(15,570)
	<u>\$ 18,567</u>	<u>\$ 4,230</u>

14. Taxation

	2004	2003
Municipal and school property taxes	\$ 779,677	\$ 760,145
Payments-in-lieu of property (municipal and school) and business taxes	44,117	47,643
	823,794	807,788
Payments to Province and school divisions	(439,062)	(425,053)
Net property taxes and payments-in-lieu of property and business taxes available for municipal purposes	384,732	382,735
Business tax and license-in-lieu of business tax	60,891	60,853
Local improvement and frontage levies	27,479	28,365
Electricity and gas sales taxes	15,402	15,240
Amusement tax and mobile home license	3,194	2,803
	\$ 491,698	\$ 489,996

The property tax roll includes school taxes of \$413.5 million (2003 - \$399.3 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2004 totalled \$25.6 million (2003 - \$25.7 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

	2004	2003
Water sales and sewage services	\$ 145,926	\$ 145,643
Other sales of goods and services	93,150	88,108
Transit fares	52,529	49,491
Regulatory fees	36,601	35,363
	\$ 328,206	\$ 318,605

16. Government Grants and Transfers

	2004	2003
Province of Manitoba grants:		
Tax sharing	\$ 47,343	\$ 47,343
Ambulance, libraries and other	24,896	27,759
Unconditional	19,888	19,887
Transit	16,854	17,354
Support	8,496	8,169
Support for Provincial programs	(23,650)	(23,650)
	93,827	96,862
Government of Canada grants:		
Canada Mortgage and Housing Corporation	174	174
Dutch elm disease program, job training and other	99	46
	273	220
	\$ 94,100	\$ 97,082

17. Expenses by Object

	<u>2004</u>	<u>2003</u>
Salaries and benefits	\$ 495,701	\$ 465,442
Goods and services	285,594	290,573
Debt repayment and interest	129,042	133,537
Grants and other expenses	19,234	21,451
	<u>\$ 929,571</u>	<u>\$ 911,003</u>

18. Environmental Liabilities

In 2004, the City has accrued an overall liability for environmental matters in the amount of \$11.0 million (2003 - \$11.0 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 trusted. 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 December 31, 2003, which indicated an excess of actuarial value of Program assets over actuarial liabilities of \$437.7 million. The Pension Trust Agreement specifies how the excess of actuarial surpluses can be used but does not attribute the excess of actuarial surpluses to individual employers. However, a portion of the excess 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, 2004 is \$123.8 million (2003 - \$123.8 million). Total contributions by the City to the Program in 2004 were \$10.9 million (2003 - \$8.5 million) which were expensed as incurred.

19. Pension Costs and Obligations (continued)

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 at 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.

An actuarial valuation of the Plan was carried out as at December 31, 2003 and the results were extrapolated to December 31, 2004. The principal long-term assumptions on which the valuation was based were: discount rate of 6.25% per year; inflation rate of 2.25% per year; and general pay increases of 3.75% 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:

	2004	2003
Pension fund assets, at actuarial value	\$ 742,112	\$ 706,139
Accrued pension obligations	\$ 685,847	\$ 658,800
Contribution stabilization reserve	54,036	51,801
	\$ 739,883	\$ 710,601

The market value of the pension fund assets as at December 31, 2004, is \$751 million (2003 - \$693 million).

Total contributions made by the City to the Plan in 2004 were \$6.9 million (2003 - \$6.2 million). Total employee contributions to the Plan in 2004 were \$6.9 million (2003 - \$6.3 million). Benefits paid from the Plan in 2004 were \$25.9 million (2003 - \$23.9 million).

The expected rate of return on Plan assets in 2004 was 6.25% (2003 - 6%). The actual rate of return net of investment expenses, on Plan assets in 2004 was 10.3% (2003 - 13.8%).

19. Pension Costs and Obligations (continued)

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 2004, the City paid out \$0.3 million (2003 - \$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, 2004 is \$6.7 million (2003 - \$7.1 million).

21. Comparative Figures

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

THE CITY OF WINNIPEG

CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars, except as noted)

(Unaudited)

	2004	2003	2002	2001	2000
1. Population (as restated per Statistics Canada)	647,600	642,700	639,800	637,000	634,100
Unemployment rate (per Statistics Canada)					
- Winnipeg	5.5%	5.2%	5.3%	5.1%	5.3%
- National average	7.2%	7.6%	7.7%	7.2%	6.8%
2. Average total employees	8,788	8,385	8,333	8,870	8,888
3. Number of taxable properties	200,193	199,118	198,827	198,252	192,792
Payments-in-lieu					
Number of properties	783	872	825	859	898
4. Assessment					
- Residential	\$ 18,277,925	18,069,819	17,711,900	16,950,454	17,641,656
- Commercial and industrial	7,132,230	7,099,635	7,011,063	6,242,499	5,295,751
- Farm and golf	101,769	104,099	108,179	106,799	108,943
	\$ 25,511,924	25,273,553	24,831,142	23,299,752	23,046,350
Assessment per capita (in dollars)	\$ 39,395	39,324	38,811	36,577	36,345
Commercial and industrial as a percentage of assessment	27.96%	28.09%	28.23%	26.79%	22.98%
5. Tax arrears	\$ 40,436	42,761	47,978	45,283	48,333
6. Tax arrears - per capita (in dollars)	\$ 62.44	66.53	74.99	71.09	76.22
7. Municipal mill rate	29.686	29.686	29.686	32.140	32.809
- Percentage change adjusted for portioning and reassessment	0.00%	0.00%	-2.00%	-2.42%	-2.00%
8. Winnipeg consumer price index (annual average)					
- 1992 base year 100	127.90	125.50	123.30	121.50	118.10
- Percentage increase	1.91%	1.78%	1.48%	2.88%	2.43%
9. Consolidated revenue					
- Taxation	\$ 491,698	489,996	484,220	480,974	488,334
- User charges	328,206	318,605	295,893	416,408	409,474
- Government transfers	94,100	97,082	94,026	93,741	92,530
- Interest and other revenue	55,146	55,746	56,769	50,078	86,460
- Gain on sale of Hydro	-	-	227,476	-	-
	\$ 969,150	961,429	1,158,384	1,041,201	1,076,798
10. Consolidated expenses by function					
- Municipal operations	\$ 681,186	662,902	640,692	627,964	612,442
- Public utilities	217,171	218,246	223,814	324,858	307,868
- Civic corporations	31,214	29,855	30,307	27,758	26,566
	\$ 929,571	911,003	894,813	980,580	946,876
11. Growth in Surplus for the year	\$ 21,012	46,196	275,655	33,830	31,577
Growth (Decline) in Reserves for the year	\$ 18,567	4,230	(12,084)	26,791	98,345

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

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

(Note: The 2001 - 2000 figures include Winnipeg Hydro's operations.)

THE CITY OF WINNIPEG

CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW - continued

As at December 31

("\$" amounts in thousands of dollars, except as noted)

(Unaudited)

	2004	2003	2002	2001	2000
12. Consolidated expenses by object					
Salaries and benefits	\$ 495,701	465,442	433,185	437,557	435,028
Goods and services	285,594	290,573	283,703	340,983	299,586
Debt interest and repayment	129,042	133,537	143,856	176,253	189,312
Grants and other expenses	19,234	21,451	34,069	25,787	22,950
	<u>\$ 929,571</u>	<u>911,003</u>	<u>894,813</u>	<u>980,580</u>	<u>946,876</u>
13. Payments to school authorities	\$ 439,062	425,053	414,140	395,404	380,905
14. Debt					
Tax-supported	\$ 486,790	489,974	576,659	631,332	636,340
Transit	35,092	33,606	38,007	42,607	42,782
City-owned utilities	175,050	177,429	204,833	419,957	419,517
Other	37,739	39,372	39,890	40,892	41,881
Total gross debt	<u>734,671</u>	<u>740,381</u>	<u>859,389</u>	<u>1,134,788</u>	<u>1,140,520</u>
Less: Sinking Fund	239,831	245,709	363,097	405,865	353,101
Total net long-term debt	<u>\$ 494,840</u>	<u>494,672</u>	<u>496,292</u>	<u>728,923</u>	<u>787,419</u>
Percentage of total assessment	1.94%	1.96%	2.00%	3.13%	3.42%
15. Acquisition of tangible capital assets					
Gross purchase	\$ 143,286	164,384	157,511	135,693	124,075
Less: internally financed					
Combined Sewer Renewal	16,290	15,398	18,074	16,957	17,532
Other	6,553	3,837	2,681	1,709	1,058
Watermain Renewal	6,281	6,541	8,964	7,940	7,399
Transit Bus Replacement	5,499	9,237	4,865	3,686	-
Sewage Disposal System	5,019	4,514	3,412	3,749	3,500
Waterworks System	3,115	1,080	1,635	1,601	3,333
General Purpose	1,192	4,170	-	-	-
Aqueduct Rehabilitation	1,120	3,458	8,242	5,659	4,813
Environmental Projects	950	1,187	935	453	792
General Revenue	347	5,072	3,900	4,645	1,200
Frontage levies	-	-	10,000	-	-
Equipment and Material Services	-	-	301	6,727	1,994
	<u>46,366</u>	<u>54,494</u>	<u>63,009</u>	<u>53,126</u>	<u>41,621</u>
	<u>\$ 96,920</u>	<u>109,890</u>	<u>94,502</u>	<u>82,567</u>	<u>82,454</u>
16. Net financial assets (liabilities)	\$ 12,442	(46,874)	(98,690)	(576,326)	(668,103)
17. Reserves and Surplus					
Reserves	\$ 316,468	297,901	293,671	305,755	278,964
Surplus	\$ 617,296	596,284	550,088	270,076	236,246
18. Area in acres at the end of the year	116,000	116,000	116,000	116,000	116,000
19. Construction					
- Permits issued	8,977	8,344	8,719	7,938	7,893
- Value	\$ 674,619	649,071	427,028	372,969	475,691
Housing starts	2,335	2,208	1,451	1,290	1,044



Funds 2004 DETAILED FINANCIAL STATEMENTS



THE CITY OF WINNIPEG GENERAL REVENUE FUND

The City is a single-tier municipality 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 street system maintenance, police, fire, parks and recreation, library and other general government operations. The City is required by **The Public Schools Act** to bill, collect and remit provincial support and school division special levies on behalf of the Province and school divisions. The City also bills, collects, and remits taxes on behalf of local business improvement zones. Activities related to these billing functions are not included in the Statement of Operations.

For the year-ended December 31, 2004, the General Revenue Fund was balanced, after accounting for the inter-fund transfers. Factors that contributed to the General Revenue Fund's 2004 position were as follows:

- Revenue from the photo enforcement program was \$7.4 million below budget due to the staffing of mobile units, weather and improved driving performance;
- Public Works department's expenses were \$8.7 million over budget due to higher than expected snow clearing costs, higher than budgeted internal rental charges, and increased expenditures in the Parks and Open Spaces Division;
- Police Service department's expenditures were \$3.1 million over budget mainly because of overtime costs as a result of enhanced enforcement against organized crime, the need for specialty resources, pressing issues on domestic violence calls, and Police requirements in the Exchange District;
- Deficit reduction initiatives undertaken during the year to avoid a forecasted General Revenue Fund deficit provided savings of \$3.9 million;
- Planning, Property and Development department's expenses were \$1.2 million under budget mainly due to unfilled vacancies. In addition, revenues were \$1.1 million over budget mainly due to increased regulation fees;
- Tax revenues were \$2.0 million over budget mainly due to a special initiative on processing assessment adjustments before year-end and the Tax division extending the deadline on receiving and processing assessment adjustments;
- Provincial tax sharing grant was \$1.5 million less than budget based on amounts confirmed by the Province of Manitoba;
- Debt and finance charges were \$1.3 million lower than budget due to refinancing debt at lower interest rates, commission savings due to issuing serial debt, and a reduction of short-term borrowing costs;
- City Clerk department's expenses were over budget by \$1.1 million due to the 2004 by-election costs;
- There were \$3.2 million of miscellaneous variances; and
- Council approved several deficit reduction initiatives to avoid a deficit in the General Revenue Fund. This included an additional \$4.3 million transfer from the Snow Clearing Reserve, beyond the \$1.8 million stipulated by policy, to cover costs because of the high snowfall level during 2004. In addition, \$1.6 million was transferred from the Equipment and Materials Services Fund, \$0.9 million from the Commitment Reserve and \$0.5 from the Water and Sewer Utilities Funds.

THE CITY OF WINNIPEG GENERAL REVENUE FUND

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars, except as noted)

	2004	2003	2002	2001	2000
<i>Planning, Property and Development</i>					
Construction					
-Permits issued	8,977	8,344	8,719	7,938	7,893
-Value	\$ 674,619	\$ 649,071	\$ 427,028	\$ 372,969	\$ 475,691
Housing starts	2,335	2,208	1,451	1,290	1,044
<i>Community Services</i>					
Library Provincial					
Grant	\$ 1,910	\$ 1,963	\$ 1,780	\$ 1,758	\$ 1,820
Library circulation	5,518,469	5,730,808	5,695,355	5,461,166	5,423,272
<i>Taxes Receivable</i>					
Property, payments-in-lieu					
and business taxes	\$ 40,436	\$ 42,761	\$ 47,978	\$ 45,283	\$ 48,333
Allowance for tax arrears	(6,394)	(5,056)	(4,023)	(3,263)	(3,399)
	<u>\$ 34,042</u>	<u>\$ 37,705</u>	<u>\$ 43,955</u>	<u>\$ 42,020</u>	<u>\$ 44,934</u>
<i>Tax Revenues</i>					
Municipal realty					
taxes(1)	\$ 365,486	\$ 360,248	\$ 364,045	\$ 351,008	\$ 354,645
Payments-in-lieu of taxes	\$ 30,334	\$ 29,918	\$ 29,802	\$ 32,521	\$ 34,224
Business and licenses-in-					
lieu of business taxes	\$ 60,891	\$ 60,853	\$ 62,564	\$ 56,095	\$ 55,974
<i>Statement of Operations</i>					
Revenues	\$ 697,668	\$ 681,512	\$ 666,011	\$ 643,572	\$ 668,872
Expenses	<u>697,668</u>	<u>681,512</u>	<u>665,161</u>	<u>643,007</u>	<u>667,940</u>
	-	-	850	565	932
Contribution to the Mill					
Rate Stabilization Reserve	-	-	(850)	(565)	(932)
Surplus	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt and finance					
charges	\$ 112,265	\$ 116,983	\$ 122,918	\$ 123,403	\$ 132,520
% of total					
expenses	16.09%	17.17%	18.46%	19.17%	19.81%

(1) Commencing in 2002, revenue from realty tax adjustments, such as additions and deletions to the property tax roll due to new construction, demolitions or improvements to land, is recorded in the General Revenue Fund. In prior years, this revenue was recorded in the Fiscal Stabilization Reserve. Prior years figures have not been restated.

THE CITY OF WINNIPEG GENERAL REVENUE FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

ASSETS

Current

Cash and short-term investments
Accounts receivable (Note 3)
Materials and supplies
Prepaid expenses

	2004	2003
\$	538,644	\$ 349,949
	68,444	72,379
	6,213	2,643
	1,939	2,536
	615,240	427,507

Contributed surplus and other assets (Note 4)

	31,925	33,227
\$	647,165	\$ 460,734

LIABILITIES

Current

Notes payable (Note 5)
Due to other funds (Note 6)
Accounts payable and accrued liabilities (Note 7)
Deferred revenue (Note 8)
Performance and other deposits

\$	259,516	\$ 124,648
	252,401	202,930
	105,321	102,709
	25,378	27,026
	4,549	3,421
\$	647,165	\$ 460,734

Commitments and contingent liabilities (Note 9)

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG GENERAL REVENUE FUND

STATEMENT OF OPERATIONS

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

	2004 Budget	2004 Actual	2003 Actual
REVENUES (Schedule 1)			
Taxation (Note 10)	\$ 445,697	\$ 447,978	\$ 442,615
Government grants	73,066	68,409	70,207
Contributions and transfers	34,577	45,134	36,492
Sale of goods and services (Note 11)	43,662	44,379	41,863
Regulation fees	39,242	32,262	32,129
Payments-in-lieu of taxes (Note 10)	29,942	30,334	29,918
Sale of Winnipeg Hydro and other	25,894	26,651	26,547
Interest	2,153	2,521	1,741
Total Revenues	694,233	697,668	681,512
EXPENSES (Schedules 2 and 3)			
Protection and community services	331,086	334,509	320,261
Public works	190,716	199,638	192,403
Finance and administration	65,322	65,241	62,502
Property and development	37,897	36,705	35,219
Contributions and appropriations	35,454	32,854	37,368
Debt and finance charges	12,457	11,150	10,171
Grants and payments to other authorities	10,727	11,126	11,578
Employee benefits and payroll tax	11,162	10,974	9,345
Other	(588)	(4,529)	2,665
Total Expenses	694,233	697,668	681,512
Surplus for the year	\$ -	\$ -	\$ -

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG GENERAL REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The General Revenue Fund follows the fund basis of accounting. This Fund was created for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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.

The accrual basis of accounting is modified for expenses for accrued vacation costs, legal claims, sick leave cash out, workers compensation claims, insurance claims, councillors' pension plan costs, and environmental costs which are recorded when payment is made.

c) 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 31, 2005, and have an effective average interest rate of 2.6% (2003 - 2.7%).

d) Materials and supplies

Materials and supplies are recorded at the lower of cost or net realizable value.

e) 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.

f) 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.

1. Summary of Significant Accounting Policies (continued)

g) Corporate debt and finance charges

Capital assets financed by debt or internal financing through the Equity in Capital Assets Fund, including land, are recorded at the amount of the related outstanding debt obligation in the General Capital Fund. Interest and payments on debt are recorded in the General Revenue Fund.

Capital assets not financed by debt or reserve funds are expensed in the year of acquisition in the General Revenue Fund.

h) Local improvement taxes

As defined in *The City of Winnipeg Charter*, local improvement "means a work or service intended to be paid for or maintained wholly or partly by special assessments against the land benefited". The property owner's portion of the costs may be added to taxes over the length of the debt incurred by the City of Winnipeg ("the City") to cover the costs of the improvement or may be fully paid at anytime. Local improvement taxes which have been paid by the property owners are recognized as revenue in the year paid.

i) Taxes collected for others

The City collects taxes for the Public Schools' Finance Board, Winnipeg's school divisions and on behalf of local business improvement zone boards. These taxes are remitted to the respective boards and divisions and are not included as revenues and expenses in the General Revenue Fund Statement of Operations.

j) Administration and interest on capital work

In certain circumstances, capital project work capitalized in the General Capital Fund includes an administration fee of 1% of the total cost of the project to a maximum of \$0.1 million on any individual project. In addition, financing charges during the contract period are also capitalized as part of the project. The administration fee and financing charge revenues are recorded in the General Revenue Fund.

k) Debenture discounts and issue expenses

Debenture issue expenses are charged to operations in the General Revenue Fund in the year of the related debenture issue. Commencing in 1996, discounts on debenture issues are amortized over the term of the debenture.

l) Deferred gain on sale of assets to Golf Services - Special Operating Agency

On January 1, 2002, Golf Services - Special Operating Agency ("Agency") commenced operations. The City of Winnipeg sold assets, including land, to the Agency. The gain on the sale of these assets is being realized over the same time period as the assets are being amortized by the Agency.

2. *Status of the General Revenue Fund*

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 street system maintenance, police, fire, urban planning, parks and recreation, library and other general government operations. The City also bills, collects and remits taxes on behalf of local business improvement zones.

The City is required by **The Public Schools Act** to bill, collect and remit provincial education support and school division special levies on behalf of the Province of Manitoba and the school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases and therefore, the financial statements of the school divisions do not form part of the General Revenue Fund's financial statements.

3. *Accounts Receivable*

	2004	2003
Property, payments-in-lieu and business taxes	\$ 40,436	\$ 42,761
Allowance for tax arrears	(6,394)	(5,056)
	<u>34,042</u>	<u>37,705</u>
Trade accounts and other receivables	16,118	15,654
The Sinking Fund Trustees of The City of Winnipeg	7,002	7,364
Province of Manitoba	6,272	9,684
Government of Canada	5,421	2,396
Accrued interest receivable	1,445	949
The Convention Centre Corporation	302	347
	<u>36,560</u>	<u>36,394</u>
Allowance for doubtful accounts	(2,158)	(1,720)
	<u>34,402</u>	<u>34,674</u>
	<u>\$ 68,444</u>	<u>\$ 72,379</u>

4. *Contributed Surplus and Other Assets*

	2004	2003
Contributed surplus to:		
Golf Services - Special Operating Agency	\$ 20,090	\$ 20,090
Land Operating Reserve	8,425	8,425
Loan receivable Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of \$264 thousand, commencing in 2007	3,020	3,976
Deferred election costs	386	723
Deferred charges, other	4	13
	<u>\$ 31,925</u>	<u>\$ 33,227</u>

5. Notes Payable

The City finances short-term borrowing requirements from related entities at market rates of interest, which have an effective average interest rate of 2.2% (2003 - 2.7%). These notes are callable by the issuers.

	2004	2003
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 157,752	\$ 91,939
The Sinking Fund Trustees of The City of Winnipeg	64,702	1,851
Winnipeg Police Pension Plan	26,822	16,410
Workers Compensation Reserve	3,765	2,712
Water Treatment Reserve	3,317	6,627
The Civic Employees' Group Life Insurance Plan	1,499	3,670
Insurance Reserve	1,252	697
Brady Landfill Site Rehabilitation Reserve	222	423
Perpetual Maintenance Funds:		
- Brookside Cemetery	119	236
- Transcona Cemetery	49	53
- St. Vital Cemetery	15	26
Council Members' (Pre-1972) Pension Plan	2	4
	<u>\$ 259,516</u>	<u>\$ 124,648</u>

6. Due to Other Funds

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Cash transactions are credited or charged to the "Due (from)/to" account in each fund. Interest is credited or charged to other funds based on the City's average short-term earnings (cost of funds) on the single bank account.

	2004	2003
Capital Reserves	\$ 84,575	\$ 74,605
Stabilization Reserves	62,325	60,588
Special Purpose Reserves	44,444	56,312
Equity in Capital Assets Fund	31,113	21,103
Waterworks System	16,868	11,326
Sewage Disposal System	16,521	19,086
Fleet Management - Special Operating Agency	7,868	11,453
Solid Waste Disposal	7,156	7,229
General Revenue Enterprises Fund	6,951	5,784
Building Services Fund	307	30
Trust Funds	255	234
Equipment and Material Services	12	148
Civic Accommodations Fund	3	(199)
Animal Services - Special Operating Agency	(108)	114
Golf Services - Special Operating Agency	(244)	(158)
Glacial Sand and Gravel - Special Operating Agency	(1,157)	(671)
General Capital	(11,353)	(54,433)
Transit System	(13,135)	(9,621)
	<u>\$ 252,401</u>	<u>\$ 202,930</u>

7. Accounts Payable and Accrued Liabilities

	2004	2003
Trade accounts payable	\$ 30,850	\$ 30,283
Provincial education support and school division special levies payable	27,090	28,266
Wages and employee benefits payable	20,150	18,070
Provision for assessment appeals	11,789	10,591
Other accrued liabilities	7,861	7,655
Accrued interest on long-term debt	7,581	7,836
Idea Bank Reserve	-	8
	<u>\$ 105,321</u>	<u>\$ 102,709</u>

8. Deferred Revenue

	2004	2003
Deferred gain on sale of assets to Golf Services - Special Operating Agency	\$ 22,919	\$ 24,155
Province of Manitoba, Federal Government and other	1,583	1,568
Registration fees	821	963
Rentals	55	340
	<u>\$ 25,378</u>	<u>\$ 27,026</u>

9. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2004:

a) Lease commitments

The City has entered into a number of lease agreements mainly for the lease of office equipment. Future minimum lease payments are as follows:

2005	\$ 222
2006	199
2007	69
2008	43
	<u>\$ 533</u>

9. *Commitments and Contingent Liabilities (continued)*

b) *Loan guarantees*

The City has unconditionally guaranteed the payment of principal and interest on outstanding capital improvement loans for the following organizations:

	2004	2003
Winnipeg Enterprises Corporation	\$ 6,953	\$ 5,274
Dakota Community Centre Inc.	2,538	2,614
Gateway Recreation Centre Inc.	2,133	2,116
Garden City Community Centre Inc.	764	814
St. Norbert Community Club	483	522
Transcona East End Community Club Inc.	416	449
Maples Recreation Association Inc.	359	214
Glenwood Community Centre Inc.	300	326
Manitoba Opera Association Inc.	230	195
Kirkfield Westwood Community Centre Inc.	172	186
Springer's Gymnastics Club Inc.	120	137
St. Norbert Children's Centre Inc.	111	126
Richmond Kings Community Centre Inc.	103	150
Granite Curling Club	90	96
East Side Eagles Football Club	22	27
Melrose Park Community Centre Inc.	2	12
	<u>\$ 14,796</u>	<u>\$ 13,258</u>

When an organization has failed to meet debt covenants on existing debt obligations and factors known at the time of reporting are likely to affect the ability of the borrower to repay the loan in the future, then a provision for losses on loan guarantees will be accrued in the financial statements. As at December 31, 2004, an accrual has not been made to the financial statements.

c) *Lawsuits*

The City is defendant in four significant lawsuits as at December 31, 2004. At this time the ultimate liability is not determinable.

Normal contingent liabilities exist consisting of routine claims for street and sidewalk accidents, property damage, etc.. Any gain or loss will be accounted for to the period in which settlement occurs.

10. *Taxation*

The property tax roll recorded in the General Revenue Fund for the year totalled \$778.9 million (2003 - \$759.6 million). This included school taxes of \$413.5 million (2003 - \$399.3 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were \$55.9 million (2003 - \$55.7 million). Included were payments-in-lieu of school taxes assessed in 2004 of \$25.6 million (2003 - \$25.7 million). 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 and are not reflected as revenues or expenditures in these financial statements. When an assessment is reduced the City is compelled by legislation to refund municipal taxes, school taxes and payments-in-lieu of school taxes with applicable interest.

11. General Government Charges from Related Parties

Included in the sale of goods and services are general government charges levied against other funds for administrative services as follows:

	2004	2003
Transit System	\$ 807	\$ 807
Waterworks System	787	889
Sewage Disposal System	467	467
Fleet Management - Special Operating Agency	421	363
Civic Accommodations Fund	306	306
Building Services Fund	252	252
Solid Waste Disposal Fund	79	79
Golf Services - Special Operating Agency	63	61
Glacial Sand and Gravel - Special Operating Agency	26	26
Equipment and Material Services	-	136
	<u>\$ 3,208</u>	<u>\$ 3,386</u>

12. Contributions and Appropriations from Related Parties

In addition to those disclosed elsewhere in the financial statements, included in the fund's expenses are the following:

Included in Community Services department's expenses is a transfer to the Library Reserve of \$44 thousand (2003 - \$392 thousand), a net transfer of \$820 thousand (2003 - \$970 thousand) to Animal Services - Special Operating Agency, and a transfer to Assiniboine Park Enterprise Reserve of \$4 thousand (2003 - \$5 thousand).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Funds in the amount of \$305 thousand (2003 - \$482 thousand), and a transfer of \$700 thousand (2003 - \$1,300 thousand) to the Heritage Investment Reserve.

Included in Public Works department's expenses is an appropriation of unexpended budget costs to the Snow Clearing Reserve. The amount transferred in 2004 is \$0 (2003 - \$58 thousand).

Included in Corporate Information Technology department's expenses is a transfer to the Idea Bank Reserve of \$8 thousand (2003 - \$18 thousand).

Included in Corporate Finance department's expenses are transfers from various funds for investment management fees. This includes \$122 thousand from the Stabilization Reserves, \$124 thousand from the Special Purpose Reserves, \$277 thousand from the Capital Reserves, and \$43 thousand from the Equity in Capital Assets Fund. Investment management fees were not assessed during 2003.

Included in various department expense categories are a transfer to the Civic Accommodations Fund of \$27.4 million (2003 - \$27.6 million) for facilities costs, a transfer to the Computer Replacement Reserve of \$179 thousand (2003 - \$428 thousand), a transfer to the Building Services Fund of \$16.0 million (2003 - \$16.0 million), a transfer to the Concession Equipment Replacement Reserve of \$11 thousand (2003 - \$13 thousand) and a transfer to the General Capital Fund of \$347 thousand (2003 - \$291 thousand).

Included in various expense categories are a contribution to the Commitment Reserve of \$2.2 million (2003 - \$2.6 million), a transfer from the Insurance Reserve of \$1,214 thousand (2003 - \$17 thousand), and a transfer from the General Purpose Reserve of \$0 (2003 - \$1,658 thousand).

13. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program and Winnipeg Police Pension Plan

The Fund's employees are eligible for benefits under the Winnipeg Civic Employees' Benefits Program and the Winnipeg Police Pension Plan. The City of Winnipeg allocates its benefit costs to various departments. During the year, \$20.9 million (2003 - \$19.6 million) of benefit costs were allocated to the Fund.

b) Councillors' 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. These benefits are recorded when paid. The unrecorded benefits liability at December 31, 2004 has been estimated to be \$4.1 million (2003 - \$4.1 million). In 2004, the City paid out \$0.3 million (2003 - \$0.3 million).

c) Councillors' Pension Plan Established Under By-law 7869/2001

The City of Winnipeg Council Pension Plan was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Plan to have come into existence on January 1, 2001. The Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg Council members. All members of Council were required to become members of the Plan on January 1, 2001.

In 2004, the City paid out \$0.1 million (2003 - \$0.1 million).

14. Other Employee Benefits

- a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the 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 (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2004 at \$52.7 million (2003 - \$50.9 million).
- b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2004 is estimated at \$29.7 million (2003 - \$28.4 million).
- 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. The amount of this unrecorded liability at December 31, 2004 is estimated at \$1.9 million (2003 - \$0.6 million).
- d) Employees of the City who are members of the Winnipeg Civic Employees' Benefits Program 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.

15. Related Party Transactions

Included in these financial statements are income and expenditure amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the General Revenue Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 1

REVENUES

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

	2004 Budget	2004 Actual	2003 Actual
Taxation			
Municipal realty taxes	\$ 362,659	\$ 365,486	\$ 360,248
Business and licenses-in-lieu of business taxes	61,718	60,891	60,853
Electricity and gas sales taxes	15,495	15,402	15,240
Amusement taxes	4,065	4,428	4,316
Local improvement taxes	1,313	1,364	1,545
Licenses-in-lieu of realty taxes	344	346	345
Billboard taxes	49	48	49
Local improvement taxes commuted	54	13	19
	445,697	447,978	442,615
Government grants			
Provincial			
Municipal tax sharing	48,826	47,343	47,343
Unconditional	19,888	19,888	19,887
Video lottery terminal	7,060	6,600	6,773
Support	6,218	6,355	6,064
Ambulance	5,436	5,126	4,829
Other grants	6,166	3,838	6,052
Libraries	2,163	1,910	1,963
Dutch elm disease control	900	900	900
Services transferred to the Province	(23,650)	(23,650)	(23,650)
	73,007	68,310	70,161
Federal government grants	59	99	46
	73,066	68,409	70,207
Contributions and transfers			
Waterworks System	11,354	11,487	11,187
Sewage Disposal System	10,034	9,878	11,212
The Sinking Fund Trustees of the City of Winnipeg	6,300	7,000	7,362
Snow Clearing Reserve	-	6,075	-
Civic Accommodations Fund	2,819	2,903	2,921
Solid Waste Disposal Fund	1,606	2,230	1,806
General Purpose Reserve (Note 12)	2,000	2,000	500
Equipment and Material Services	-	1,600	-
Commitment Reserve	-	869	822
Fleet Management - Special Operating Agency	-	328	-
Economic Development Investment Reserve	-	300	265
Glacial Sand and Gravel - Special Operating Agency	247	247	218
Golf Services - Special Operating Agency	217	217	199
	34,577	45,134	36,492

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 1

REVENUES

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

	2004 Budget	2004 Actual	2003 Actual
Sale of goods and services	43,662	44,379	41,863
Regulation fees			
Fines	23,843	15,753	17,760
Permits and fees	7,191	8,150	8,027
Tax penalties	5,155	5,007	3,846
Licenses	3,053	3,352	2,496
	39,242	32,262	32,129
Payments-in-lieu of taxes	29,942	30,334	29,918
Sale of Winnipeg Hydro and other			
Manitoba Hydro	25,000	25,000	25,000
Accounts payable write-offs, commissions, etc.	894	1,651	1,547
	25,894	26,651	26,547
Interest			
Interest earned	651	1,034	221
Interest capitalized	914	899	875
Debt charges recovered	588	588	645
	2,153	2,521	1,741
Total Revenues	\$ 694,233	\$ 697,668	\$ 681,512

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Protection and community services			
Police services	\$ 144,370	\$ 147,431	\$ 138,595
Fire paramedic service	103,165	103,086	100,075
Community services	82,840	83,281	80,874
Museums	711	711	717
	331,086	334,509	320,261
Public works			
Public works	147,639	156,355	148,840
Waterworks, waste and disposal	17,626	16,966	17,846
Refuse collection	15,841	16,503	16,355
Street lighting	9,610	9,814	9,362
	190,716	199,638	192,403
Finance and administration			
Corporate information technology	16,260	17,035	14,416
Corporate finance	14,980	13,748	16,176
Property assessment	11,972	11,621	11,414
Corporate services	9,213	9,187	8,485
City clerks	5,322	6,424	4,956
Council	2,636	2,577	2,605
CAO secretariat	2,689	2,455	2,393
Audit	919	951	849
EPC secretariat	832	815	760
Mayor's office	499	428	448
	65,322	65,241	62,502
Property and development			
Planning, property and development	37,897	36,705	35,219
Contributions and appropriations			
Transit System	35,454	32,854	31,882
General Capital Fund (Note 12)	-	-	4,781
Housing Rehabilitation Investment Reserve	-	-	705
	35,454	32,854	37,368

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Debt and finance charges			
Debenture debt			
Interest	36,207	34,984	38,798
Principal amortization	23,356	23,373	23,870
Non-debenture debt			
Principal amortization	33,483	33,484	34,504
Interest	17,814	17,819	17,139
Other interest and finance charges	2,708	2,605	2,672
Transfer to departments	(101,111)	(101,115)	(106,812)
	<u>12,457</u>	<u>11,150</u>	<u>10,171</u>
Grants and payments to other authorities			
Grants	5,374	5,913	6,090
The Convention Centre Corporation	2,200	2,200	2,199
Winnipeg Enterprises Corporation	1,794	1,655	1,933
Destination Winnipeg	1,228	1,228	1,227
Children's Museum and other payments	131	130	129
	<u>10,727</u>	<u>11,126</u>	<u>11,578</u>
Employee benefits and payroll tax			
Provincial payroll tax	6,155	6,764	6,324
Employee benefits	5,007	4,210	3,021
	<u>11,162</u>	<u>10,974</u>	<u>9,345</u>
Other			
Insurance and damage claims	3,553	3,553	2,878
Property taxes	1,401	978	1,049
Government affairs, pension contribution and other	(5,542)	(9,060)	(1,262)
	<u>(588)</u>	<u>(4,529)</u>	<u>2,665</u>
Total Expenses	<u>\$ 694,233</u>	<u>\$ 697,668</u>	<u>\$ 681,512</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 3

EXPENSES BY OBJECT

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

	2004 Budget	2004 Actual	2003 Actual
Salaries and employee benefits	\$ 344,045	\$ 350,635	\$ 325,470
Debt and finance charges - departmental and corporate	115,183	114,737	119,143
Services	103,438	107,473	120,903
Transfers	80,157	78,676	85,994
Materials, parts and supplies	13,745	13,796	19,620
Grants	11,804	12,058	12,818
Municipal tax, amortization, and other expenses	16,725	10,411	9,596
Assets - purchases and renovations	9,603	9,137	9,293
Provincial payroll tax	6,155	6,764	6,323
Payments to other authorities	5,699	5,824	5,912
Assessment appeals	5,250	5,250	5,200
Recoveries	(17,571)	(17,093)	(38,760)
	<u>\$ 694,233</u>	<u>\$ 697,668</u>	<u>\$ 681,512</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 4

SCHOOL TAXES LEVIED

In addition to the tax revenues required to be raised for Municipal purposes, Council under the continuing provisions of **The Public Schools Act**, must fix and impose taxes sufficient to meet that portion of the cost of education that is to be raised through levies on assessable property within the City of Winnipeg.

The amounts that were required to be raised in 2004 included the City's share of the Province's Education Support Program and the requirements of the school divisions (located wholly or in part within the City) representing the portion of their costs that were determined to be the entire responsibility of the City. Levies for 2004 with 2003 comparative figures are as follows:

	<u>2004</u>	<u>2003</u>
Provincial education support program levy		
Other property	\$ 69,593,887	\$ 69,773,244
Farm and residential	<u>37,412,672</u>	<u>42,854,628</u>
	<u>107,006,559</u>	<u>112,627,872</u>
 Special levies (by school division)		
Winnipeg No. 1	117,828,292	112,948,434
Pembina Trails No. 7	57,877,263	53,824,698
Louis Riel No. 51	54,011,674	50,158,505
River East - Transcona No. 72	44,486,192	41,142,064
St. James - Assiniboia No. 2	31,710,342	29,531,592
Seven Oaks No. 10	23,696,020	22,469,494
Seine River No. 14	2,435,334	2,340,683
Interlake No. 21	<u>10,159</u>	<u>9,735</u>
	<u>332,055,276</u>	<u>312,425,205</u>
	<u>\$ 439,061,835</u>	<u>\$ 425,053,077</u>
 Allocated as follows:		
Realty taxes	\$ 413,494,931	\$ 399,314,825
Payments-in-lieu of taxes	<u>25,566,904</u>	<u>25,738,252</u>
	<u>\$ 439,061,835</u>	<u>\$ 425,053,077</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 5

PROJECTED 2004 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

As at April 17, 2004

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	\$ 6,920,643,469	\$ 27,314,432	\$ 21,337,743	\$ 6,969,295,644
Residential 2	45.0%	727,312,271	92,795,986	2,048,160	822,156,417
Residential 3	45.0%	457,005,146	-	69,593	457,074,739
Farm	26.0%	15,924,331	1,040,127	7,940,011	24,904,469
Institutional	65.0%	306,686,747	59,033,650	893,880,964	1,259,601,361
Designated higher education	26.0%	-	81,597,841	1,935,564	83,533,405
Pipelines	50.0%	6,034,000	-	-	6,034,000
Railways	25.0%	21,152,190	-	-	21,152,190
Designated recreational facilities	10.0%	3,520,655	131,450	1,038,790	4,690,895
Other	65.0%	3,656,658,552	341,933,654	753,430,341	4,752,022,547
Legislative buildings	65.0%	-	4,802,900	-	4,802,900
		<u>\$ 12,114,937,361</u>	<u>\$ 608,650,040</u>	<u>\$ 1,681,681,166</u>	<u>\$ 14,405,268,567</u>

THE CITY OF WINNIPEG

GENERAL REVENUE ENTERPRISES FUND

The General Revenue Enterprises Fund was originally created to account for commercial activities in which The City of Winnipeg was in competition with the private sector. However, over time these activities are now recorded in various other funds. Meanwhile, the use of this Fund has been expanded to include programs funded by grants from the senior levels of government or by their own revenue sources. These programs include Libraries book replacement and Literacy Centre Collection programs, Historical Buildings and Riverbanks Administration.

FIVE-YEAR REVIEW

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Internal service operations and other programs:					
Revenues	\$ 5,649	\$ 3,081	\$ 3,299	\$ 3,355	\$ 3,043
Expenditures	<u>4,651</u>	<u>2,881</u>	<u>2,886</u>	<u>2,815</u>	<u>3,145</u>
Surplus/(Deficit)	<u>\$ 998</u>	<u>\$ 200</u>	<u>\$ 413</u>	<u>\$ 540</u>	<u>\$ (102)</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND**

STATEMENT OF FINANCIAL POSITION

*As at December 31
(in thousands of dollars)*

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 6,951	\$ 5,784
Inventories	<u>23</u>	<u>23</u>
	6,974	5,807
Deferred charges	<u>8</u>	<u>8</u>
	<u><u>\$ 6,982</u></u>	<u><u>\$ 5,815</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 7	\$ 3
Due to Idea Bank Reserve (Note 4)	200	-
Deferred revenue	<u>1,330</u>	<u>1,365</u>
	1,537	1,368
RETAINED EQUITY	<u>5,445</u>	<u>4,447</u>
	<u><u>\$ 6,982</u></u>	<u><u>\$ 5,815</u></u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
GENERAL REVENUE ENTERPRISES FUND**

STATEMENT OF OPERATIONS AND RETAINED EQUITY

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

	<u>2004</u>	<u>2003</u>
REVENUES		
Permits and fees	\$ 3,109	\$ 2,345
Transfer from Land Operating Reserve	1,912	313
Sales of goods and services	428	423
Transfer from Idea Bank Reserve	200	-
	<u>5,649</u>	<u>3,081</u>
Total Revenues		
EXPENDITURES		
Street cuts operations	2,752	2,256
Printing and duplicating operations	839	317
Transfer to Transit System	568	-
Real estate enterprises	398	221
Riverbank management operations	87	58
Libraries programs	7	29
	<u>4,651</u>	<u>2,881</u>
Total Expenditures (Note 5)		
SURPLUS FROM OPERATIONS	998	200
RETAINED EQUITY, BEGINNING OF YEAR	<u>4,447</u>	<u>4,247</u>
RETAINED EQUITY, END OF YEAR	<u><u>\$ 5,445</u></u>	<u><u>\$ 4,447</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG GENERAL REVENUE ENTERPRISES FUND

NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2004
(in thousands of dollars)*

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of the accounting policies summarized below.

a) Basis of presentation

General Revenue Enterprises Fund follows the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are earned and measurable. Expenditures 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) Inventories

Inventories of material and supplies are recorded at the lower of cost or net realizable value.

2. Status of the General Revenue Enterprises Fund

The General Revenue Enterprises Fund was originally created to account for commercial activities in which The City of Winnipeg was in competition with the private sector. However, over time the majority of these activities are now recorded in various other funds. Meanwhile, the use of this Fund has been expanded to include programs funded by grants from the senior levels of government or by their own revenue sources.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Cash transactions are credited or charged to the "Due (to) from" account in each fund.

4. Due to Idea Bank Reserve

A loan has been negotiated with the Idea Bank Reserve with an interest rate of 4.5%, annual payments of \$45 thousand, due March 2009.

5. Expenditures by Object

	<u>2004</u>	<u>2003</u>
Goods and services	\$ 3,759	\$ 2,709
Transfer to Transit System	568	-
Grants	317	172
Transfer to Idea Bank Reserve	<u>7</u>	<u>-</u>
	<u>\$ 4,651</u>	<u>\$ 2,881</u>

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

The General Capital Fund was created to account for tax-supported capital transactions of The City of Winnipeg (The City). The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements, to name a few.

By March 31 of each year, Council is required under **The City of Winnipeg Charter** to approve a budget for the General Capital Fund. The 2004 budget for the General Capital Fund of \$102.9 million was an 11.4% decrease from the 2003 budget of \$116.2 million. Capital expenditures in 2004 relating to 2004 and previous years capital budgets, decreased from \$110.1 million in 2003 to \$91.4 million in 2004.

Of the \$91.4 million of total 2004 capital expenditures, \$14.3 million were for costs relating to the Residential Street Renewal program which is partially funded by the Province of Manitoba (\$5.0 million). Other significant projects contributing to 2004 expenditures were: \$10.9 million for the Millennium Library, \$3.1 million for the "Police Automated Records and Communication System" replacement program, \$2.9 million for the Provencher Bridge, \$2.9 million for the reconstruction of Main Street and \$2.3 million for the Connexus project.

No debenture (external) tax-supported borrowing authority was approved by Council for 2004 and no new external borrowing authority has been projected to 2009. Internal financing from the Equity in Capital Assets Fund increased in 2004 by 7.16%. The Equity in Capital Assets Fund is increasing at a rate of about 2.82% per year with interest charges on capital financing and investment income contributing to the growth of the fund. Yearly internal financing from the Equity in Capital Assets Fund is forecasted to be \$54.3 million in 2005 and then decreasing to \$51.6 million in 2006.

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

	2004	2003	2002	2001	2000
Capital Assets					
Property, plant and equipment					
Streets and bridges	\$ 332,408	\$ 332,544	\$ 321,596	\$ 305,672	\$ 289,274
Special projects	116,477	126,098	119,822	114,661	126,823
Land drainage sewers	53,861	57,593	63,484	68,213	72,979
Culture and recreation	48,310	51,822	50,774	52,191	55,961
Civic accommodations	43,393	44,297	47,382	49,336	49,124
Winnipeg Development Agreement/Core area initiative	30,637	38,154	42,776	46,832	48,805
Protection	26,631	28,346	28,003	32,673	36,302
Health and social development	4,549	5,167	5,718	6,488	7,481
Local improvements	3,973	3,734	4,614	4,534	9,824
Convention centre	2,545	2,748	2,966	3,207	3,435
	<u>\$ 662,784</u>	<u>\$ 690,503</u>	<u>\$ 687,135</u>	<u>\$ 683,807</u>	<u>\$ 700,008</u>
% change in capital assets	-4.01%	0.49%	0.49%	-2.31%	-3.75%
Internal Financing					
Equity in Capital Assets Fund	<u>\$ 298,481</u>	<u>\$ 278,546</u>	<u>\$ 233,599</u>	<u>\$ 208,633</u>	<u>\$ 190,723</u>
% change in internal financing	7.16%	19.24%	11.97%	9.39%	1.32%
Debenture Debt					
Outstanding debenture debt	\$ 462,089	\$ 464,055	\$ 549,310	\$ 604,547	\$ 609,724
Sinking fund reserve	<u>(146,566)</u>	<u>(157,064)</u>	<u>(251,824)</u>	<u>(246,765)</u>	<u>(213,913)</u>
Net debenture debt	<u>\$ 315,523</u>	<u>\$ 306,991</u>	<u>\$ 297,486</u>	<u>\$ 357,782</u>	<u>\$ 395,811</u>
% change in net debenture debt	2.78%	3.20%	-16.85%	-9.61%	-20.58%
Capital lease obligation	\$ 24,702	\$ 25,919	\$ 27,348	\$ 26,785	\$ 26,615
Other long-term debt	<u>20,600</u>	<u>22,800</u>	<u>21,900</u>	<u>23,900</u>	<u>22,900</u>
Other long-term debt	<u>\$ 45,302</u>	<u>\$ 48,719</u>	<u>\$ 49,248</u>	<u>\$ 50,685</u>	<u>\$ 49,515</u>
Total long-term debt (including other long-term debt)	<u>\$ 659,306</u>	<u>\$ 634,256</u>	<u>\$ 580,333</u>	<u>\$ 617,100</u>	<u>\$ 636,049</u>
Internal Debt as a % of Total Debt	45.27%	43.92%	40.25%	33.81%	29.99%

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

	2004	2003	2002	2001	2000
Contributions and Transfers					
Province of Manitoba	\$ 30,274	\$ 17,085	\$ 12,327	\$ 16,372	\$ 19,867
Combined Sewer Renewal Reserve	16,290	15,398	18,074	16,957	17,532
Government of Canada	6,089	5,435	9,427	1,343	303
Other contributions	4,741	2,140	754	2,407	2,927
Library Reserve	1,300	-	-	-	-
General Purpose Reserve	1,192	2,470	-	-	-
General Revenue Fund	347	5,072	3,900	3,192	-
Frontage levies	-	-	10,000	-	-
	<u>\$ 60,233</u>	<u>\$ 47,600</u>	<u>\$ 54,482</u>	<u>\$ 40,271</u>	<u>\$ 40,629</u>

Tax-supported Borrowing Authority approved by Council (excluding Transit)

Equity in Capital Assets Fund	<u>\$ 52,830</u>	<u>\$ 50,992</u>	<u>\$ 52,000</u>	<u>\$ 48,200</u>	<u>\$ 44,284</u>
% change in borrowing authority	3.60%	-1.94%	7.88%	8.84%	10.37%

Total Tax-supported Capital Budget

Tax-supported (excluding Transit)	<u>\$ 102,962</u>	<u>\$ 116,233</u>	<u>\$ 123,905</u>	<u>\$ 81,453</u>	<u>\$ 72,431</u>
% change in tax-supported program	-11.42%	-6.19%	52.12%	12.46%	-22.87%

Total Tax-supported Capital Expenditures

Tax-supported capital expenditures (excluding Transit)	<u>\$ 91,433</u>	<u>\$ 110,075</u>	<u>\$ 120,345</u>	<u>\$ 87,196</u>	<u>\$ 81,301</u>
% change in tax-supported program	-16.94%	-8.53%	38.02%	7.25%	-20.01%

Tax-supported Borrowing Authority Forecast approved by Council (excluding Transit)

	2005	2006	2007	2008	2009
Equity in Capital Assets Fund	<u>\$ 54,322</u>	<u>\$ 51,641</u>	<u>\$ 55,300</u>	<u>\$ 58,550</u>	<u>\$ 58,550</u>
% change in borrowing authority	2.82%	-4.94%	7.09%	5.88%	0.00%

**THE CITY OF WINNIPEG
GENERAL CAPITAL FUND**

STATEMENT OF FINANCIAL POSITION

*As at December 31
(in thousands of dollars)*

	<u>2004</u>	<u>2003</u> (Restated Note 8)
ASSETS		
Current		
Accounts receivable (Note 3)	\$ 25,431	\$ 14,019
Capital assets (Note 4)	<u>662,784</u>	<u>690,503</u>
	<u><u>\$ 688,215</u></u>	<u><u>\$ 704,522</u></u>
LIABILITIES		
Current		
Due to General Revenue Fund (Note 5)	\$ 11,353	\$ 54,433
Accounts payable and accrued liabilities (Note 6)	1,436	2,492
Current portion of long-term debt (Note 7)	<u>52,230</u>	<u>50,762</u>
	65,019	107,687
Long-term debt (Note 7)	607,076	583,494
Deferred liabilities	6,513	4,639
Developer deposits	8,314	7,455
Other deposits	<u>1,293</u>	<u>1,247</u>
	<u><u>\$ 688,215</u></u>	<u><u>\$ 704,522</u></u>

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

STATEMENT OF CASH FLOWS

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

	2004	2003
		(Restated Note 8)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Non-cash charges to operations (recorded in the General Revenue Fund)		
Amortization	\$ 58,919	\$ 59,107
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(7,871)	(8,530)
Working capital from operations	51,048	50,577
Net change in working capital	(12,468)	(18,035)
Net change in deferred liabilities and deposits	2,779	3,410
	41,359	35,952
FINANCING		
Debt issues	40,634	83,550
Debenture debt retired	(42,600)	(168,805)
Payments from The Sinking Fund Trustees for long-term debt retired	30,206	122,572
Payments to The Sinking Fund Trustees for outstanding long-term debt	(11,837)	(19,282)
Net increase in Equity in Capital Assets Fund debt	19,935	44,947
Due to General Revenue Fund	(43,080)	(35,930)
Other	(3,417)	(529)
	(10,159)	26,523
INVESTING		
Purchase of capital assets (Schedule 1)	(91,433)	(110,075)
Government of Canada capital grants	6,089	5,435
Province of Manitoba capital grants	30,274	17,085
Transfer from Combined Sewer Renewal Reserve	16,290	15,398
Transfer from General Revenue Fund	347	5,072
Transfer from General Purpose Reserve	1,192	2,470
Transfer from Library Reserve	1,300	-
Other	4,741	2,140
	(31,200)	(62,475)
Cash, end of year	\$ -	\$ -

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The General Capital Fund follows the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The General Capital Fund was created to account for all financial transactions related to the City's tax-supported capital budget (excluding Transit).

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting.

c) Capital assets

Capital assets, including land, financed by the issue of debentures or internal financing through the Equity in Capital Assets Fund, are recorded at the amount of the related outstanding debt obligations in the General Capital Fund. The interest and principal repayment on the debt is expensed in the General Revenue Fund.

Capital assets acquired under a capital lease, are recorded at the amount of the related obligation under the capital lease. The yearly financing charge is expensed in the General Revenue Fund or the appropriate utility fund.

Amortization is recorded on the basis of debt payments, serial debt payments, capital lease payments, sinking fund installments made and interest earned on the funds on deposit with The Sinking Fund Trustees. The effect of using this policy is that:

- i) all capital assets, including land, financed through the Equity in Capital Assets Fund, capital leases or the issue of debentures, are subject to amortization, and
- ii) assets are amortized as they are funded which may not coincide with when the assets are actually put into service.

In certain circumstances, capital project work is charged an administration fee equal to 1% of the total cost of the project to a maximum of \$100 thousand on any individual project. In addition, interim financing charges during the contract period are also capitalized as part of the project cost.

d) Debenture discount and issue expense

Debenture issue expenses are charged to operations in the year of the related debenture issue and these costs are recorded in the General Revenue Fund.

1. Summary of Significant Accounting Policies (continued)

e) Deferred liabilities

Deferred liabilities consist of developer repayments as well as contributions recognized but not yet earned.

Under the terms of development agreements, the City is required to repay developers for local improvements installed which benefit property outside the development area.

2. Status of the General Capital Fund

The General Capital Fund was created to account for tax-supported capital transactions of The City of Winnipeg. The capital program includes, but is not limited to, the acquisition and/or construction of streets, bridges, land drainage, parks and recreation facilities, police and fire department facilities, library facilities, civic buildings, major computer programs and related equipment and local improvements, to name a few.

3. Accounts Receivable

	2004	2003
Province of Manitoba	\$ 25,431	\$ 14,019

4. Capital Assets

	2004	2003
Property, plant and equipment		
Streets and bridges	\$ 332,408	\$ 332,544
Special projects	116,477	126,098
Land drainage sewers	53,861	57,593
Culture and recreation	48,310	51,822
Civic accommodations	43,393	44,297
Winnipeg Development Agreement/Core area initiative	30,637	38,154
Protection	26,631	28,346
Health and social development	4,549	5,167
Local improvements	3,973	3,734
Convention centre	2,545	2,748
	<u>\$ 662,784</u>	<u>\$ 690,503</u>

5. Due to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Cash transactions are credited or charged to the "Due (to) from" account in each fund. Consequently, this fund does not have a bank account. The General Capital Fund charges interim financing on individual capital projects and credits the interest to the General Revenue Fund.

6. Accounts Payable and Accrued Liabilities

	2004	2003
Contractors' holdbacks	\$ 1,228	\$ 2,426
Trade accounts payable	208	66
	<u>\$ 1,436</u>	<u>\$ 2,492</u>

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2004	2003
1991-2004	Nov. 1	10.000	VL	5779/91	\$ -	\$ 30,206
1990-2005	Oct. 1	11.700	VI	5507/90	40,078	40,078
1999-2009	Feb. 2	5.350	VV	7368/99	50,000	50,000
1989-2009	Dec. 14	10.000	VH	5286/89	68,065	68,065
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	30,500	30,500
1995-2015	May 12	9.125	VR	6620/95	55,000	55,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
					<u>313,643</u>	<u>343,849</u>
Equity in Sinking Fund (Note 7c)					<u>(146,566)</u>	<u>(157,064)</u>
Net sinking fund debentures outstanding					167,077	186,785
Other long-term debt outstanding						
Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.45% (2003 - 5.34%)					148,446	120,206
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2024 and a weighted average interest rate of 5.90% (2003 - 5.95%)					298,481	278,546
Capital lease obligations with varying maturities up to 2028 and a weighted average interest rate of 9.40% (2003 - 9.40%) (Note 7d)					24,702	25,919
Other long-term debt					<u>20,600</u>	<u>22,800</u>
					<u>659,306</u>	<u>634,256</u>
Current portion of debenture debt					(27,909)	(24,232)
Current portion of Equity in Capital Assets Fund debt					(23,240)	(25,313)
Current portion of capital lease obligation					<u>(1,081)</u>	<u>(1,217)</u>
					<u>(52,230)</u>	<u>(50,762)</u>
					<u>\$ 607,076</u>	<u>\$ 583,494</u>

7. Long-term Debt (continued)

Long-term debt to be retired over the next five years:

	2005	2006	2007	2008	2009	Thereafter
Sinking fund debentures	\$ 40,078	\$ -	\$ -	\$ -	\$ 118,065	\$ 155,500
Serial, other and installment debt	16,061	16,804	29,413	11,524	12,088	83,156
Equity in Capital Assets Fund	23,240	20,857	19,406	18,480	16,980	199,518
Capital lease obligations	1,081	1,144	1,643	1,342	1,565	17,927
	<u>\$ 80,460</u>	<u>\$ 38,805</u>	<u>\$ 50,462</u>	<u>\$ 31,346</u>	<u>\$ 148,698</u>	<u>\$ 456,101</u>

- a) 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

- b) All debentures are general obligations of the City. Debenture debt is allocated to the General Capital Fund and utilities in the amounts shown in the issuing by-law.
- c) **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.
- d) Future minimum lease payments under the capital leases together with the balance of the obligation due under the capital leases are as follows:

2005	\$ 3,323
2006	3,299
2007	3,707
2008	3,275
2009	3,378
thereafter	<u>33,679</u>
Total future minimum lease payments	50,661
Amount representing interest at a weighted average interest rate of 9.40%	<u>(25,959)</u>
Balance of the capital lease obligations	<u>\$ 24,702</u>

8. *Change in Accounting Policy and Restatement of Prior Years Financial Statements*

During the year, The City of Winnipeg changed its accounting policy relating to the recognition of contributions from senior levels of government. Prior to 2004, contributions were recorded at the time an invoice was issued. During the year, the percentage of completion method of accounting for contributions from senior levels of government was adopted. This change in policy has resulted in an increase to accounts receivable by \$17.8 million (2003 - \$7.6 million), an increase to deferred liabilities by \$4.7 million (2003 - \$2.6 million), and a decrease to capital assets by \$13.1 million (2003 - \$5.0 million).

This change has been applied retroactively.

**THE CITY OF WINNIPEG
GENERAL CAPITAL FUND**

Schedule 1

CAPITAL EXPENDITURES

*For the year ended December 31, 2004
(in thousands of dollars)*

	<u>Capital Expenditures</u>	<u>Amount Unfinanced</u>
General Municipal Purposes		
Streets and bridges	\$ 26,246	\$ (4,332)
Land drainage sewers	25,513	925
Culture and recreation	13,767	297
Civic accommodations	9,216	617
Special projects	8,756	862
Local improvements	4,322	1,132
Protection	3,606	694
Winnipeg Development Agreement	7	900
	<u>\$ 91,433</u>	<u>\$ 1,095</u>

Administration fees and interim financing charges capitalized during 2004 were \$1.1 million (2003 - \$1.1 million).

THE CITY OF WINNIPEG

STABILIZATION RESERVES

The City of Winnipeg has two reserves whose purpose is to stabilize the effect of certain expenses on the current operations of the City. They are as follows:

The Future Tax Levies Reserve Fund was created by City Council on May 16, 1973, to counteract the budgetary effects of fluctuations from year to year in tax revenue caused by additions to and deletions from the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council, through the adoption of the Financial Stability Plan, approved changing the name of the fund to the Fiscal Stabilization Reserve Fund and the establishment of the Mill Rate Stabilization Reserve Fund to fund deficits recorded in the General Revenue Fund in order to assist in the stabilization of the City's mill rate and/or property tax requirements.

On December 13, 2000, Council amended the regulations governing the Fiscal Stabilization Reserve Fund to provide for transfers to/from the General Revenue Fund necessary to offset any variances in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

Fiscal Stabilization Reserve Fund

The Fiscal Stabilization Reserve Fund is subject to the following regulations:

- That no transfers from the Reserve be made to the General Revenue Fund to fund current operations;
- That the target level be established at a minimum level of 5% of the General Revenue Fund's adopted budget expenses;
- That the Reserve provide for transfers to or from the General Revenue Fund to offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year;
- That, subject to the Stabilization Reserves Fund - Combined Regulation, once the Reserve balance exceeds 5% of the General Revenue Fund's adopted budget expenses, the excess amount be considered for utilization only to provide for major unforeseen expenses;
- That any use of these funds be contingent upon approval by two-thirds of Council; and
- The use of these funds in any given year be limited to no more than 20% of the prior year's reserve balance.

The City Treasurer is the Fund Manager.

Mill Rate Stabilization Reserve Fund

The Mill Rate Stabilization Reserve Fund is subject to the following regulations:

- Charges in any one-year are limited to no more than 20% of the prior year's Reserve balance to a maximum of 50% of any deficit in the General Revenue Fund; and
- That subject to the Stabilization Reserves Fund - Combined Regulation, no charges to the Reserve should be made unless the reserve balance exceeds 5% of the General Revenue Fund expenses, in which case, half the excess is automatically transferred in the following year.

The City Treasurer is the Fund Manager.

THE CITY OF WINNIPEG STABILIZATION RESERVES (continued)

Stabilization Reserves Fund - Combined Regulations

On May 23, 2001, City Council adopted the Financial Management Plan - Review of Reserves, which modified some of the original regulations of the individual reserves to a combined regulation as follows:

- That if either reserve has achieved its 5% target but the total of 10% tax-supported expenditures of the General Revenue Fund has yet to be achieved, then excess interest revenue of either Reserve be redirected to the Reserve which has yet to reach its individual target of 5%;
- That if the Stabilization Reserves are in excess of the 10% target then the excess funds be identified as available for one-time expenditures; and
- That if the Stabilization Reserves are reduced below the 10% target or that the pace of increase in the stabilization funds, as approved in the Financial Management Plan, are not being met, that a replenishment plan be adopted by City Council, which may include using net added taxes in addition to surplus and interest to achieve the 10% target.

THE CITY OF WINNIPEG STABILIZATION RESERVES

FIVE-YEAR REVIEW

As at December 31
(in thousands of dollars)

	2004	2003	2002	2001	2000
Fiscal Stabilization Reserve Fund					
Net realty taxes added to					
the assessment roll	\$ 511	\$ 604	\$ 69	\$ 5,888	\$ 11,322
New home tax credit	\$ -	\$ -	\$ -	\$ 320	\$ 1,109
Interest earned	\$ 763	\$ 970	\$ 789	\$ 1,249	\$ 966
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ -	\$ 7,035	\$ -
Transfer to Mill Rate					
Stabilization Reserve	\$ 739	\$ 456	\$ 268	\$ 6,075	\$ -
Mill Rate Stabilization Reserve Fund					
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ -	\$ 9,664	\$ -
Transfer from Fiscal					
Stabilization Reserve	\$ 739	\$ 456	\$ 268	\$ 6,075	\$ -
Transfer from					
General Revenue Fund	\$ -	\$ -	\$ 850	\$ 565	\$ 932
Transfer from Commitment					
Reserve	\$ -	\$ -	\$ 107	\$ 156	\$ 52
Interest	\$ 585	\$ 735	\$ 567	\$ 456	\$ 289

THE CITY OF WINNIPEG STABILIZATION RESERVES

STATEMENT OF FINANCIAL POSITION

*As at December 31
(in thousands of dollars)*

	<u>Fiscal Stabilization Reserve</u>	<u>Mill Rate Stabilization Reserve</u>	<u>Totals 2004</u>	<u>Totals 2003</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	<u>\$ 34,712</u>	<u>\$ 27,613</u>	<u>\$ 62,325</u>	<u>\$ 60,588</u>
EQUITY				
Unallocated	<u>\$ 34,712</u>	<u>\$ 27,613</u>	<u>\$ 62,325</u>	<u>\$ 60,588</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG STABILIZATION RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Fiscal Stabilization Reserve	Mill Rate Stabilization Reserve	Totals 2004	Totals 2003
Balance, beginning of year	<u>\$ 34,246</u>	<u>\$ 26,342</u>	<u>\$ 60,588</u>	<u>\$ 58,279</u>
Add:				
Interest earned	763	585	1,348	1,705
Transfer from Fiscal Stabilization Reserve	-	739	739	456
Net realty taxes added to the assessment roll	<u>511</u>	<u>-</u>	<u>511</u>	<u>604</u>
	<u>1,274</u>	<u>1,324</u>	<u>2,598</u>	<u>2,765</u>
Deduct:				
Transfer to Mill Rate Stabilization Reserve	739	-	739	456
Transfer to General Revenue Fund - investment management fee	<u>69</u>	<u>53</u>	<u>122</u>	<u>-</u>
	<u>808</u>	<u>53</u>	<u>861</u>	<u>456</u>
Balance, end of year	<u><u>\$ 34,712</u></u>	<u><u>\$ 27,613</u></u>	<u><u>\$ 62,325</u></u>	<u><u>\$ 60,588</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG STABILIZATION RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Stabilization Reserves follow the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Stabilization Reserves Fund include the following:

Fiscal Stabilization Reserve Fund

Mill Rate Stabilization Reserve Fund

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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.

2. Status of the Stabilization Reserves Fund

The Future Tax Levies Reserve Fund was created by City Council on May 16, 1973, to counteract the budgetary effects of fluctuations from year to year in tax revenue caused by additions to and deletions from the tax roll due to new construction, demolitions or improvements to land.

On March 20, 1997, City Council, through the adoption of the Financial Stability Plan, approved changing the name of the fund to the Fiscal Stabilization Reserve Fund and the establishment of the Mill Rate Stabilization Reserve Fund to fund deficits recorded in the General Revenue Fund in order to assist in the stabilization of the City's mill rate and/or property tax requirements.

On December 13, 2000, Council amended the regulations governing the Fiscal Stabilization Reserve Fund to provide for transfers to/from the General Revenue Fund necessary to offset any variances in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year.

2. *Status of the Stabilization Reserves Fund (continued)*

Fiscal Stabilization Reserve Fund

The Fiscal Stabilization Reserve Fund is subject to the following regulations:

- That no transfers from the Reserve be made to the General Revenue Fund to fund current operations;
- That the target level be established at a minimum level of 5% of the General Revenue Fund's adopted budget expenses;
- That the Reserve provide for transfers to or from the General Revenue Fund to offset any variance in the tax projections used in the development of the annual estimates and the actual amounts billed in the spring of each year;
- That, subject to the Stabilization Reserves Fund - Combined Regulation, once the Reserve balance exceeds 5% of the General Revenue Fund's adopted budget expenses, the excess amount be considered for utilization only to provide for major unforeseen expenses;
- That any use of these funds be contingent upon approval by two-thirds of Council; and
- The use of these funds in any given year be limited to no more than 20% of the prior year's reserve balance.

The City Treasurer is the Fund Manager.

Mill Rate Stabilization Reserve Fund

The Mill Rate Stabilization Reserve Fund is subject to the following regulations:

- Charges in any one-year are limited to no more than 20% of the prior year's Reserve balance to a maximum of 50% of any deficit in the General Revenue Fund; and
- That subject to the Stabilization Reserves Fund - Combined Regulation, no charges to the Reserve should be made unless the reserve balance exceeds 5% of the General Revenue Fund expenses, in which case, half the excess is automatically transferred in the following year.

The City Treasurer is the Fund Manager.

Stabilization Reserves Fund - Combined Regulations

On May 23, 2001, City Council adopted the Financial Management Plan - Review of Reserves, which modified some of the original regulations of the individual reserves to a combined regulation as follows:

- That if either reserve has achieved its 5% target but the total of 10% tax-supported expenditures of the General Revenue Fund has yet to be achieved, then excess interest revenue of either Reserve be redirected to the Reserve which has yet to reach its individual target of 5%;
- That if the Stabilization Reserves are in excess of the 10% target then the excess funds be identified as available for one-time expenditures; and
- That if the Stabilization Reserves are reduced below the 10% target or that the pace of increase in the stabilization funds, as approved in the Financial Management Plan, are not being met, that a replenishment plan be adopted by City Council, which may include using net added taxes in addition to surplus and interest to achieve the 10% target.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Cash transactions are credited or charged to the "Due from" account in each fund. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

THE CITY OF WINNIPEG

CAPITAL RESERVES

The City of Winnipeg operates twelve Capital Reserves to account for the use of designated revenue for specific purposes. The twelve funds included are as follows:

Watermain Renewal Reserve Fund

On February 18, 1981, City Council authorized the establishment of a Watermain Renewal Reserve Fund for the purpose of financing, from one source, the renewal of watermain. The Reserve was established by the transfer of \$2.0 million of frontage levy revenue from the Waterworks System and is maintained by the transfer of frontage levy revenue and interest earned.

Since 1974, The City of Winnipeg has used a frontage levy to raise revenue for watermain renewals. Frontage is that part of the property which abuts onto a public roadway. The total length of frontage for the City increases as new subdivisions are constructed. This growth adds to the inventory of watermain which must be maintained. It also increases the revenue from the frontage levy. Irregular shaped lots and corner lots pay a levy based upon an equivalent frontage footage determined by a conversion formula.

On December 17, 1997, City Council passed By-law No. 7138/97 which clarifies that the frontage levy is "for the purpose of renewal, replacement, enlargement, rehabilitation, corrosion mitigation, and non-destructive testing" of watermain.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

Combined Sewer Renewal Reserve Fund

On May 27, 1992, City Council authorized the establishment of a Combined Sewer Renewal Reserve Fund for the renewal and rehabilitation of combined sewers with funding to be provided from the frontage levy identified for this purpose in By-law 549/73 (amended by By-law 7138/97). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers (as defined by the Sewer Utility By-law 5058/88). In 1998, a comprehensive sewer cleaning and inspection program was initiated, with funding from the Combined Sewer Renewal Reserve. The results from this continuing program are used to more effectively prioritize sewer renewal/rehabilitation budgets.

The annual frontage levy funding can be allocated by Council between the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve in accordance with the capital program requirements.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

THE CITY OF WINNIPEG

CAPITAL RESERVES (continued)

Wastewater Sewer Renewal Reserve Fund

On May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers with funding to be provided from the frontage levy identified for this purpose in By-law 549/73 (amended by By-law 7138/97). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

The annual frontage levy funding can be allocated by Council between the Wastewater Sewer Renewal Reserve and the Combined Sewer Renewal Reserve in accordance with the capital program requirements.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

Water Treatment Reserve Fund

On December 17, 1993, City Council authorized the establishment of a Water Treatment Reserve Fund for the purpose of providing funding for a water treatment program. The Reserve is financed through a monthly transfer from the Waterworks System Fund based on the amount of water consumption billed.

In January 1994, the City completed the Regional Water Supply Conceptual Planning Study. The report identified the major issues involved in planning the future water supply program and provided recommendations for a water supply master plan. These recommendations were adopted by City Council on May 25, 1994. There was a recommendation that the City should plan for the construction of a water treatment plant within the next decade to meet emerging regulatory requirements relating to public health protection.

In 1999, the water treatment plant conceptual design study was completed with the financial plan calling for construction of the plant to commence in 2004 with an in-service date of 2006. Executive Policy Committee held public meetings regarding the need for a proposed water treatment plant and on November 22, 2000, Council approved the recommended water treatment program.

On July 17, 2002, Council approved an amendment to the baseline water treatment process to include ultra violet (UV) light disinfection. In addition, Council approved an amendment to the schedule for implementation of water treatment to facilitate staged implementation with construction of a UV facility to be operational in 2004, construction of a chloramination facility to be operational in 2005 and construction of the balance of the water treatment plant be operational in 2007. Total cost of the water treatment plant is estimated at \$227 million.

The Director of Water and Waste is the Fund Manager.

THE CITY OF WINNIPEG CAPITAL RESERVES (continued)

Environmental Projects Reserve Fund

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the nature of the projects this Reserve was set up to fund.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based on the amount of water consumption billed. The Reserve funds ongoing ammonia, nitrification and combined sewer overflow ("CSO") studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

River quality is under the jurisdiction of the Province of Manitoba and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50 year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period, which was subsequently ordered by the Minister of Conservation on September 26, 2003.

On September 3, 2004, the Province of Manitoba issued Environment Act License No. 2669 for the West End Water Pollution Control Centre, which provides for the plan as directed by the Minister of Conservation. Certain provisions of this license are under appeal by the City. Environment Act Licenses for the South End and North End Water Pollution Control Centers are expected in 2005. Capital projects to bring the City in compliance with these licenses are partially funded by this Reserve.

The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

On December 17, 1993, City Council authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site. The Reserve is financed through a monthly transfer from the Solid Waste Disposal Utility Fund based on tonnages processed at the landfill.

The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

The Golf Course Reserve Fund was created by City Council on April 28, 1994, to provide funding for enhancements to the Municipal Golf Courses in order to keep them competitive with those in the private sector.

The Director of Planning, Property and Development is the Fund Manager.

Library Reserve Fund

City Council, on December 14, 1994, authorized the establishment of a Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, Council further approved that all over due fines, replacement fees, room rental, non-resident and photocopy fees revenues be realized in the reserve. The Director of Community Services is the Fund Manager.

THE CITY OF WINNIPEG CAPITAL RESERVES (continued)

Transit Bus Replacement Reserve Fund

On December 15, 1994, City Council approved the establishment of the Transit Bus Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement or refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and insurance claims on bus equipment written off. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards that purchase.

The long-term objective is that this Reserve will accumulate funds through annual surpluses which will be used to finance future bus requirements. This will reduce the reliance on operating and capital budgets as sources of financing. As well, the Reserve may act as a stabilization fund for those years where the actual bus costs exceed that budgeted, as surplus funds from other years will cover any shortfall. The Director of Transit is the Fund Manager.

Concession Equipment Replacement Reserve Fund

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase of new concession equipment and to replace old worn out or broken equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

Computer Replacement Reserve Fund

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

Aqueduct Rehabilitation Reserve Fund

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The final year for contributions to the Aqueduct Reserve was 2003. The project is ongoing on a limited basis until the end of 2005.

The Director of Water and Waste is the Fund Manager.

THE CITY OF WINNIPEG

CAPITAL RESERVES

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

	2004	2003	2002	2001	2000
Watermain Renewal Reserve Fund					
Frontage levy revenue	\$ 6,805	\$ 6,753	\$ 2,713	\$ 6,702	\$ 6,667
Watermain renewals funded	\$ 6,281	\$ 6,541	\$ 8,964	\$ 7,940	\$ 7,399
Kilometres of watermain	2,427	2,420	2,418	2,427	2,411
Watermain repairs	511	1,009	589	724	607
Combined Sewer Renewal Reserve Fund					
Frontage levy revenue	\$ 18,829	\$ 19,999	\$ 13,427	\$ 19,400	\$ 17,353
Sewer renewals funded	\$ 16,290	\$ 15,398	\$ 18,074	\$ 16,957	\$ 17,532
Kilometres of sewers	1,095	1,092	1,091	1,075	1,078
Kilometres of sewer renewed	6.68	6.00	7.27	7.51	7.54
Wastewater Sewer Renewal Reserve Fund					
Frontage levy revenue	\$ 420	\$ -	\$ -	\$ -	\$ 421
Sewer renewals funded	\$ 292	\$ 547	\$ 73	\$ -	\$ 26
Kilometres of sewers	1,410	1,398	1,390	1,331	1,310
Kilometres of sewer renewed	0.10	0.05	0.15	-	-
Water Treatment Reserve Fund					
Transfer from					
Waterworks System	\$ 11,174	\$ 10,114	\$ 9,651	\$ 11,243	\$ 11,138
Transfer to Waterworks					
System Capital	\$ -	\$ -	\$ 301	\$ 301	\$ 24
Environmental Projects Reserve Fund					
Transfer from Sewage					
Disposal System	\$ 12,109	\$ 7,047	\$ 6,810	\$ 7,006	\$ 6,866
Transfer to Sewage Disposal					
System Capital	\$ 950	\$ 1,187	\$ 935	\$ 453	\$ 792
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid					
Waste Disposal	\$ 196	\$ 168	\$ 169	\$ 176	\$ 175
Golf Course Reserve Fund					
Transfer from General					
Revenue Fund	\$ -	\$ -	\$ -	\$ 18	\$ 229
Library Reserve Fund					
Library fines	\$ 44	\$ 392	\$ 520	\$ 563	\$ 757
Transit Bus Replacement Reserve Fund					
Transfer (to)/from					
Transit System, net	\$ (1,123)	\$ (3,708)	\$ (2,788)	\$ 660	\$ 4,853
Number of buses financed	40	50	32	20	-

THE CITY OF WINNIPEG

CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

	2004	2003	2002	2001	2000
Concession Equipment Replacement Reserve Fund					
Contributions	\$ 11	\$ 13	\$ 13	\$ 23	\$ 33
Purchases of equipment	\$ 2	\$ 13	\$ 4	\$ 4	\$ 32
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Finance	\$ 724	\$ 617	\$ 507	\$ 394	\$ 212
Community Services	190	413	279	62	158
Public Works	156	84	-	-	-
CAO Secretariat	15	20	14	11	10
EPC Secretariat	7	9	4	-	-
	\$ 1,092	\$ 1,143	\$ 804	\$ 467	\$ 380
Aqueduct Rehabilitation Reserve Fund					
Transfer from					
Waterworks System	\$ -	\$ 2,639	\$ 5,812	\$ 4,982	\$ 5,047
Transfer to Waterworks System Capital	\$ 1,120	\$ 3,458	\$ 8,242	\$ 5,659	\$ 4,813

THE CITY OF WINNIPEG

CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands of dollars)

	<u>Watermain Renewal Reserve</u>	<u>Combined Sewer Reserve</u>	<u>Wastewater Sewer Reserve</u>	<u>Sub-total</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	\$ 2,005	\$ 25,132	\$ 593	\$ 27,730
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	<u>2,005</u>	<u>25,132</u>	<u>593</u>	<u>27,730</u>
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
Capital assets (Note 6)	-	-	-	-
	<u>\$ 2,005</u>	<u>\$ 25,132</u>	<u>\$ 593</u>	<u>\$ 27,730</u>
EQUITY				
Allocated	\$ 845	\$ 19,931	\$ 348	\$ 21,124
Unallocated	<u>1,160</u>	<u>5,201</u>	<u>245</u>	<u>6,606</u>
	<u>\$ 2,005</u>	<u>\$ 25,132</u>	<u>\$ 593</u>	<u>\$ 27,730</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>Sub-total Brought Forward</u>	<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>	<u>Brady Landfill Reserve</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	\$ 27,730	\$ 1,573	\$ 49,830	\$ 18
Call loans - General Revenue Fund	-	3,317	-	222
Accounts receivable	-	147	-	3
	<u>27,730</u>	<u>5,037</u>	<u>49,830</u>	<u>243</u>
Investments (Note 4)	-	79,769	-	1,602
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
Capital assets (Note 6)	-	8,385	1,400	-
	<u>\$ 27,730</u>	<u>\$ 93,191</u>	<u>\$ 51,230</u>	<u>\$ 1,845</u>
EQUITY				
Allocated	\$ 21,124	\$ 93,191	\$ 51,230	\$ 1,845
Unallocated	6,606	-	-	-
	<u>\$ 27,730</u>	<u>\$ 93,191</u>	<u>\$ 51,230</u>	<u>\$ 1,845</u>

See accompanying notes to the financial statements

<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Sub-total</u>
\$ 1,455	\$ 1,821	\$ 89	\$ 110	\$ 1,092	\$ 857	\$ 84,575
-	-	-	-	-	-	3,539
-	-	-	-	-	-	150
1,455	1,821	89	110	1,092	857	88,264
-	-	-	-	-	-	81,371
259	-	-	-	-	-	259
-	-	-	-	-	-	9,785
<u>\$ 1,714</u>	<u>\$ 1,821</u>	<u>\$ 89</u>	<u>\$ 110</u>	<u>\$ 1,092</u>	<u>\$ 857</u>	<u>\$ 179,679</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,092	\$ 857	\$ 169,339
1,714	1,821	89	110	-	-	10,340
<u>\$ 1,714</u>	<u>\$ 1,821</u>	<u>\$ 89</u>	<u>\$ 110</u>	<u>\$ 1,092</u>	<u>\$ 857</u>	<u>\$ 179,679</u>

THE CITY OF WINNIPEG

CAPITAL RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands of dollars)

	<u>Totals 2004</u>	<u>Totals 2003</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 84,575	\$ 74,605
Call loans - General Revenue Fund	3,539	7,050
Accounts receivable	<u>150</u>	<u>405</u>
	88,264	82,060
Investments (Note 4)	81,371	69,469
Due from Golf Services - Special Operating Agency (Note 5)	259	150
Capital assets (Note 6)	<u>9,785</u>	<u>1,125</u>
	<u>\$ 179,679</u>	<u>\$ 152,804</u>
EQUITY		
Allocated	\$ 169,339	\$ 142,201
Unallocated	<u>10,340</u>	<u>10,603</u>
	<u>\$ 179,679</u>	<u>\$ 152,804</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Watermain Renewal Reserve	Combined Sewer Reserve	Wastewater Sewer Reserve	Sub-total
Balance, beginning of year	\$ 1,391	\$ 21,917	\$ 452	\$ 23,760
Add:				
Frontage levies	6,805	18,829	420	26,054
Transfer from Sewage Disposal System	-	-	-	-
Transfer from Waterworks System	-	-	-	-
Interest earned	100	745	14	859
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
Other	-	-	-	-
Transfer from Equipment Material Services	-	-	-	-
	<u>8,296</u>	<u>41,491</u>	<u>886</u>	<u>50,673</u>
Deduct:				
Transfer to General Capital Fund	-	16,290	-	16,290
Transfer to Waterworks System	6,281	-	-	6,281
Transfer to Sewage Disposal System	-	-	292	292
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	10	69	1	80
Other	-	-	-	-
Transfer to Fleet Management - Special Operating Agency	-	-	-	-
	<u>6,291</u>	<u>16,359</u>	<u>293</u>	<u>22,943</u>
Balance, end of year	<u>\$ 2,005</u>	<u>\$ 25,132</u>	<u>\$ 593</u>	<u>\$ 27,730</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in thousands of dollars)

	Sub-total Brought Forward	Water Treatment Reserve	Environmental Projects Reserve	Brady Landfill Reserve
Balance, beginning of year	\$ 23,760	\$ 79,073	\$ 39,175	\$ 1,576
Add:				
Frontage levies	26,054	-	-	-
Transfer from Sewage Disposal System	-	-	12,109	-
Transfer from Waterworks System	-	11,174	-	-
Interest earned	859	3,030	986	75
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	196
Transfer from Building Services Fund	-	-	-	-
Other	-	-	-	-
Transfer from Equipment Material Services	-	-	-	-
	<u>50,673</u>	<u>93,277</u>	<u>52,270</u>	<u>1,847</u>
Deduct:				
Transfer to General Capital Fund	16,290	-	-	-
Transfer to Waterworks System	6,281	-	-	-
Transfer to Sewage Disposal System	292	-	950	-
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	80	84	90	2
Other	-	2	-	-
Transfer to Fleet Management - Special Operating Agency	-	-	-	-
	<u>22,943</u>	<u>86</u>	<u>1,040</u>	<u>2</u>
Balance, end of year	<u>\$ 27,730</u>	<u>\$ 93,191</u>	<u>\$ 51,230</u>	<u>\$ 1,845</u>

See accompanying notes to the financial statements

<u>Golf Course Reserve</u>	<u>Library Reserve</u>	<u>Transit Bus Replacement Reserve</u>	<u>Concession Equipment Reserve</u>	<u>Computer Replacement Reserve</u>	<u>Aqueduct Rehabilitation Reserve</u>	<u>Sub-total</u>
\$ 1,683	\$ 3,199	\$ 1,147	\$ 99	\$ 1,143	\$ 1,949	\$ 152,804
-	-	-	-	-	-	26,054
-	-	-	-	-	-	12,109
-	-	-	-	-	-	11,174
46	70	72	2	25	31	5,196
-	44	-	11	179	-	234
-	-	-	-	-	-	196
-	-	-	-	15	-	15
-	3	-	-	-	-	3
-	-	-	-	-	-	-
<u>1,729</u>	<u>3,316</u>	<u>1,219</u>	<u>112</u>	<u>1,362</u>	<u>1,980</u>	<u>207,785</u>
-	1,300	-	-	-	-	17,590
-	-	-	-	-	1,120	7,401
-	-	-	-	-	-	1,242
-	-	1,123	-	-	-	1,123
12	13	-	2	268	-	295
3	6	7	-	2	3	277
-	176	-	-	-	-	178
-	-	-	-	-	-	-
<u>15</u>	<u>1,495</u>	<u>1,130</u>	<u>2</u>	<u>270</u>	<u>1,123</u>	<u>28,106</u>
<u>\$ 1,714</u>	<u>\$ 1,821</u>	<u>\$ 89</u>	<u>\$ 110</u>	<u>\$ 1,092</u>	<u>\$ 857</u>	<u>\$ 179,679</u>

THE CITY OF WINNIPEG

CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in thousands of dollars)

	Totals 2004	Totals 2003
Balance, beginning of year	\$ 152,804	\$ 141,744
Add:		
Frontage levies	26,054	26,752
Transfer from Sewage Disposal System	12,109	7,047
Transfer from Waterworks System	11,174	12,753
Interest earned	5,196	6,054
Transfer from General Revenue Fund	234	833
Transfer from Solid Waste Disposal	196	168
Transfer from Building Services Fund	15	19
Other	3	-
Transfer from Equipment Material Services	-	3
	207,785	195,373
Deduct:		
Transfer to General Capital Fund	17,590	15,398
Transfer to Waterworks System	7,401	9,999
Transfer to Sewage Disposal System	1,242	1,734
Transfer to Transit System	1,123	3,708
Purchase of equipment	295	152
Transfer to General Revenue Fund - investment management fee	277	-
Other	178	435
Transfer to Fleet Management - Special Operating Agency	-	11,143
	28,106	42,569
Balance, end of year	\$ 179,679	\$ 152,804

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

CAPITAL RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Capital Reserves follow the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Capital Reserves include the following:

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

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

d) Bond residues and coupons

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

2. *Status of the Capital Reserves*

Watermain Renewal Reserve Fund

City Council, on February 18, 1981, authorized the establishment of a Watermain Renewal Reserve Fund for the purpose of financing, from one source, the renewal of watermains. The Reserve was established in 1981 by the transfer of \$2.0 million of frontage levy revenue from the Waterworks system and will be maintained by the transfer of frontage levy revenue and interest earned.

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

Combined Sewer Renewal Reserve Fund

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the renewal and rehabilitation of combined sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

Wastewater Sewer Renewal Reserve Fund

City Council, on May 27, 1992, authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers with funding to be provided from the frontage levy identified for this purpose in By-law No. 549/73 (amended by By-law No. 7138/97).

On January 30, 2002, Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

The Director of Water and Waste is the Fund Manager.

Water Treatment Reserve Fund

City Council, on December 17, 1993, authorized the establishment of a Water Treatment Reserve Fund for the purpose of providing funding for a water treatment program.

The Reserve is financed through a monthly transfer from the Waterworks System Fund. The 2004 water rates include a provision of 47.25 cents (2003 - 39.50 cents) per 100 cubic feet of billed water consumption to fund this transfer. The Director of Water and Waste is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

Environmental Projects Reserve Fund

City Council, on December 17, 1993, authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental studies for river quality. City Council, on January 24, 1996, changed the name of this Reserve to the Environmental Projects Reserve Fund to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The Reserve funds ongoing ammonia, nitrification and combined sewer overflow ("CSO") studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund. The 2004 sewer rate include a provision of 55.0 cents (2003 - 27.60 cents) per 100 cubic feet of billed water consumption to fund this transfer. The Director of Water and Waste is the Fund Manager.

Brady Landfill Site Rehabilitation Reserve Fund

City Council, on December 17, 1993, authorized the establishment of a Brady Landfill Site Rehabilitation Reserve Fund for the purpose of providing funding for the future development of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The landfill tipping fee includes a provision of 50 cents per tonne for each tonne disposed at Brady Road Landfill to fund this transfer. The Director of Water and Waste is the Fund Manager.

Golf Course Reserve Fund

City Council, on April 28, 1994, authorized the establishment of a Golf Course Reserve for capital expenses required for the enhancement of the Municipal Golf Courses operated by Golf Services - Special Operating Agency. The Director of Planning, Property and Development is the Fund Manager.

Library Reserve Fund

City Council, on December 14, 1994, authorized the establishment of a reserve fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, Council further approved that all over due fines, replacement fees, room rental, non-resident and photocopy fees revenues be realized in the Reserve. The Director of Community Services is the Fund Manager.

Transit Bus Replacement Reserve Fund

City Council, on December 15, 1994, approved the creation of a Transit Bus Replacement Reserve Fund for the purpose of providing financing for the replacement or major refurbishment of transit buses in a scheduled and pragmatic manner. Contributions to the Reserve will be based on a budgeted appropriation from the Transit Department plus proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit Department making the outlay to replace or refurbish buses, this Reserve will contribute towards the purchase. The Director of Transit is the Fund Manager.

2. *Status of the Capital Reserves (continued)*

Concession Equipment Replacement Reserve Fund

On January 26, 1995, City Council approved the establishment of the Concession Equipment Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the purchase of new concession equipment and to replace old worn out or broken equipment. Contributions to the Reserve consist of 10% of concession revenues collected by the Community Services Department and interest earned. The Director of Community Services is the Fund Manager.

Computer Replacement Reserve Fund

On March 22, 1995, City Council approved the establishment of the Computer Replacement Reserve Fund. The purpose of the Reserve is to provide financing for the replacement, refurbishing, modifying, or upgrading of personal computer hardware and/or software and to stabilize the effect on the annual budget. Through direct contributions, users contribute an amount to the Reserve for computer equipment based upon the latest actual purchase cost for that type of unit. Other contributions to the Reserve would include investment income. The Corporate Controller is the Fund Manager.

Aqueduct Rehabilitation Reserve Fund

City Council, on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct.

The Reserve was financed through a monthly transfer from the Waterworks System Fund. The final year for contributions to the Aqueduct Reserve was 2003, when water rates included a provision of 7.69 cents per 100 cubic feet of billed water consumption. The project is ongoing on a limited basis until the end of 2005. The Director of Water and Waste is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently these funds do not have a bank account. Cash transactions are credited or charged to the "Due from/(to)" account in each fund. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Investments*

	<u>2004</u>	<u>2003</u>
Marketable securities		
Provincial bonds, bond residues and coupons	\$ 55,607	\$ 44,004
Government of Canada bonds, bond residues, coupons and treasury bills	<u>25,764</u>	<u>25,465</u>
	<u>\$ 81,371</u>	<u>\$ 69,469</u>

The aggregate market value of marketable securities at December 31, 2004 is \$82,358 thousand (2003 - \$71,206 thousand).

5. *Due from Golf Services - Special Operating Agency*

	<u>2004</u>	<u>2003</u>
Golf course improvements loan, interest at 6%, with principle repayments scheduled over 10 years, commencing in 2004	<u>\$ 259</u>	<u>\$ 150</u>

6. *Capital Assets*

Water Treatment projects are recorded as assets in the Water Treatment Reserve as they are completed. These assets will continue to build in value until the new water treatment plant is completed. At that time, the completed assets will be transferred to the Waterworks System Fund and will be amortized over their expected useful life.

Commencing in 2004, Combined Sewer Overflow and Disinfection projects are recorded as assets in the Environmental Projects Reserve as they are completed. These assets will continue to build in value until the projects are completed. At that time, the completed assets will be transferred to the Sewer System Fund and will be amortized over their expected useful life. Prior to this change, these assets were expensed in the Reserve in the year acquired. This change has been applied prospectively.

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

The City of Winnipeg operates seventeen Special Purpose Reserves to account for the use of designated revenue for specific purposes. These Reserves are as follows:

Workers Compensation Reserve Fund

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former **City of Winnipeg Act**.

The City of Winnipeg administers 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. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

Perpetual Maintenance Funds (Brookside, St. Vital and Transcona Cemeteries)

Under the terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, created a fund for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to The City of Winnipeg. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, **The City of Winnipeg Act** was replaced with new legislation entitled **The City of Winnipeg Charter**. Under this new legislation the investment and administration of the funds has been transferred to the administration of The City of Winnipeg.

The Director of Planning, Property and Development is the Funds Manager.

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES (continued)

Insurance Reserve Fund

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

Contributions in Lieu of Land Dedication Reserve Fund

On January 10, 1973, City Council adopted the policy that cash payments received by the City in lieu of land dedication for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended that policy to permit proceeds from the sale of surplus Parks and Recreation lands to be deposited to the Contributions in Lieu of Land Dedication Reserve Fund account of the respective community. On September 19, 1990, City Council adopted the recommendation that revenue would be apportioned among the communities on the basis of 75% to the account of the community in which the revenue was collected and 25% to be divided equally among all communities. This change was phased in over three years commencing in 1991.

Expenses are limited to the acquisition or improvement of land for parks, recreation facilities, or open space.

The Director of Planning, Property and Development is the Fund Manager.

Land Operating Reserve Fund

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale.

Disbursements from this Reserve are limited to the acquisition cost of properties for resale, and any other expenses directly related to the acquisition, sale and improvement of disposable City properties. Use of the Reserve's funds for any other purpose requires the authorization of City Council. This Reserve is maintained by the proceeds from the sale of City-owned properties and interest earned.

In accordance with City Council directives, 5% of the gross sales revenue is allocated to the Historical Building Program and another 5% of gross sales revenue is allocated to the Enhanced Land Marketing Program to finance those activities necessary to facilitate the sale of surplus lands.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Fund adheres to full accrual accounting procedures in accordance with the guidelines as recommended by the Canadian Institute of Public Real Estate Companies (CIPREC).

The Director of Planning, Property and Development is the Fund Manager.

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES (continued)

Recreation Programming Reserve Fund

The Recreation Programming Reserve Fund was created by City Council on October 6, 1976 from cumulative surpluses and deficits of former Parks and Recreation Boards and Commissions as at December 31, 1976. These funds along with any forthcoming revenues and expenses were to be segregated by Community Committee and used for recreation programming projects in that Community.

The Reserve fund balance is annually affected by the amount of the unexpended budgets in the recreation programming centres in the General Revenue Fund (or reduced by any over expenditure) and by interest earned. Expenses are limited to goods and services of the recreation programming type under the delegated authority of the Community Committee. The Director of Community Services is the Fund Manager.

Snow Clearing Reserve Fund

On March 22, 1995, City Council approved the establishment of the Snow Clearing Reserve Fund. The purpose of the fund is to absorb unexpected snowfall costs in years where the City of Winnipeg experienced above average snowfall levels. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. Charges in any one year should be limited to the lesser of 20% of the Reserve balance, or to the amount of snow clearing expenses in excess of 120% of the cost of a normal year's snowfall. However, no charges to the Reserve should be made until the Reserve has reached a level of \$5.0 million, and the Reserve balance should never exceed \$10.9 million.

On December 15, 2004, City Council further approved, that at their discretion, they may transfer from the Reserve a greater amount than or other than as stipulated by the reserve.

The Director of Public Works is the Fund Manager.

Idea Bank Reserve Fund

City Council, on April 30, 1997, authorized the establishment of the Idea Bank Reserve Fund to provide financing for innovative ideas presented outside of the normal budget process. The Idea Bank is set up as a revolving fund, which is self-sustaining. City Council, on November 17, 1999, approved an amendment to the Idea Bank Reserve whereby the purpose of the Reserve has been expanded to provide funding/financing support for Alternative Service Delivery (ASD) initiatives.

The Corporate Controller is the Fund Manager.

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES (continued)

Commitment Reserve Fund

On March 12, 1998, City Council approved the establishment of the Commitment Reserve Fund. The purpose of the fund is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Mill Rate Stabilization Reserve.

On July 19, 1999, City Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve be transferred to the Commitment Reserve Fund, which can then only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Mill Rate Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of ongoing funding for the Reserve will be incremental tax revenues that will flow from projects in which the Reserve has invested.

The Director of Planning, Property and Development is the Fund Manager.

Housing Rehabilitation Investment Reserve Fund

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It is intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve has invested would be returned to the Reserve to finance future projects.

The Director of Planning, Property and Development is the Fund Manager.

Economic Development Investment Reserve Fund

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. This Reserve invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES (continued)

Assiniboine Park Enterprise Reserve Fund

City Council, on September 15, 1982, approved the establishment of the Zoo Animals Reserve Fund for the purpose of replacing animal losses and of improving breeding stock in the Assiniboine Park Zoo ("the Zoo"). The Zoo Animals Reserve Fund was maintained by revenue from the sale of surplus animals and interest earned. Expenditures were limited to the acquisition costs of zoo animals and any costs directly related to the acquisition, as well as the planning, improving or building of new individual animal enclosures.

The Zoo Purposes Reserve Fund was created by City Council on December 14, 1983, to retain certain revenues received by the Zoo to be used to augment the operating and capital budgets of the Zoo. Such revenues included donation box receipts, coin operated feed dispensers, animal adoption program, concessions and other promotions as well as a portion of Zoological Society single pass memberships.

City Council, on May 23, 2001, approved that the Zoo Animals and Zoo Purposes Reserves be combined. In addition, the combined reserve be expanded to include a new purpose, which is to enhance the maintenance, operation, planning and minor infrastructure for Assiniboine Park. This would include additional revenues from the net profit of new initiatives, services and products arising from the operation and programming of Assiniboine Park as a business unit as well as revenue sharing from the existing agreement with the Pavilion Gallery Museum Inc.. City Council also approved that the new combined reserve be renamed the Assiniboine Park Enterprise Reserve.

Due to restructuring, City Council also approved the Concession Equipment Reserve balances accumulated for golf courses and Assiniboine Park be transferred to the Golf Course Reserve and the Assiniboine Park Enterprises Reserve respectively.

The Director of Community Services is the Fund Manager.

General Purpose Reserve Fund

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve is contingent upon approval by City Council.

On May 23, 2001, City Council approved the recommendation that the Pension Stabilization and Pension Surplus Reserves be combined and renamed the General Purpose Reserve.

The City Treasurer is the Fund Manager.

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES (continued)

Multiple-Family Dwelling Tax Investment Reserve Fund

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

The Director of Planning, Property and Development is the Fund Manager.

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

	2004	2003	2002	2001	2000
Workers Compensation Reserve Fund					
Call loans - General					
Revenue Fund	\$ 3,765	\$ 2,712	\$ 1,350	\$ 1,392	\$ 486
Investments	\$ 2,360	\$ 2,866	\$ 3,272	\$ 3,005	\$ 3,718
Interest income	\$ 236	\$ 251	\$ 232	\$ 249	\$ 258
Brookside Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 119	\$ 236	\$ 132	\$ 122	\$ 18
Investments	\$ 9,389	\$ 9,032	\$ 8,914	\$ 8,348	\$ 7,794
Interest income	\$ 540	\$ 707	\$ 1,023	\$ 962	\$ 888
St. Vital Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 15	\$ 26	\$ 35	\$ 44	\$ 45
Investments	\$ 532	\$ 481	\$ 436	\$ 394	\$ 357
Interest income	\$ 52	\$ 47	\$ 43	\$ 40	\$ 15
Transcona Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 49	\$ 53	\$ 56	\$ 59	\$ 57
Investments	\$ 332	\$ 302	\$ 274	\$ 249	\$ 227
Interest income	\$ 30	\$ 30	\$ 27	\$ 26	\$ 24
Insurance Reserve Fund					
Call loans - General					
Revenue Fund	\$ 1,252	\$ 697	\$ 2,611	\$ 523	\$ 611
Investments	\$ 5,445	\$ 6,416	\$ 7,599	\$ 9,683	\$ 8,791
Interest income	\$ 415	\$ 460	\$ 567	\$ 596	\$ 543
Contributions in Lieu of Land Dedication Reserve Fund					
Revenues					
Cash dedications	\$ 953	\$ 628	\$ 1,162	\$ 286	\$ 288
Interest	\$ 60	\$ 74	\$ 56	\$ 86	\$ 124
Expenses					
Park improvements	\$ 499	\$ 906	\$ 619	\$ 505	\$ 1,180
Land Operating Reserve Fund					
Number of properties sold	89	88	65	66	72
Number acquired - tax sale	82	78	133	59	35
Number exchanged	1	2	4	1	4
Transfer to					
General Revenue Fund	\$ -	\$ -	\$ -	\$ -	\$ 4,892

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

	2004	2003	2002	2001	2000
Recreation Programming Reserve Fund					
Transfer from					
General Revenue Fund	\$ -	\$ -	\$ 100	\$ 100	\$ 93
Total approved					
projects/programs	\$ 22	\$ 75	\$ 68	\$ 160	\$ 394
Number approved	6	18	21	37	42
Snow Clearing Reserve Fund					
Transfer from					
General Revenue Fund	\$ -	\$ 58	\$ 1,933	\$ 1,951	\$ -
Idea Bank Reserve Fund					
Approved loans	\$ 200	\$ 108	\$ 240	\$ 171	\$ 100
Loan repayments	\$ 15	\$ 18	\$ 2	\$ 2	\$ 27
Commitment Reserve Fund					
Allocation of equity:					
Corporate and other	\$ 1,044	\$ 737	\$ 2,810	\$ 1,770	\$ 2,013
Public Works	998	933	1,679	605	1,033
Corporate Services	586	698	646	710	559
Planning, Property and					
Development	520	880	1,321	501	222
Winnipeg Fire Paramedic					
Service	353	394	91	963	1,286
Community Services	343	413	244	319	437
Property Assessment	330	-	28	113	-
Winnipeg Police Service	-	960	1,112	242	825
Corporate Finance	-	232	255	98	157
Winnipeg Hydro	-	-	-	278	541
	\$ 4,174	\$ 5,247	\$ 8,186	\$ 5,599	\$ 7,073
Heritage Investment Reserve Fund					
Transfer from General					
Revenue Fund	\$ 700	\$ 1,300	\$ 1,700	\$ 2,056	\$ 2,120
Housing Rehabilitation Investment Reserve Fund					
Transfer from General					
Revenue Fund	\$ -	\$ 705	\$ 1,000	\$ 1,000	\$ 1,000
Economic Development Investment Reserve Fund					
Transfer (to) from General					
Revenue Fund	\$ (300)	\$ (265)	\$ 4,975	\$ 1,000	\$ 1,000

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

	2004	2003	2002	2001	2000
Assiniboine Park Enterprise Reserve Fund					
Animals sold	55	58	74	91	63
Animals purchased	56	43	9	138	112
Exhibits	106	106	106	106	106
Total animal collection					
species	310	360	330	330	276
specimens	1,920	2,525	1,800	1,805	1,720
Zoo attendance (persons)	381,699	321,385	324,352	334,481	358,265
General Purpose Reserve Fund					
Transfer to (from) General					
Revenue Fund	\$ 2,000	\$ 2,158	\$ -	\$ (1,721)	\$ -
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ -	\$ 16,699	\$ -
Transfer from Pension					
Stabilization Reserve	\$ -	\$ -	\$ -	\$ 9,530	\$ -
Net transfer General					
Capital Fund	\$ 1,192	\$ 2,470	\$ -	\$ -	\$ -
Transfer to Transit					
System Fund	\$ -	\$ 1,700	\$ -	\$ -	\$ -
Grants	\$ -	\$ 3,500	\$ 3,500	\$ -	\$ -
Interest revenue	\$ 362	\$ 669	\$ 647	\$ 1,507	\$ -
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal tax	\$ 247	\$ -	\$ -	\$ -	\$ -
Interest revenue	\$ 3	\$ -	\$ -	\$ -	\$ -

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>Workers Compensation Reserve</u>	<u>Brookside Cemetery Reserve</u>	<u>St. Vital Cemetery Reserve</u>	<u>Transcona Cemetery Reserve</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	\$ -	\$ -	\$ -	\$ -
Call loans - General Revenue Fund	3,765	119	15	49
Accounts receivable	21	15	-	-
Loans receivable (Note 4)	-	-	-	-
	<u>3,786</u>	<u>134</u>	<u>15</u>	<u>49</u>
Investments (Note 5)	2,360	9,389	532	332
Deferred charges	-	-	-	-
Inventory	-	-	-	-
	<u>\$ 6,146</u>	<u>\$ 9,523</u>	<u>\$ 547</u>	<u>\$ 381</u>
LIABILITIES				
Current				
Accounts payable	\$ -	\$ -	\$ -	\$ -
EQUITY				
Contributed surplus (Note 6)	-	-	-	-
Allocated	-	-	-	-
Unallocated	6,146	9,523	547	381
	<u>6,146</u>	<u>9,523</u>	<u>547</u>	<u>381</u>
	<u>\$ 6,146</u>	<u>\$ 9,523</u>	<u>\$ 547</u>	<u>\$ 381</u>

See accompanying notes to the financial statements

<u>Insurance Reserve</u>	<u>Land Dedication Reserve</u>	<u>Land Operating Reserve</u>	<u>Recreation Programming Reserve</u>	<u>Snow Clearing Reserve</u>	<u>Sub-Total</u>
\$ -	\$ 2,914	\$ 2,257	\$ 144	\$ 3,272	\$ 8,587
1,252	-	-	-	-	5,200
24	-	1,968	-	-	2,028
-	-	-	-	-	-
1,276	2,914	4,225	144	3,272	15,815
5,445	-	1,754	-	-	19,812
-	-	627	-	-	627
-	-	11,683	172	-	11,855
<u>\$ 6,721</u>	<u>\$ 2,914</u>	<u>\$ 18,289</u>	<u>\$ 316</u>	<u>\$ 3,272</u>	<u>\$ 48,109</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,944</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,944</u>
-	-	8,425	-	-	8,425
-	-	1,789	316	3,272	5,377
6,721	2,914	4,131	-	-	30,363
6,721	2,914	5,920	316	3,272	35,740
<u>\$ 6,721</u>	<u>\$ 2,914</u>	<u>\$ 18,289</u>	<u>\$ 316</u>	<u>\$ 3,272</u>	<u>\$ 48,109</u>

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>Sub-Total Brought Forward</u>	<u>Idea Bank Reserve</u>	<u>Commitment Reserve</u>	<u>Heritage Investment Reserve</u>
ASSETS				
Current				
Due from General Revenue				
Fund (Note 3)	\$ 8,587	\$ 1,129	\$ 4,174	\$ 8,863
Call loans - General Revenue Fund	5,200	-	-	-
Accounts receivable	2,028	7	-	25
Loans receivable (Note 4)	-	200	-	-
	<u>15,815</u>	<u>1,336</u>	<u>4,174</u>	<u>8,888</u>
Investments (Note 5)	19,812	-	-	-
Deferred charges	627	-	-	-
Inventory	11,855	-	-	-
	<u>\$ 48,109</u>	<u>\$ 1,336</u>	<u>\$ 4,174</u>	<u>\$ 8,888</u>
LIABILITIES				
Current				
Accounts payable	\$ 3,944	\$ -	\$ -	\$ -
EQUITY				
Contributed surplus (Note 6)	<u>8,425</u>	<u>-</u>	<u>-</u>	<u>-</u>
Allocated	5,377	-	-	-
Unallocated	<u>30,363</u>	<u>1,336</u>	<u>4,174</u>	<u>8,888</u>
	<u>35,740</u>	<u>1,336</u>	<u>4,174</u>	<u>8,888</u>
	<u>\$ 48,109</u>	<u>\$ 1,336</u>	<u>\$ 4,174</u>	<u>\$ 8,888</u>

See accompanying notes to the financial statements

<u>Housing Rehabilitation Reserve</u>	<u>Economic Development Reserve</u>	<u>Assiniboine Park Enterprise Reserve</u>	<u>General Purpose Reserve</u>	<u>Multiple-Family Dwelling Reserve</u>	<u>Totals 2004</u>	<u>Totals 2003</u>
\$ 1,136	\$ 5,474	\$ 771	\$ 14,060	\$ 250	\$ 44,444	\$ 56,312
-	-	-	-	-	5,200	3,724
2	-	-	-	-	2,062	447
-	-	-	-	-	200	108
<u>1,138</u>	<u>5,474</u>	<u>771</u>	<u>14,060</u>	<u>250</u>	<u>51,906</u>	<u>60,591</u>
-	-	-	-	-	19,812	20,851
-	-	-	-	-	627	43
-	-	393	-	-	12,248	12,832
<u>\$ 1,138</u>	<u>\$ 5,474</u>	<u>\$ 1,164</u>	<u>\$ 14,060</u>	<u>\$ 250</u>	<u>\$ 84,593</u>	<u>\$ 94,317</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,944</u>	<u>\$ 3,528</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,425</u>	<u>8,425</u>
-	-	-	-	-	5,377	11,280
<u>1,138</u>	<u>5,474</u>	<u>1,164</u>	<u>14,060</u>	<u>250</u>	<u>66,847</u>	<u>71,084</u>
<u>1,138</u>	<u>5,474</u>	<u>1,164</u>	<u>14,060</u>	<u>250</u>	<u>72,224</u>	<u>82,364</u>
<u>\$ 1,138</u>	<u>\$ 5,474</u>	<u>\$ 1,164</u>	<u>\$ 14,060</u>	<u>\$ 250</u>	<u>\$ 84,593</u>	<u>\$ 94,317</u>

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
Balance, beginning of year	\$ 5,605	\$ 9,282	\$ 507	\$ 355
Add:				
Land sales	-	-	-	-
Transfer from General Revenue Fund	-	63	12	10
Interest earned	236	540	52	30
Municipal realty tax	-	-	-	-
Cash payments in lieu of land dedication	-	-	-	-
Other	311	-	-	-
Transfer from Civic Accommodations Fund	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Transfer from Transit System Fund	-	-	-	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Sewage Disposal Fund	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	-	-
Transfer from General Revenue Enterprises Fund	-	-	-	-
Transfer from Animal Services - Special Operating Agency	-	-	-	-
	<u>547</u>	<u>603</u>	<u>64</u>	<u>40</u>
Deduct:				
Transfer to General Revenue Fund	-	353	23	14
Other	-	-	-	-
Cost of sales	-	-	-	-
Transfer to General Revenue Enterprises Fund	-	-	-	-
Transfer to General Capital Fund	-	-	-	-
Grants	-	-	-	-
Purchase of equipment	-	-	-	-
Park land and improvements	-	-	-	-
Transfer to General Revenue Fund - investment management fee	6	9	1	-
Transfer to Fleet Management - Special Operating Agency	-	-	-	-
Transfer to Golf Services - Special Operating Agency	-	-	-	-
Transfer to Glacial Sand and Gravel - Special Operating Agency	-	-	-	-
Transfer to Civic Accommodations Fund	-	-	-	-
Transfer to Transit System Fund	-	-	-	-
Transfer to Building Services Fund	-	-	-	-
Transfer to Sewage Disposal System Fund	-	-	-	-
	<u>6</u>	<u>362</u>	<u>24</u>	<u>14</u>
Balance, end of year	\$ 6,146	\$ 9,523	\$ 547	\$ 381

See accompanying notes to the financial statements

<u>Insurance Reserve</u>	<u>Land Dedication Reserve</u>	<u>Land Operating Reserve</u>	<u>Recreation Programming Reserve</u>	<u>Snow Clearing Reserve</u>	<u>Sub-Total</u>
<u>\$ 7,145</u>	<u>\$ 2,405</u>	<u>\$ 6,697</u>	<u>\$ 329</u>	<u>\$ 9,161</u>	<u>\$ 41,486</u>
-	-	6,719	-	-	6,719
-	-	-	-	-	85
415	60	108	3	205	1,649
-	-	-	-	-	-
-	953	-	-	-	953
1	-	-	-	-	312
-	-	-	-	-	-
-	-	-	-	-	-
186	-	-	-	-	186
185	-	-	-	-	185
31	-	-	-	-	31
19	-	-	-	-	19
-	-	-	-	-	-
-	-	-	-	-	-
<u>837</u>	<u>1,013</u>	<u>6,827</u>	<u>3</u>	<u>205</u>	<u>10,139</u>
1,214	-	-	-	6,075	7,679
-	-	2,840	16	-	2,856
-	-	2,807	-	-	2,807
-	-	1,912	-	-	1,912
-	-	35	-	-	35
-	-	-	-	-	-
-	-	-	-	-	-
-	499	-	-	-	499
7	5	10	-	19	57
35	-	-	-	-	35
3	-	-	-	-	3
1	-	-	-	-	1
1	-	-	-	-	1
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,261</u>	<u>504</u>	<u>7,604</u>	<u>16</u>	<u>6,094</u>	<u>15,885</u>
<u>\$ 6,721</u>	<u>\$ 2,914</u>	<u>\$ 5,920</u>	<u>\$ 316</u>	<u>\$ 3,272</u>	<u>\$ 35,740</u>

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	Sub-Total Brought Forward	Idea Bank Reserve	Commitment Reserve	Heritage Investment Reserve
Balance, beginning of year	\$ 41,486	\$ 1,497	\$ 5,247	\$ 8,723
Add:				
Land sales	6,719	-	-	-
Transfer from General Revenue Fund	85	8	2,240	700
Interest earned	1,649	26	-	186
Municipal realty tax	-	-	-	756
Cash payments in lieu of land dedication	953	-	-	-
Other	312	-	16	-
Transfer from Civic Accommodations Fund	-	-	420	-
Transfer from General Capital Fund	-	-	-	-
Transfer from Transit System Fund	186	-	-	-
Transfer from Waterworks System Fund	185	-	-	-
Transfer from Sewage Disposal Fund	31	-	-	-
Transfer from Solid Waste Disposal Fund	19	-	-	-
Transfer from General Revenue Enterprises Fund	-	7	-	-
Transfer from Animal Services - Special Operating Agency	-	-	-	-
	<u>10,139</u>	<u>41</u>	<u>2,676</u>	<u>1,642</u>
Deduct:				
Transfer to General Revenue Fund	7,679	-	869	-
Other	2,856	-	2,136	1,361
Cost of sales	2,807	-	-	-
Transfer to General Revenue Enterprises Fund	1,912	200	-	-
Transfer to General Capital Fund	35	-	-	-
Grants	-	-	-	99
Purchase of equipment	-	-	744	-
Park land and improvements	499	-	-	-
Transfer to General Revenue Fund - investment management fee	57	2	-	17
Transfer to Fleet Management - Special Operating Agency	35	-	-	-
Transfer to Golf Services - Special Operating Agency	3	-	-	-
Transfer to Glacial Sand and Gravel - Special Operating Agency	1	-	-	-
Transfer to Civic Accommodations Fund	1	-	-	-
Transfer to Transit System Fund	-	-	-	-
Transfer to Building Services Fund	-	-	-	-
Transfer to Sewage Disposal System Fund	-	-	-	-
	<u>15,885</u>	<u>202</u>	<u>3,749</u>	<u>1,477</u>
Balance, end of year	\$ 35,740	\$ 1,336	\$ 4,174	\$ 8,888

See accompanying notes to the financial statements

Housing Rehabilitation Reserve	Economic Development Reserve	Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Totals 2004	Totals 2003
\$ 1,849	\$ 5,608	\$ 1,031	\$ 16,923	\$ -	\$ 82,364	\$ 91,743
-	-	-	-	-	6,719	6,308
-	-	4	-	-	3,037	5,064
33	119	16	362	3	2,394	3,296
-	160	-	-	247	1,163	1,027
-	-	-	-	-	953	628
-	-	298	-	-	626	220
-	-	-	-	-	420	580
-	-	-	208	-	208	-
-	-	-	-	-	186	272
-	-	-	-	-	185	85
-	-	-	-	-	31	-
-	-	-	-	-	19	32
-	-	-	-	-	7	-
-	-	-	-	-	-	1
33	279	318	570	250	15,948	17,513
-	300	-	2,000	-	10,848	3,826
58	102	1	-	-	6,514	7,987
-	-	183	-	-	2,990	1,772
-	-	-	-	-	2,112	313
-	-	-	1,400	-	1,435	2,470
683	-	-	-	-	782	6,149
-	-	-	-	-	744	1,548
-	-	-	-	-	499	906
3	11	1	33	-	124	-
-	-	-	-	-	35	43
-	-	-	-	-	3	14
-	-	-	-	-	1	-
-	-	-	-	-	1	16
-	-	-	-	-	-	1,700
-	-	-	-	-	-	108
-	-	-	-	-	-	40
744	413	185	3,433	-	26,088	26,892
\$ 1,138	\$ 5,474	\$ 1,164	\$ 14,060	\$ 250	\$ 72,224	\$ 82,364

THE CITY OF WINNIPEG

SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Special Purpose Reserves follow the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Special Purpose Reserves Fund include the following:

Workers Compensation Reserve Fund	Snow Clearing Reserve Fund
Perpetual Maintenance Reserve Funds	Idea Bank Reserve Fund
- Brookside Cemetery	Commitment Reserve Fund
- St. Vital Cemetery	Heritage Investment Reserve Fund
- Transcona Cemetery	Housing Rehabilitation Investment Reserve Fund
Insurance Reserve Fund	Economic Development Investment Reserve Fund
Contributions in Lieu of Land	Assiniboine Park Enterprise Reserve Fund
Dedication Reserve Fund	General Purpose Reserve Fund
Land Operating Reserve Fund	Multi-Family Dwelling Tax Investment
Recreation Programming Reserve Fund	Reserve Fund

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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) Investment in bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

d) Bond residues and coupons

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

e) Inventory

Inventories of land are recorded at the lower of cost or net realizable value.

2. *Status of the Special Purpose Reserves*

Workers Compensation Reserve Fund

Under the terms of By-law No. 9802 of the former City of Winnipeg, provision was made for the establishment of a Workers Compensation Reserve Fund. On January 1, 1972, as a result of amalgamation of the City of Winnipeg with former area municipalities, The Workers Compensation Reserve Fund was established in accordance with Section 338 of the former **City of Winnipeg Act**.

The City of Winnipeg administers 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. Departments are charged an array of actual costs as well as surcharges related to financing fatality pensions and upgrades of benefits. The net result is that costs and surcharges are transferred to/from the Workers Compensation Reserve Fund. The Workers Compensation Reserve Fund serves to counteract any budgetary fluctuation from year to year that would result from a work related incident of major proportions.

The Corporate Controller is the Fund Manager.

Perpetual Maintenance Funds (Brookside, St. Vital and Transcona Cemeteries)

Under the terms of By-law No. 14725 of the former City of Winnipeg, passed on April 8, 1935, created a fund for the perpetual care and maintenance of Brookside Cemetery. Later on By-law No. 1996/78, also created funds for the perpetual care and maintenance of St. Vital and Transcona Cemeteries.

Section 29 of By-law No. 5720/91 amending and restating By-law 1996/78, relating to Cemeteries, sets forth the purpose and use of the Perpetual Maintenance Funds.

These funds are for the purpose of creating, building up, and maintaining a perpetual maintenance fund for the care and maintenance of Brookside, St. Vital, and Transcona Cemeteries. There shall be paid to the Sinking Fund Trustees of The City of Winnipeg, during specified years and not later than the first day of June of each of the years, a sum equal to twenty-five per centum of the proceeds of the sale of plots and graves in cemeteries sold during the preceding year. The monies shall be so paid over to the Trustees for investment and administration and shall be treated in the same manner as interest and sinking fund charges. Commencing the first day of January 1991, and upon each and every first day of January thereafter the Trustees shall pay out fifty per centum of the yearly earnings of the fund for the previous year to The City of Winnipeg. The yearly earnings shall be applied to offset the cost of the care and maintenance of the Cemeteries.

The Sinking Fund Trustees were also empowered to accept deposits in respect of perpetual maintenance of individual cemetery plots.

On January 1, 2003, **The City of Winnipeg Act** was replaced with new legislation entitled **The City of Winnipeg Charter**. Under this new legislation the investment and administration of the funds has been transferred to the administration of The City of Winnipeg.

The Director of Planning, Property and Development is the Funds Manager.

Insurance Reserve Fund

In 1960, the Insurance Reserve Fund was established. The reserve was to be used for the purpose of replacing or repairing City properties and/or contents that had been damaged by fire or any other cause. In 1973, the use of the Insurance Reserve Fund also included the purpose of paying for any other losses that the City might incur in any part of its self-insurance program. Such uses would include third party liability claims, or property damage claims, including motor vehicles.

The Corporate Controller is the Fund Manager.

2. *Status of the Special Purpose Reserves (continued)*

Contributions in Lieu of Land Dedication Reserve Fund

City Council, on January 10, 1973, adopted a policy that cash payments received by the City in lieu of land dedications for open space be deposited in a fund to the credit of each community. On January 17, 1979, City Council amended the policy to also permit cash payments received from the sale of surplus Parks and Recreation lands to be deposited to the credit of each community. Disbursements from this Reserve are limited to costs of acquiring or improving lands for parks, recreational facilities or open space within that community. The Director of the Planning, Property and Development Department is the Fund Manager.

Land Operating Reserve Fund

City Council, on May 16, 1973, authorized the establishment of a Land Operating Reserve Fund to reduce the need for the issuance and sale of debentures in connection with the acquisition cost of properties for resale. This Reserve is maintained by proceeds from the sale of City owned properties and interest earned. Disbursements are limited to the acquisition cost of properties for resale, and any other expenses related to the acquisition, sale and improvement of disposable City properties.

City Council, on July 19, 1999, adopted a policy that in order to sustain the business operations supported by the Reserve, equity be allowed to accumulate within the Reserve sufficient to eliminate the inter-fund debt owing to the General Revenue Fund created in past years. Any surplus funds greater than the amount required for the purposes of the Land Operating Reserve and meeting the annual budgeted transfer to the General Revenue Fund is to be transferred to the Commitment Reserve Fund.

The Director of Planning, Property and Development is the Fund Manager.

Recreation Programming Reserve Fund

City Council, on October 6, 1976, approved the creation of a Recreation Programming Reserve Fund for recreation programming at the community level. The Reserve was established from cumulative surpluses and deficits of former Parks and Recreation Boards and Commissions as at December 31, 1976, and is to be maintained by any unexpended or over expended balances as identified in the approved recreation programming portions of the 1976 and subsequent years operating budgets. City Council delegated authority over the expenditure of the funds to the respective Community Committees.

The Director of Community Services is the Fund Manager.

Snow Clearing Reserve Fund

On March 22, 1995, City Council approved the establishment of the Snow Clearing Reserve Fund. The purpose of the fund is to absorb unexpected snowfall costs in years where the City of Winnipeg experiences above average snowfall levels. Contributions to the Reserve would be the surplus from the annual operating snow clearing budget. Charges in any one year should be limited to the lesser of 20% of the Reserve balance, or to the amount of snow clearing expenses in excess of 120% of the cost of a normal year's snowfall. However, no charges to the Reserve should be made until the Reserve has reached a level of \$5.0 million, and the Reserve balance should never exceed \$10.9 million.

On December 15, 2004, City Council further approved, that at their discretion, they may transfer from the Reserve a greater amount than or other than as stipulated by the reserve.

The Director of Public Works is the Fund Manager.

2. *Status of the Special Purpose Reserves (continued)*

Idea Bank Reserve Fund

City Council, on April 30, 1997, authorized the establishment of the Idea Bank Reserve Fund to provide financing for innovative ideas presented outside of the normal budget process. The Idea Bank is set up as a revolving fund which is self-sustaining. City Council, on November 17, 1999, approved an amendment to the Idea Bank Reserve whereby the purpose of the Reserve has been expanded to provide funding/financing support for Alternative Service Delivery (ASD) initiatives.

The Corporate Controller is the Fund Manager.

Commitment Reserve Fund

On March 12, 1998, Council approved the establishment of the Commitment Reserve Fund. The purpose of the fund is to allow departments to carry forward committed budget dollars to the succeeding year thereby eliminating the need to re-budget. Contributions to the Reserve must be spent in the year following the transfer. However, contributions can be retained in the Reserve beyond the following year only if approved by the Fund Manager, otherwise the unspent amount must be transferred to the Mill Rate Stabilization Reserve Fund.

On July 19, 1999, Council further approved that at year-end, on an annual basis, any surplus funds greater than the amount required for the purposes of the Land Operating Reserve be transferred to the Commitment Reserve Fund, which can then only be spent on one-time or capital costs in the following year. As with other contributions to this Reserve, the funds must be spent in the year following the transfer, otherwise the unspent amount may be transferred to the Mill Rate Stabilization Reserve Fund.

The Chief Financial Officer is the Fund Manager.

Heritage Investment Reserve Fund

The Heritage Investment Reserve Fund was created by City Council on June 21, 2000. It funds all City and City-sponsored heritage programs and acts as a revolving fund so that future funding of heritage programs can be sustained and thereby reduces the need to obtain additional funding. An important source of on going funding for the Reserve will be incremental tax revenues that will flow from projects in which the Reserve has invested.

The Director of Planning, Property and Development is the Fund Manager.

Housing Rehabilitation Investment Reserve Fund

The Housing Rehabilitation Investment Reserve Fund was created by City Council on June 21, 2000. It funds City housing programs not provided for in operating budgets. It is intended that this Reserve act as a revolving fund so that incremental tax revenues resulting from housing programs in which the Reserve has invested would be returned to the Reserve to finance future projects.

The Director of Planning, Property and Development is the Fund Manager.

Economic Development Investment Reserve Fund

The Economic Development Investment Reserve Fund was created by City Council on June 21, 2000. It is intended to fund City economic development incentive and investment projects. Unlike the other investment reserves, this Fund invests directly in particular projects rather than be a funding mechanism for programs. The incremental portion of realty and business taxes generated by projects in which the fund has invested will be returned to the Reserve until the original investment has been repaid.

The Director of Planning, Property and Development is the Fund Manager.

2. *Status of the Special Purpose Reserves (continued)*

Assiniboine Park Enterprise Reserve Fund

City Council, on September 15, 1982, approved the establishment of the Zoo Animals Reserve Fund for the purpose of replacing animal losses and of improving breeding stock in the Assiniboine Park Zoo ("the Zoo"). The Zoo Animals Reserve Fund was maintained by revenue from the sale of surplus animals and interest earned. Expenditures were limited to the acquisition costs of zoo animals and any costs directly related to the acquisition, as well as the planning, improving or building of new individual animal enclosures.

The Zoo Purposes Reserve Fund was created by City Council on December 14, 1983, to retain certain revenues received by the Zoo to be used to augment the operating and capital budgets of the Zoo. Such revenues included donation box receipts, coin operated feed dispensers, animal adoption program, concessions and other promotions as well as a portion of Zoological Society single pass memberships.

City Council, on May 23, 2001, approved that the Zoo Animals and Zoo Purposes Reserves be combined. In addition, the combined reserve be expanded to include a new purpose, which is to enhance the maintenance, operation, planning and minor infrastructure for Assiniboine Park. This would include additional revenues from the net profit of new initiatives, services and products arising from the operation and programming of Assiniboine Park as a business unit as well as revenue sharing from the existing agreement with the Pavilion Gallery Museum Inc.. City Council also approved that the new combined reserve be renamed the Assiniboine Park Enterprise Reserve.

Due to restructuring, City Council also approved the Concession Equipment Reserve balances accumulated for golf courses and Assiniboine Park be transferred to the Golf Course Reserve and the Assiniboine Park Enterprises Reserve respectively.

The Director of Community Services is the Fund Manager.

General Purpose Reserve Fund

On March 15, 2000, City Council approved the establishment of the Pension Surplus Reserve Fund. The Reserve was funded by the retroactive refund of pension contributions for 1998 and 1999. City Council also approved that the purpose of the Reserve and further details including the use of these funds be subsequently determined by City Council.

On March 15, 2000, City Council approved the establishment of the Pension Stabilization Reserve Fund. The Reserve was funded by ongoing savings from the partial pension contribution holiday that were not used for operations. The purpose of the Reserve was to support general operating expenditures thereby reducing the amount of revenue to be raised through property taxation, in order to share the benefits of the surplus with the citizens of Winnipeg. The use of funds from the Reserve is contingent upon approval by City Council.

On May 23, 2001, City Council approved that the Pension Stabilization and Pension Surplus Reserves be combined and renamed the General Purpose Reserve.

The City Treasurer is the Fund Manager.

Multiple-Family Dwelling Tax Investment Reserve Fund

On May 22, 2002, City Council approved the establishment of the Multiple-Family Dwelling Tax Investment Reserve Fund. The Reserve is designed to act as a bank that accumulates incremental taxes generated by approved multi-family dwelling construction/rehabilitation projects. When the incremental taxes for each project accumulates to the pre-approved amount, the balance is paid back to the applicant developer as a "Tax Incentive Grant".

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently these funds do not have a bank account. Cash transactions are credited or charged to the "Due from/(to)" account in each fund. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Loans Receivable*

	<u>2004</u>	<u>2003</u>
General Revenue Enterprises Fund		
Interest at 4.5%, payments of \$45 thousand annually, due March 2009	\$ 200	\$ -
Animal Services - Special Operating Agency		
Demand loan of up to \$500 thousand, interest at 3.5%	-	100
General Revenue Fund		
Interest at 7%, payments of \$7 thousand annually, due 2004	-	8
	<u>\$ 200</u>	<u>\$ 108</u>

5. *Investments*

	<u>2004</u>	<u>2003</u>
Marketable securities		
Government of Canada bonds, bond residues and coupons	\$ 14,788	\$ 14,864
Provincial bonds, bond residues and coupons	3,270	4,233
	18,058	19,097
Property held for resale	1,754	1,754
	<u>\$ 19,812</u>	<u>\$ 20,851</u>

Effective September 1, 1992, the City purchased a property for \$1.754 million which represents the land value of the property acquired. The Province of Manitoba funded the building portion of the cost and registered a mortgage against the title to secure its interest in the property. As a condition of the government funding, North West Company ("North West") agreed to provide a specified number of jobs and to purchase the property from the City on or before August 31, 2007 for the greater of the City's cost or the then current market value of the land. Until the option to purchase is exercised or the agreement expires, North West leases the property for \$1.00 per year.

The aggregate market value of marketable securities at December 31, 2004 is \$20,372 thousand (2003 - \$21,066 thousand).

6. *Contributed Surplus*

On April 27, 1994, City Council, retroactive to December 31, 1993, approved by way of a capital reorganization the transfer of \$17.3 million from the Land Operating Reserve to the General Revenue Fund to fund the accrued liability for assessment appeal refunds and interest.

THE CITY OF WINNIPEG

EQUITY IN CAPITAL ASSETS FUND

City Council, on May 2, 1973, adopted a recommendation to consolidate the assets and liabilities of various reserves of the former municipalities into the General Reserve Fund. By-law No. 442/73 was subsequently adopted repealing the By-laws of the municipalities that established the former reserves. The consolidated net assets at inception totalled \$6.2 million. On May 23, 2001, City Council further approved the name of the Fund be changed to the Equity in Capital Assets Fund.

Interest earnings on capital financing have contributed to the growth of the Fund to \$335.3 million as at December 31, 2004 (2003 - \$306.0 million).

The Fund has been used since it was created for the financing of capital construction, primarily by the General Capital Fund, but also by other reserves and utilities. This source of financing allows greater flexibility than is available through debenture debt financing. In 2004, \$45.2 million (2003 - \$69.9 million) of new capital works were financed through the Fund at terms ranging from five to twenty years.

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Total Assets	\$ 335,267	\$ 305,951	\$ 274,317	\$ 246,239	\$ 221,039
Capital Construction Financed	\$ 45,248	\$ 69,862	\$ 49,181	\$ 43,101	\$ 29,201
Interest Earned	\$ 29,359	\$ 31,634	\$ 28,078	\$ 25,200	\$ 19,774
Principal Retirals	\$ 25,791	\$ 25,078	\$ 25,073	\$ 26,209	\$ 27,578

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 31,113	\$ 21,103
Current portion of long-term investments (Note 4)	<u>23,724</u>	<u>25,942</u>
	54,837	47,045
Long-term investments (Note 4)	<u>280,430</u>	<u>258,906</u>
	<u><u>\$ 335,267</u></u>	<u><u>\$ 305,951</u></u>
EQUITY		
Allocated	\$ 300,333	\$ 280,877
Unallocated	<u>34,934</u>	<u>25,074</u>
	<u><u>\$ 335,267</u></u>	<u><u>\$ 305,951</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND

STATEMENT OF CHANGES IN EQUITY

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

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 305,951	\$ 274,317
Add:		
Interest	<u>29,359</u>	<u>31,634</u>
	335,310	305,951
Deduct:		
Transfer to General Revenue Fund - investment management fee	<u>43</u>	<u>-</u>
Balance, end of year	<u><u>\$ 335,267</u></u>	<u><u>\$ 305,951</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

EQUITY IN CAPITAL ASSETS FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Equity in Capital Assets Fund follows the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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) Long-term investments

Long-term investments are valued at cost.

2. Status of the Equity in Capital Assets Fund

City Council on May 2, 1973, authorized the establishment of a General Reserve Fund for the purpose of financing various capital construction. Various by-laws of the former area municipalities establishing general reserves were repealed and the assets of these former reserve funds were transferred to the General Reserve Fund. Interest charges on capital financing contribute to the growth of the Fund. The General Reserve Fund was renamed the Equity in Capital Assets Fund in 2001. The City Treasurer is the Fund Manager.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Cash transactions are credited or charged to the "Due from" account in each fund. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Long-term Investments

At varying maturities up to the year 2024 and with a weighted average interest rate for the year 2004 of 7.32% (2003 - 7.37%) due from the following:

	2004	2003
General Capital	\$ 298,481	\$ 278,546
Civic Accommodations Fund	3,820	3,971
Transit System	1,551	1,703
Waterworks System	116	279
Solid Waste Disposal	98	256
Sewage Disposal System	88	93
	<u>304,154</u>	<u>284,848</u>
Current portion of long-term investments:		
General Capital	(23,240)	(25,313)
Transit System	(162)	(152)
Civic Accommodations Fund	(161)	(151)
Solid Waste Disposal	(88)	(158)
Waterworks System	(68)	(163)
Sewage Disposal System	(5)	(5)
	<u>(23,724)</u>	<u>(25,942)</u>
	<u>\$ 280,430</u>	<u>\$ 258,906</u>

**THE CITY OF WINNIPEG
TRUST FUNDS**

STATEMENT OF FINANCIAL POSITION

As at December 31

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2004 Totals	2003 Totals
ASSETS						
Current						
Due from General Revenue Fund (Note 3)	<u>\$ 72,930</u>	<u>\$ 143,738</u>	<u>\$ 35,440</u>	<u>\$ 3,025</u>	<u>\$ 255,133</u>	<u>\$ 232,585</u>
EQUITY						
Unallocated	<u>\$ 72,930</u>	<u>\$ 143,738</u>	<u>\$ 35,440</u>	<u>\$ 3,025</u>	<u>\$ 255,133</u>	<u>\$ 232,585</u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
TRUST FUNDS**

STATEMENT OF CHANGES IN TRUST ACCOUNTS

For the years ended December 31

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2004 Totals	2003 Totals
Opening balance	<u>\$ 37,702</u>	<u>\$ 157,699</u>	<u>\$ 34,670</u>	<u>\$ 2,514</u>	<u>\$ 232,585</u>	<u>\$ 219,745</u>
Add:						
Contributions	133,698	76,316	-	450	210,464	188,601
Interest earned	<u>1,227</u>	<u>4,171</u>	<u>770</u>	<u>61</u>	<u>6,229</u>	<u>7,124</u>
	<u>134,925</u>	<u>80,487</u>	<u>770</u>	<u>511</u>	<u>216,693</u>	<u>195,725</u>
Deduct:						
Disbursements	<u>99,697</u>	<u>94,448</u>	<u>-</u>	<u>-</u>	<u>194,145</u>	<u>182,885</u>
Closing balance	<u><u>\$ 72,930</u></u>	<u><u>\$ 143,738</u></u>	<u><u>\$ 35,440</u></u>	<u><u>\$ 3,025</u></u>	<u><u>\$ 255,133</u></u>	<u><u>\$ 232,585</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The City of Winnipeg follows the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

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

2. Status of The City of Winnipeg Trust Funds

St. Boniface Museum Board Trust

This trust is maintained by grants from Federal and Provincial Governments, third parties and Foundations specifically designated for the Museum's capital and other operating projects. The Museum Administrator is the Trust Manager.

Library Trust

This trust is maintained by donations from private citizens and organizations in support of various library services. The Manager of Library Services is the Trust Manager.

Portage and Main Concourse Trust

This trust is maintained by a square foot levy applied to Concourse leased areas for the purpose of promoting or improving the concourse. The Director of Planning, Property and Development is the Trust Manager.

Winnipeg Evergreen Committee Trust

This trust is maintained by donations from private citizens and organizations to assist in the planting of coniferous evergreens by businesses and homeowners. The Director of Public Works is the Fund Manager.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Cash transactions are credited or charged to the "Due (to) from" account in each fund. Interest is credited or charged to other funds based on the City's average short-term earnings (cost of Funds) on the single bank account.

THE CITY OF WINNIPEG

EQUIPMENT AND MATERIAL SERVICES

The Division previously operated through five self-supporting funds.

Equipment Services Fund

Effective January 1, 2003, the Equipment Services Fund was transferred to the Fleet Management - Special Operating Agency.

Shops Services Fund

Effective January 1, 2003, the Shops Services Fund was transferred to the Fleet Management - Special Operating Agency.

Stores Services Fund

Effective January 1, 2004, the Stores Services Fund was transferred to the General Revenue Fund - Public Works Department.

Tools and Supplies Services Fund

Effective January 1, 2003, the Tools and Supplies Services Fund was transferred to the Fleet Management - Special Operating Agency.

Primary Materials Services Fund

All services in the Primary Materials Services Fund have been transferred to the Glacial Sand and Gravel - Special Operating Agency, effective January 1, 2002.

The Fund is being maintained due to the sale of assets to Glacial Sand and Gravel and Fleet Management - Special Operating Agencies.

THE CITY OF WINNIPEG

EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

ASSETS

Current

Due from General Revenue Fund (Note 2)

Accounts receivable

Current portion of loans receivable (Note 3)

Inventory

	<u>2004</u>	<u>2003</u>
\$	12	\$ 148
	-	9
	62	58
	-	1,581
	<u>74</u>	<u>1,796</u>
Loans receivable (Note 3)	<u>5,030</u>	<u>5,448</u>
	<u><u>\$ 5,104</u></u>	<u><u>\$ 7,244</u></u>

LIABILITIES

Current

Accounts payable and accrued liabilities

Deferred gain (Note 4)

Provision for land rehabilitation

\$	-	\$ 152
	3,627	3,778
	<u>671</u>	<u>671</u>
	<u>4,298</u>	<u>4,601</u>
	<u>806</u>	<u>2,643</u>
	<u><u>\$ 5,104</u></u>	<u><u>\$ 7,244</u></u>

RETAINED EARNINGS

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF (LOSS) INCOME AND RETAINED EARNINGS

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

REVENUES

Gain on sale of assets
Interest and other revenue
Sale of goods and services (Note 5)
Government grants

2004	2003
\$ 107	\$ 1,586
12	460
-	291
-	18
119	2,355

EXPENSES

Transfer to General Revenue Fund
Other
Salaries and benefits
Services

1,600	-
356	53
-	258
-	251
1,956	562

NET (LOSS) INCOME

(1,837) 1,793

RETAINED EARNINGS, BEGINNING OF YEAR

2,643 850

RETAINED EARNINGS, END OF YEAR

\$ 806	\$ 2,643
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See accompanying notes to the financial statements

THE CITY OF WINNIPEG EQUIPMENT AND MATERIAL SERVICES

STATEMENT OF CASH FLOWS

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

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	<u>2004</u>	<u>2003</u>
OPERATING		
Net (loss) income	\$ (1,837)	\$ 1,793
Non-cash items related to operations		
Gain realized on sale of Pine Ridge Gravel Pit and related capital assets	<u>(151)</u>	<u>(69)</u>
Working capital from operations	(1,988)	1,724
Net change in working capital	<u>1,438</u>	<u>(84)</u>
	(550)	1,640
FINANCING		
Due from General Revenue Fund	136	(173)
INVESTING		
Loans receivable	<u>414</u>	<u>(1,467)</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) **Basis of accounting**

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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.

The accrual basis of accounting is modified for vacation costs, sick leave cash out, workers' compensation claims, insurance claims, which are recorded when payment is made.

b) **Inventory**

Inventory is recorded at the lower of cost and net realizable value.

2. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account. Consequently, other Funds do not have a bank account. Cash transactions are credited or charged to the due (to) from account. Interest is charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account.

3. *Loans Receivable*

	<u>2004</u>	<u>2003</u>
Glacial Sand and Gravel - Special Operating Agency		
Equipment financing program loan, interest at 6.5%, payment of \$5 hundred monthly, due December 2005	\$ 6	\$ 11
Equipment loan, interest at 6.5%, payment of \$5 thousand monthly, due December 2005	56	109
Gravel pit loan, interest at 6.5%, no repayment schedule	<u>3,800</u>	<u>3,800</u>
	3,862	3,920

3. *Loans Receivable (continued)*

	2004	2003
Fleet Management - Special Operating Agency		
Net operating assets loan, non-interest bearing, no repayment schedule	1,230	1,586
	5,092	5,506
Current portion	(62)	(58)
	<u>\$ 5,030</u>	<u>\$ 5,448</u>

4. *Deferred Gain*

	2004	2003
Pine Ridge Gravel Pit	\$ 3,800	\$ 3,800
Accumulated depletion	(320)	(240)
	3,480	3,560
Capital assets	233	277
Accumulated amortization	(86)	(59)
	147	218
	<u>\$ 3,627</u>	<u>\$ 3,778</u>

On January 1, 2001, Pine Ridge Gravel Pit was sold to Glacial Sand and Gravel - Special Operating Agency (SOA). The gain on the sale of the gravel pit and equipment of \$4.077 million is being realized by Equipment and Material Services over the same time period as the assets are amortized/depleted by the SOA.

5. *Sale of Goods and Services*

Stores sales and cost of sales are not reflected in the statements. Revenue earned in the Stores Services Fund is the up-charge on sales to cover administration.

6. *General Government Charges*

The funds are charged with the estimated share of the City's general government expenditures applicable to Equipment and Material Services. In 2004, this amounted to nil (2003 - \$136 thousand).

7. *Comparative Figures*

On January 1, 2004, the Stores Services Branch was transferred to the General Revenue Fund. Also effective January 1, 2004, all services in the Primary Materials Services Fund were transferred to Glacial Sand and Gravel - Special Operating Agency. The comparative figures have not been restated to reflect this change.

The Fund is being maintained due to the sale of assets to Glacial Sand and Gravel and Fleet Management - Special Operating Agencies.

THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND

The year 2004 was the eightieth year of operation under the utility accounting structure of the Civic Accommodations Fund, formerly Civic Buildings. The following is a brief background into the creation of this utility fund.

In adopting the 1996 Current Estimates, City Council instructed the former Civic Buildings Department to review the feasibility of becoming a Self-Financing Utility Enterprise as described in the Innovative Options section. The former Board of Commissioners, in reviewing the Civic Buildings Department's 1997 Current Estimates, instructed the Department to do all things necessary to implement for the 1997 budget year a Charge-back System to distribute facility related costs to all civic departments.

During the investigations of a Charge-back System, better referred to as Full-Cost Accounting, it became evident that the system goes only as far as identifying the cost components of the City's accommodation activities. To successfully introduce the cost recovery charge-back, the Civic Buildings Department set about examining a business plan which would accomplish the following goals:

- run the department's operations, as far as practical, on a financially self-sustaining basis and according to best business practices;
- to follow best private and public sector employment practices, and promote staff involvement wherever practicable in all aspects of operations;
- to introduce contemporary technologies to the department's operations;
- to continuously strive to improve service quality and responsiveness; and
- to preserve and safeguard the City's assets.

Significant changes were required to accomplish these goals. During the course of 1997 a new utility fund was created along with the implementation of a number of accounting and budget changes. The major activities in bringing about this change can be outlined as follows:

- A new Civic Buildings Fund was created;
- A large portion of the Civic Buildings Department's adopted 1997/1998 budget was transferred from the General Revenue Fund to the new fund;
- Civic Departments were charged for facility costs during 1997 which included market rent, operating costs, and portfolio overheads;
- A small portion of the Civic Buildings Department's budget remained in the General Revenue Fund to provide for corporate space and space not readily assignable to an existing civic department;
- The new Civic Buildings Fund was charged general government charges, consistent with all other utilities, and was responsible for existing and new debt and finance charges related to civic accommodations;
- For the purposes of 1997 and 1998, actual charges assigned to departments equaled the budget for allocated accommodation costs; and
- When the Civic Buildings Department was disbanded in 1998, the name of the Civic Buildings Fund changed to the Civic Accommodations Fund.

Since then, the civic reorganization, stemming from the Cuff Report, has resulted in the responsibilities of the former Civic Buildings Department being delegated to the Planning, Property and Development and the Public Works Departments. It was determined, between the two departments, during the division of mandates that the Planning, Property and Development Department would serve as "surrogate owners" for those buildings which comprised the portfolio of the former Civic Buildings Department. As such, the Civic Accommodations Division of Planning, Property and Development has the primary accountability in maintaining the tenant-landlord relationship. They manage the Civic Accommodations Utility and are responsible for the full cost accounting of these same accommodation services resulting in full occupancy costs being charged to Departments. The Civic Accommodations Division is responsible for development of accommodations for City Departments, including locations, space allocations, furniture selection, and

THE CITY OF WINNIPEG

CIVIC ACCOMMODATIONS FUND (continued)

office decorating. The Division assumes overall responsibility for the leasing of civic accommodations and for the programming, designing and project management of construction and renovation projects, the provision of design and consulting services to departments and the demolition of buildings authorized by the appropriate authority.

In 1998 the operations of the Building Services Division of the former Civic Buildings Department was transferred over to the Public Works Department. The result was that effective January 1, 1998, the activities of the Building Services Division was transferred from the Civic Accommodations Fund to the Public Works Fund. The Public Works Department serves as an internal contractor to Civic Accommodations facility maintenance, security, environmental monitoring and cleaning services. The costs of these facility services are continually tracked and monitored in the Public Works Fund then transferred to the Civic Accommodations Fund such that the full cost of accommodations can be charged to client departments.

An "Actual/Market" model is used to distribute accommodation costs to all departments. This model and methodology is essentially the same which Council instructed the Administration to implement coincident with the adoption of the 1997 Current Estimates.

THE CITY OF WINNIPEG

CIVIC ACCOMMODATIONS FUND

FIVE-YEAR REVIEW

As at December 31

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Number of facilities (1)	139	138	138	138	147
Total area square footage	2,443,334	2,463,860	2,463,860	2,493,000	2,800,000

(1) The reduction in portfolio in 2001, is due to the sale of 146, 150, 154, 160 and 164 Princess Street, and 476, 500 and 504 Main Street. Also, 45 Maude street was transferred to the Real Estate Division.

**THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND**

STATEMENT OF FINANCIAL POSITION

*As at December 31
(in thousands of dollars)*

ASSETS

Current

Cash

Due from General Revenue (Note 3)

Accounts receivable

Prepaid expenses

	<u>2004</u>	<u>2003</u>
\$	17	\$ 71
	3	-
	64	367
	<u>459</u>	<u>435</u>
	543	873
Capital assets (Note 4)	<u>3,820</u>	<u>3,971</u>
	<u>\$ 4,363</u>	<u>\$ 4,844</u>

LIABILITIES

Current

Due to General Revenue Fund (Note 3)

Accounts payable and accrued liabilities (Note 5)

Current portion of long-term debt (Note 6)

\$	-	\$ 199
	543	674
	<u>161</u>	<u>151</u>
	704	1,024
Long-term debt (Note 6)	<u>3,659</u>	<u>3,820</u>
	<u>\$ 4,363</u>	<u>\$ 4,844</u>

Commitments (Note 7)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND

STATEMENT OF OPERATIONS

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

	2004 Budget	2004 Actual	2003 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 9b)	\$ 29,377	\$ 29,034	\$ 29,399
Other rental	548	692	616
Investment and other	-	18	38
Miscellaneous	-	8	47
Total Revenues	<u>29,925</u>	<u>29,752</u>	<u>30,100</u>
EXPENSES			
Civic Accommodations	10,696	11,395	11,624
Transfer to Building Services Fund	9,615	9,765	9,779
Debt and finance charges	6,714	5,689	5,776
Transfer to General Revenue Fund	2,900	2,903	2,921
Total Expenses (Note 10)	<u>29,925</u>	<u>29,752</u>	<u>30,100</u>
Surplus for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) Basis of presentation

The Civic Accommodations Fund follows the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are generally 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.

The accrual basis of accounting is modified in the following circumstances:

- expenses for accrued vacation costs, sick leave cash out, workers compensation claims, and insurance claims are recorded when payment is made.

c) Capital assets

Capital assets financed by debt or internal financing through the Equity in Capital Assets Fund, including land, are recorded at the amount of the related outstanding debt obligation in the General Capital Fund. Except for the purchase of the Mandarin Building which is funded by debt issued by the Equity in Capital Assets Fund. The asset and related outstanding debt obligation are recorded in the Civic Accommodations Fund.

Capital assets not financed by debt or internal financing are expensed in the year of acquisition in the Civic Accommodations Fund.

2. Status of the Civic Accommodations Fund

The Civic Accommodations Division is responsible for providing accommodations for all civic purposes. In providing this service the department undertakes the development of accommodation space, maintains building assets, renovations, disposes of buildings through demolition or sale.

The fund was established in 1997 in order to have a user-pay self-supporting utility. An accommodation charge-back system was initiated as an initial step towards the full costing of services to other civic departments. Historically, the activities of the Civic Accommodations (Buildings) Fund were reported in the General Revenue Fund.

3. *Due from/to General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account in each fund. Interest is credited or charged to other funds based on the City's average short-term earnings (cost of funds) on the single bank account.

4. *Capital Assets*

	2004	2003
Cost	\$ 4,864	\$ 4,864
Accumulated depreciation	(1,044)	(893)
	<u>\$ 3,820</u>	<u>\$ 3,971</u>

5. *Accounts Payable and Accrued Liabilities*

	2004	2003
Accrued interest on long-term debt	\$ 481	\$ 614
Other accrued liabilities	31	18
Holdbacks and other payables	31	42
	<u>\$ 543</u>	<u>\$ 674</u>

6. *Long-Term Debt*

	2004	2003
Debt issued by the Equity in Capital Assets Fund which matures in the year 2019 with an interest rate of 6.35% (2003 - 6.50%)	\$ 3,820	\$ 3,971
Current portion of long-term debt	(161)	(151)
	<u>\$ 3,659</u>	<u>\$ 3,820</u>

7. *Commitments*

Lease commitments

The Civic Accommodations Division has entered into a number of lease agreements mainly for the lease of accommodations for civic offices. Future minimum lease payments are as follows:

2005	\$ 3,590
2006	3,538
2007	2,888
2008	2,133
2009	765
Subsequent	<u>2,241</u>
	<u>\$ 15,155</u>

8. *Employee Benefits*

- a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the 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). An actuarial valuation has estimated the unrecorded liability at December 31, 2004 at \$276 thousand (2003 - \$247 thousand).
- b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2004 is estimated at \$253 thousand (2003 - \$155 thousand).
- 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. The amount of this unrecorded liability is recorded in the notes to the financial statements of the General Revenue Fund.
- d) Civic Accommodations employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year, \$109 thousand (2003 - \$100 thousand) of pension costs were allocated to Civic Accommodations. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has disclosed an actuarial surplus.

9. *Contributions and Appropriations from Related Parties*

- a) Included in Civic Accommodations Fund expenses are:
 - Rental payments in the amount of \$6 thousand (2003- \$14 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
 - General government charges in the amount of \$306 thousand (2003- \$306 thousand) which represents the estimated share of The City of Winnipeg's general expenses applicable to civic accommodations;
 - A transfer of \$9.8 million (2003 - \$9.8 million) to the Building Services Fund for the provision of facility maintenance services; and
 - Interest and principal payments of \$405 thousand (2003 - \$405 thousand) to the Equity in Capital Assets Fund on the purchase of the Mandarin Building.
- b) The following funds were charged for facility costs:

	2004	2003
General Revenue Fund	\$ 27,364	\$ 27,552
Sewage Disposal System	334	314
Waterworks System	334	309
Building Services Fund	313	313
Animal Services - Special Operating Agency	168	168
Civic Accommodations Fund	164	164
Fleet Management - Special Operating Agency	156	271
Transit System	75	25
Solid Waste Disposal Fund	65	65
General Capital Fund	44	201
Golf Services - Special Operating Agency	17	17
	<u>\$ 29,034</u>	<u>\$ 29,399</u>

The charge for facility costs includes market rent, operating costs and portfolio overheads.

10. Expenses by Object

	2004 Budget	2004 Actual	2003 Actual
Transfer to Building Services Fund	\$ 9,615	\$ 9,765	\$ 9,779
Materials and supplies	8,611	8,960	8,953
Debt and finance charges	6,716	5,689	5,776
Transfer to General Revenue Fund	2,900	2,903	2,921
Salaries and employee benefits	1,855	1,837	1,703
Transfer to Commitment Reserve	-	420	580
Civic Accommodations Fund	164	164	164
Other expenses	95	87	284
Recoveries	(31)	(73)	(60)
	<u>\$ 29,925</u>	<u>\$ 29,752</u>	<u>\$ 30,100</u>

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Civic Accommodations Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

THE CITY OF WINNIPEG BUILDING SERVICES FUND

Prior to 1998, activities relating to the Building Services Division of the former Civic Buildings Department were recorded in the Civic Accommodations Fund. Commencing in 1998, the financial impact of these activities are recorded in the Building Services Fund. The Building Services Fund is a self-funded utility operation that provides facility operations, maintenance and security for over 1,500 civic buildings, structures, and fixtures.

The Building Services Division operates a computerized building monitoring system (METASYS). This system monitors the vital functions of 104 buildings with approximately 7,500 monitoring points. This sophisticated computerized system facilitates the remote monitoring and control of security, heating, air handling, energy, and other building related systems. The majority of the Corporation's civic office accommodations are monitored by this system 24 hours a day throughout the year.

**THE CITY OF WINNIPEG
BUILDING SERVICES FUND**

STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands of dollars)

ASSETS

Current

Due from General Revenue Fund (Note 3)

Accounts receivable

Prepaid expenses

	<u>2004</u>	<u>2003</u>
\$	307	\$ 30
	52	271
	3	3
	<u>362</u>	<u>304</u>
\$	<u>362</u>	\$ <u>304</u>

LIABILITIES

Current

Accounts payable and accrued liabilities (Note 4)

Deferred revenue

\$	303	\$ 286
	59	18
	<u>362</u>	<u>304</u>
\$	<u>362</u>	\$ <u>304</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG BUILDING SERVICES FUND

STATEMENT OF OPERATIONS

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

	2004 Budget	2004 Actual	2003 Actual
REVENUES			
Contributions from City of Winnipeg departments (Note 6b)	\$ 25,462	\$ 25,800	\$ 25,748
Investment and other	315	272	310
Total Revenues	<u>25,777</u>	<u>26,072</u>	<u>26,058</u>
EXPENSES (Note 7)			
Building services	<u>25,777</u>	<u>26,072</u>	<u>26,058</u>
Surplus for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG BUILDING SERVICES FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below:

a) Basis of presentation

The Building Services Fund follows the fund basis of accounting. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

b) Basis of accounting

The financial statements are generally prepared using the accrual basis of accounting. The accrual basis of accounting records revenues as they are 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.

The accrual basis of accounting is modified in the following circumstances:

- expenses for accrued vacation costs, sick leave cash out, workers compensation claims, and insurance claims are recorded when payment is made.

2. *Status of the Building Services Fund*

The Building Services Division of the Public Works Department is responsible for providing accommodations for all civic purposes. In providing this service the Division maintains building assets and renovates existing spaces. The division also maintains responsibility for off-street parking facilities.

The fund was established in 1998 in order to have a user-pay self supporting utility. The Public Works Department implemented an accommodation charge back system as an initial step towards the full costing of services to other civic departments. Prior to 1998, the activities of the Building Services Division were reported in the Civic Accommodations Fund.

3. *Due from General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, other funds do not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account in each fund. Interest is credited or charged to other funds based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Accounts Payable and Accrued Liabilities

	<u>2004</u>	<u>2003</u>
Wages and employee benefits payable	\$ 275	\$ 146
Performance deposits	<u>28</u>	<u>140</u>
	<u>\$ 303</u>	<u>\$ 286</u>

5. Employee Benefits

- a) Under the retirement allowance plan (including certain sick leave credits) for the majority of the 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). The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.
- b) Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.
- 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. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.

6. Contributions and Appropriations from Related Parties

- a) Included in Building Services Fund's expenses are:
 - Rental payments in the amount of \$691 thousand (2003 - \$688 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
 - General government charges in the amount of \$252 thousand (2003 - \$252 thousand) which represents the estimated share of The City of Winnipeg's general expenses applicable to Building Services; and
 - Rental payments in the amount of \$313 thousand (2003 - \$313 thousand) which represent facility costs paid to the Civic Accommodations Fund for space occupied by Building Services staff.
- b) The following funds transferred revenue to the Building Services Fund.

	<u>2004</u>	<u>2003</u>
General Revenue Fund	\$ 16,035	\$ 15,969
Civic Accommodations Fund	<u>9,765</u>	<u>9,779</u>
	<u>\$ 25,800</u>	<u>\$ 25,748</u>

The transfers represent a charge for facility costs which include operating costs, maintenance costs and portfolio overheads.

7. Expenses by Object

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>2003 Actual</u>
Services, materials and supplies	\$ 14,286	\$ 15,068	\$ 16,151
Salaries and employee benefits	12,481	12,000	11,544
Other grants and transfers	579	630	556
Recoveries	<u>(1,569)</u>	<u>(1,626)</u>	<u>(2,193)</u>
	<u>\$ 25,777</u>	<u>\$ 26,072</u>	<u>\$ 26,058</u>

8. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Building Services Fund's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.



Utilities 2004 DETAILED FINANCIAL STATEMENTS



THE CITY OF WINNIPEG TRANSIT SYSTEM

The City of Winnipeg Transit Department provides reliable, comfortable and accessible public transit service to the citizens of Winnipeg through the provision of four services - regular transit, Handi-transit, chartered bus service and special events transit service. The department's mission is to provide the best public transit service possible and to be the mode of choice for travel to the City's major activity centres.

Passenger revenue increased by \$3.0 million over 2003, a 6.1% increase. Although a small increase in fares contributed to this, the primary reason for the increased revenue is higher ridership. Revenue passengers for 2004 numbered 38.6 million, a 2% increase from 2003. This is the highest ridership since 2000 and reflects the positive influences of growing university enrolment, a healthy local economy and transit improvements implemented over the past few years.

The transit system drew less from the General Revenue Fund than expected. This is due to unexpected capital contributions from the Province of Manitoba, including \$2.5 million for regular bus purchases.

Salary and wages expenses increased by \$3.4 million over 2003. This increase is due to contractual agreement obligations and a number of job openings being filled in most areas of the operation. The one exception was Operations where, due to an inability to staff to optimal levels, a significant amount of work was done on overtime last year.

The other major cost factor in 2004 was diesel fuel. By year-end, after steadily increasing throughout the year, fuel prices peaked at 68 cents per litre, the highest ever. Rising prices, combined with a mid-year increase in the Provincial motive fuel tax, resulted in diesel fuel exceeding budget by \$1.3 million.

Handi-transit service increased by 6% over 2004 and exceeded budget expectations by \$0.3 million.

Several other significant achievements were realized during the year, including:

- Ordering and taking delivery of 30 new 40' New Flyer low floor buses;
- The establishment of a Rapid Transit Task Force to recommend a "Made in Winnipeg" Rapid Transit solution. Although a rapid transit system for the City was delayed, the Task Force should result in greater acceptance of the need for rapid transit for the City in its most appropriate form;
- Entering into a long-term contract for the supply of buses (up to ten years). This contract will provide the system with stability in prices, delivery and design;
- Entering into new advertising agreements that provide the department with 300 new bus shelters and a new revenue stream;
- Implementing upgrades and other system improvements to the Handi-Transit booking and confirmation system, resulting in a more efficient and effective system;
- Receiving an award from the Canadian Urban Transit Association for the department's website and Navigo trip planning system. The award recognized excellence in providing public information utilizing new technology. In 2004, Navigo processed 4.5 million trip requests; and
- Successfully developing and testing initial prototype components for a replacement bus radio system. The new system will incorporate automatic vehicle location technology, an important building block to enhance our customer service.

THE CITY OF WINNIPEG TRANSIT SYSTEM

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars, except for "Financial Statistics and Selected Ratios" section)

	2004	2003	2002	2001	2000
Financial Position					
Current assets	\$ 9,373	\$ 8,602	\$ 8,489	\$ 5,053	\$ 4,707
Capital assets	\$ 33,993	\$ 24,974	\$ 27,527	\$ 29,170	\$ 32,074
Total assets	\$ 43,366	\$ 33,576	\$ 36,016	\$ 34,223	\$ 36,781
Current liabilities	\$ 18,452	\$ 14,037	\$ 16,483	\$ 10,109	\$ 9,830
Long-term debt	\$ 19,291	\$ 19,539	\$ 19,533	\$ 24,092	\$ 26,733
Operations					
Passenger revenue	\$ 52,529	\$ 49,491	\$ 47,620	\$ 48,000	\$ 46,788
- in relation to total revenue	48.94%	48.07%	48.68%	48.97%	49.73%
Appropriation from General Revenue Fund	\$ 32,854	\$ 31,882	\$ 29,081	\$ 29,065	\$ 27,100
- in relation to total revenue	30.61%	30.97%	29.73%	29.65%	28.80%
Provincial operating grants	\$ 16,854	\$ 17,459	\$ 16,854	\$ 16,854	\$ 16,339
Operations expenses	\$ 45,045	\$ 42,769	\$ 41,695	\$ 40,611	\$ 39,792
Plant and equipment expenses	\$ 29,806	\$ 28,004	\$ 27,504	\$ 27,258	\$ 25,103
Total expenses	\$ 102,845	\$ 97,419	\$ 95,761	\$ 93,863	\$ 92,194
Cash Flows					
Operating activities	\$ 6,363	\$ 4,313	\$ 1,149	\$ 5,276	\$ 6,561
Long-term debt issued, net	\$ 1,333	\$ (3,873)	\$ (4,693)	\$ (260)	\$ (3,016)
Payments to The Sinking Fund Trustees, net	\$ (970)	\$ (1,316)	\$ (1,515)	\$ (1,515)	\$ (1,605)
Capital expenses	\$ (17,050)	\$ (20,952)	\$ (13,204)	\$ (8,071)	\$ (591)
Financial Statistics and Selected Ratios					
Regular cash fare, end of year	\$ 1.80	\$ 1.75	\$ 1.70	\$ 1.65	\$ 1.60
Handi-transit - Annual ridership (in thousands)	545.6	513.4	497.0	449.4	432.3
Regular transit - Annual passenger boardings (in millions)	54.7	53.5	52.2	54.5	54.7
Bus hours operated (in thousands)	1,360	1,335	1,324	1,326	1,315
Direct operating cost per passenger	\$ 2.29	\$ 2.23	\$ 2.17	\$ 2.07	\$ 2.02
Direct operating cost per vehicle hour	\$ 64.98	\$ 63.24	\$ 61.70	\$ 60.20	\$ 59.81
Revenue to cost ratio	59%	60%	59%	61%	60%
Municipal operating cost per capita	\$ 44.94	\$ 44.04	\$ 39.78	\$ 39.62	\$ 37.28

THE CITY OF WINNIPEG TRANSIT SYSTEM

STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash	\$ 225	\$ 212
Accounts receivable (Note 3)	5,438	5,032
Inventory (Note 4)	3,695	3,333
Prepaid expenses	15	25
	<u>9,373</u>	<u>8,602</u>
Capital assets (Note 5)	<u>33,993</u>	<u>24,974</u>
	<u><u>\$ 43,366</u></u>	<u><u>\$ 33,576</u></u>
LIABILITIES		
Current		
Due to General Revenue Fund (Note 6)	\$ 13,135	\$ 9,621
Accounts payable and accrued liabilities	3,509	2,500
Current portion of long-term debt (Note 7)	1,808	1,916
	<u>18,452</u>	<u>14,037</u>
Deferred capital contributions	5,500	-
Long-term debt (Note 7)	<u>19,291</u>	<u>19,539</u>
	<u>43,243</u>	<u>33,576</u>
NET ASSETS	<u>123</u>	<u>-</u>
	<u><u>\$ 43,366</u></u>	<u><u>\$ 33,576</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRANSIT SYSTEM

STATEMENT OF OPERATIONS

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

	2004 Budget	2004 Actual	2003 Actual
REVENUES			
System generated (Note 8)	\$ 53,203	\$ 55,593	\$ 52,227
Appropriation from General Revenue Fund	35,454	32,854	31,882
Provincial Government grants (Note 9)	18,022	17,998	18,474
Interest and other	805	899	365
Total Revenues	107,484	107,344	102,948
EXPENSES			
Operations (Note 10)	43,488	45,045	42,769
Plant and equipment (Note 11)	29,700	29,806	28,004
Corporate (Note 12)	13,439	13,337	12,416
Handi-transit	7,385	7,733	7,332
Finance and administration	3,123	2,977	2,828
Marketing and customer services	2,153	2,063	2,134
Information systems	956	956	961
Planning and schedules	1,019	928	975
Total Expenses (Note 13)	101,263	102,845	97,419
Surplus from operations	\$ 6,221	\$ 4,499	\$ 5,529

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRANSIT SYSTEM

STATEMENT OF NET ASSETS

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

	<u>Unrestricted Equity</u>	<u>Investment in Capital Assets</u>	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ -	\$ -	\$ -	\$ -
Surplus from operations	4,499	-	4,499	5,529
Transfer to Transit Bus Replacement Reserve Fund (Note 14)	(4,376)	-	(4,376)	(5,529)
Net change in investment in capital assets (Note 15)	<u>(5,264)</u>	<u>5,264</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (5,141)</u>	<u>\$ 5,264</u>	<u>\$ 123</u>	<u>\$ -</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRANSIT SYSTEM

STATEMENT OF CASH FLOWS

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

	2004	2003
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Surplus from operations and before transfer	\$ 4,499	\$ 5,529
Non-cash items related to operations		
Amortization of capital assets	2,332	2,301
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(719)	(700)
Working capital from operations	6,112	7,130
Net change in other working capital	251	(2,817)
	6,363	4,313
FINANCING		
Long term debt issued	1,976	4,411
Long-term debt retired	-	(8,000)
Payments on other long-term debt	(643)	(284)
Proceeds from The Sinking Fund Trustees applied to long-term debt retired	-	6,024
Payments to The Sinking Fund Trustees for outstanding long-term debt	(970)	(1,316)
Transfer to Transit Bus Replacement Reserve Fund	(4,376)	(5,529)
Due to General Revenue Fund	3,514	(120)
	(499)	(4,814)
INVESTING		
Purchase of capital assets	(17,050)	(20,952)
Contributions from the Province of Manitoba for purchase of capital assets	5,700	10,267
Contributions from Transit Bus Replacement Reserve for purchase of capital assets	5,499	9,237
Transfer from General Purpose Reserve for purchase of capital assets	-	1,700
	(5,851)	252
Increase (decrease) in cash	13	(249)
Cash, beginning of year	212	461
Cash, end of year	\$ 225	\$ 212

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRANSIT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, sick leave credits, workers compensation claims, environmental costs and insurance claims which are accounted for on a cash basis.

a) Inventory

Inventory is recorded at the lower of cost or net replacement cost.

b) Capital assets and deferred capital contributions

Capital assets are stated at cost. Cost includes interest and overhead expenses incurred during the period the asset is acquired or constructed.

Prior to 2004, capital assets purchased out of current operations were not capitalized. With the exception of those buses capitalized, the cost and related accumulated amortization of a capital asset are not reduced when an asset has been removed from service.

Amortization of capital assets is recorded on the basis of long-term debt instalments made and interest earned on the funds on deposit with The Sinking Fund Trustees. The effect of using this policy is that:

- i) all capital assets purchased through debentures, including land, are subject to amortization, and
- ii) capital assets are amortized as they are funded which may not coincide with when they are actually put into service.

Contributions in aid of acquisition and construction are recorded as a reduction in the cost of the capital asset.

After 2003, capital assets having an estimated useful life extending beyond the current year are capitalized and amortized on a straight-line basis over their estimated useful life as follows:

Buses	15 years
Other equipment	20 years
Bus ways	40 years

1. *Summary of Significant Accounting Policies (continued)*

Contributions in aid of acquisition and construction are recorded as deferred capital contributions and are amortized on the same basis and at the same rate as the asset is amortized.

Capital asset amortization and deferred capital contributions amortization are charged to the investment in capital assets.

These changes have been accounted for prospectively.

c) **Revenue**

Revenue relating to the provision of a service is recognized as that service is provided. Conditional Provincial Government grants are recognized as revenue when the expense relating to the grant has been incurred. The appropriation from the General Revenue Fund represents a transfer.

d) **Estimates**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Significant areas requiring the use of estimates include determination of useful lives of capital assets, allowance for doubtful accounts receivable, obsolete inventory and employee benefits. Actual results could differ from those estimates.

2. *Status of the Transit System*

The City of Winnipeg, under the provisions of **The City of Winnipeg Charter**, has been provided the authority to operate a public transit system. The history of public transportation in the City began with the formation of the Winnipeg Street Railway Company in 1882 using horse drawn cars and sleighs and evolved to the modern diesel buses of today. The Transit System's mission statement is to provide the best public transportation service possible and to be the mode of choice for travel to the City's major activity centres.

Funding of operations is through user fees, appropriations from The City of Winnipeg's General Revenue Fund, and Province of Manitoba urban transit grants.

3. *Accounts Receivable*

	2004	2003
Province of Manitoba	\$ 4,257	\$ 4,302
Advertising rights, charter and other	1,181	730
	<u>\$ 5,438</u>	<u>\$ 5,032</u>

4. *Inventory*

	2004	2003
Stores	\$ 3,591	\$ 3,250
Tickets, passes and other	104	83
	<u>\$ 3,695</u>	<u>\$ 3,333</u>

5. Capital Assets

	2004	2003
Buses	\$ 141,339	\$ 137,349
Work in progress	17,212	4,110
Buildings	14,592	14,592
Other equipment	9,119	9,119
Land and bus ways	5,179	5,179
	<u>187,441</u>	<u>170,349</u>
Accumulated amortization	(35,777)	(32,700)
Contributions in aid of construction and acquisition	<u>(117,671)</u>	<u>(112,675)</u>
	<u>\$ 33,993</u>	<u>\$ 24,974</u>

6. Due to General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this fund does not have a bank account. Cash transactions are credited or charged to the due from (to) General Revenue Fund account.

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2004	2003
1990-2005	Oct. 1	11.700	VI	5507/90	\$ 6,894	\$ 6,894
1989-2009	Dec. 14	10.000	VH	5286/89	3,000	3,000
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	6,500	6,500
1995-2015	May 12	9.125	VR	6620/95	7,000	7,000

	<u>28,394</u>	<u>28,394</u>
Funds on deposit with The Sinking Fund Trustees (Note 7b)	<u>(15,544)</u>	<u>(13,854)</u>

Net sinking fund debentures outstanding	12,850	14,540
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Other long-term debt outstanding

Serial debentures issued by the City with varying maturities up to 2013 and a weighted average interest rate of 5.01% (2003 - 5.05%)	6,698	5,212
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Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 6.82% (2003 - 6.82%)	<u>1,551</u>	<u>1,703</u>
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	21,099	21,455
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Current portion of long-term debt	<u>(1,808)</u>	<u>(1,916)</u>
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	<u>\$ 19,291</u>	<u>\$ 19,539</u>
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7. Long-term Debt (continued)

Principal retirements on long-term debt over the next five years are as follows:

	2005	2006	2007	2008	2009	Thereafter
Sinking fund debentures	\$ 6,894	\$ -	\$ -	\$ -	\$ 3,000	\$ 18,500
Serial debentures	677	707	1,349	550	384	3,031
Equity in Capital Assets						
Fund debt	162	124	133	142	151	839
	<u>\$ 7,733</u>	<u>\$ 831</u>	<u>\$ 1,482</u>	<u>\$ 692</u>	<u>\$ 3,535</u>	<u>\$ 22,370</u>

- All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and the various utilities, including the Transit System, in the amounts shown in the issuing by-law.
- 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.

8. System Generated

	2004 Budget	2004 Actual	2003 Actual
Passenger	\$ 50,839	\$ 52,529	\$ 49,491
Charter and other	909	1,617	1,277
Advertising rights	1,455	1,447	1,459
	<u>\$ 53,203</u>	<u>\$ 55,593</u>	<u>\$ 52,227</u>

9. Provincial Government Grants

The Provincial Government provided grants of \$16.9 million (2003 - \$17.4 million) toward the operation of the Transit System and \$1.1 million (2003 - \$1.1 million) as a Local Government Support Grant.

10. Operations

	2004 Budget	2004 Actual	2003 Actual
Bus operators	\$ 39,997	\$ 41,377	\$ 39,327
Inspectors	1,681	1,828	1,530
Operations administration	1,196	1,167	1,327
Instruction	614	673	585
	<u>\$ 43,488</u>	<u>\$ 45,045</u>	<u>\$ 42,769</u>

11. Plant and Equipment

	2004 Budget	2004 Actual	2003 Actual
Vehicle maintenance and overhaul	\$ 14,615	\$ 13,286	\$ 13,103
Bus servicing	9,492	10,991	9,848
Building services	2,717	2,693	2,337
Maintenance administration	2,122	2,144	2,099
Loop and bus stop	754	692	617
	<u>\$ 29,700</u>	<u>\$ 29,806</u>	<u>\$ 28,004</u>

12. Corporate

	2004 Budget	2004 Actual	2003 Actual
Debt and finance charges	\$ 6,610	\$ 5,552	\$ 5,527
Employee benefits	1,958	2,786	2,027
Taxes	2,379	2,398	2,319
General government charges and other	1,357	1,302	1,203
Insurance and claims	1,135	1,299	1,340
	<u>\$ 13,439</u>	<u>\$ 13,337</u>	<u>\$ 12,416</u>

a) Employee benefits

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2004 is estimated at \$4.4 million (2003 - \$4.3 million).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the 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 (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2004 at \$7.6 million (2003 - \$7.5 million).

The City of Winnipeg operates its workers compensation program on a self-insured basis. In lieu of paying premiums to the Workers Compensation Board of Manitoba, The City of Winnipeg pays actual costs incurred plus an administration fee. The City of Winnipeg recognizes a responsibility regarding future costs (such as compensation, rehabilitation, medical aid, pension awards and administration) on existing claims and incurred but not reported claims. The amount of this unrecorded liability is estimated to be \$233 thousand (2003 - \$49 thousand).

b) General government charges and other

Included in general government charges and other is \$0.8 million (2003 - \$0.8 million) in general government charges which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.

13. Expenses by Object

	2004 Budget	2004 Actual	2003 Actual
Salaries and wages	\$ 54,878	\$ 56,212	\$ 52,773
Materials and supplies	13,484	13,774	12,961
Services	11,611	11,613	11,429
Employee benefits	9,123	9,849	9,148
Taxes - fuel, municipal and payroll	4,125	4,268	4,089
Interest on long-term debt	3,710	3,206	3,195
Amortization of capital assets	2,883	2,332	2,301
Insurance and transfer to Insurance Reserve Fund	1,457	1,535	1,522
Other	625	642	546
Recoveries	(633)	(586)	(545)
	<u>\$ 101,263</u>	<u>\$ 102,845</u>	<u>\$ 97,419</u>

14. Transfer to Transit Bus Replacement Reserve Fund

City Council on December 15, 1994, approved the creation of the Transit Bus Replacement Reserve for the purpose of providing financing for the replacement or major refurbishing of transit buses in a scheduled and pragmatic manner. Contributions to this Reserve will be based on a budgeted appropriation from the Transit System plus the proceeds from the disposal of bus equipment and recoveries from bus equipment written off in insurance claims. Upon the Transit System making the outlay to replace or refurbish buses, this Reserve will make a contribution to the Transit System for that purchase. In addition to the amount transferred to the Reserve, \$5.5 million (2003 - \$9.2 million) was transferred from the Reserve to finance buses acquired.

15. Net Change in Investment in Capital Assets

	2004 Actual	2003 Actual
Balance, beginning of year	\$ -	\$ -
Capital assets acquired	17,050	-
Contributions from the Province of Manitoba	(5,700)	-
Contributions from the Transit Bus Replacement Reserve Fund	(5,541)	-
Amortization	(745)	-
Amortization of deferred capital contributions	200	-
	<u>\$ 5,264</u>	<u>\$ -</u>

16. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the Transit System is related. Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

17. Comparative Figures

Certain prior year's figures have been reclassified to conform to the current year's financial statement presentation.

THE CITY OF WINNIPEG WATERWORKS SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Waterworks System is to provide an uninterrupted supply of potable water under adequate pressure at least cost to the residents of Winnipeg. The Department is responsible for the planning, operating, maintenance and administration of the system. The Waterworks System budget provides funding for the Intake, 174 kms of aqueduct, five pumping stations, four reservoir systems and the distribution network along with debt charges, employee benefits, taxes, contributions to the General Revenue Fund, and transfers to the Water Treatment Reserve.

The Water Treatment Reserve was established on December 17, 1993 to fund 50% of the cost of building a water treatment plant estimated at \$227 million. The water treatment plant conceptual design study was completed in 1999 and in October 1999, the Executive Policy Committee held public consultations regarding the need for a proposed water treatment plant. Council approved the recommended water treatment program on November 22, 2000. As part of the emerging technologies studied, ultraviolet light disinfection was proven to be an effective water treatment technology to protect against waterborne pathogens. On July 17, 2002, Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant. On June 25, 2003, Council adopted the recommendation that the water treatment plant will be constructed using the construction management model and that the City will operate the facility. The ultraviolet light disinfection facility was constructed at the Deacon Booster Pumping Station in 2004 and will become operational in 2005. Design of the water treatment plant is ongoing with construction to commence in 2005. The target in-service date for full water treatment is late 2007.

THE CITY OF WINNIPEG WATERWORKS SYSTEM

FIVE-YEAR REVIEW

As at December 31

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.70
Annual water pumped (million litres)	81,045	84,577	81,916	79,783	82,415
Water pumped in litres per capita per day	343	366	359	346	355
Average daily water pumped (million litres per day)	222	232	224	219	225
Maximum day water pumping rates (million litres per day)	285	336	308	276	295
Maximum hour water pumping rates (million litres per day)	411	517	450	432	427
Kilometres of aqueduct	174.5	174.5	174.5	174.5	174.5
Kilometres of feeder mains	156.8	156.8	156.8	116.8	116.8
Kilometres of water mains	2,434.2	2,420.6	2,417.8	2,426.8	2,411.4
Number of hydrants	20,661	20,348	20,228	19,464	19,174
Number of billed services	186,160	184,854	183,656	182,804	181,754

THE CITY OF WINNIPEG WATERWORKS SYSTEM

STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash	\$ 318	\$ 350
Accounts receivable (Note 3)	13,897	14,712
Due from General Revenue Fund (Note 4)	16,868	11,326
Inventories	792	856
	<u>31,875</u>	<u>27,244</u>
Capital assets (Note 5)	<u>42,294</u>	<u>46,907</u>
	<u><u>\$ 74,169</u></u>	<u><u>\$ 74,151</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 3,357	\$ 2,058
Current portion of long-term debt (Note 7)	3,721	3,743
	<u>7,078</u>	<u>5,801</u>
Long-term debt (Note 7)	<u>28,622</u>	<u>33,212</u>
	35,700	39,013
RETAINED EARNINGS	<u>38,469</u>	<u>35,138</u>
	<u><u>\$ 74,169</u></u>	<u><u>\$ 74,151</u></u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG WATERWORKS SYSTEM

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	2004 Budget	2004 Actual	2003 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 8)	\$ 73,387	\$ 71,345	\$ 75,487
Interest	910	1,343	1,160
Government grants, permits and other	878	736	732
Total Revenues	75,175	73,424	77,379
EXPENSES (Schedules 2 and 3)			
Water distribution	24,610	22,379	23,406
Debt and finance	9,718	12,327	11,151
Taxes, employee benefits and other (Note 9)	5,795	6,009	5,627
Engineering services	2,598	2,554	2,319
Finance and administration	2,053	2,171	1,978
Information systems and technology	690	620	535
Customer services	746	526	483
Laboratory services	480	477	465
Human resources	460	369	283
Total Expenses from Operations	47,150	47,432	46,247
Surplus for the year from operations	28,025	25,992	31,132
Transfers to other funds (Note 10)	23,074	22,661	23,940
Net surplus for the year	4,951	3,331	7,192
Unappropriated retained earnings			
Beginning of year	27,779	27,779	24,620
Transfer from appropriated retained earnings	-	3,097	1,062
Appropriation for Waterworks System Fund Capital	-	(5,705)	(5,095)
End of year	32,730	28,502	27,779
Appropriated retained earnings			
Beginning of year	7,359	7,359	3,326
Appropriation for Waterworks System Fund Capital	-	5,705	5,095
Transfer to unappropriated retained earnings	-	(3,097)	(1,062)
End of year	7,359	9,967	7,359
Total retained earnings	\$ 40,089	\$ 38,469	\$ 35,138

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG WATERWORKS SYSTEM

STATEMENT OF CASH FLOWS

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

NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:

	<u>2004</u>	<u>2003</u>
OPERATING		
Net surplus for the year	\$ 3,331	\$ 7,192
Non-cash items related to operations		
Amortization	4,613	5,003
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(869)	(848)
Contributions in aid of construction	<u>3,115</u>	<u>1,080</u>
Working capital from operations	10,190	12,427
Change in net working capital other than cash	<u>2,178</u>	<u>(1,172)</u>
	<u>12,368</u>	<u>11,255</u>
FINANCING		
Debt retired	(3,217)	(11,299)
Due from General Revenue Fund	(5,542)	(2,700)
Proceeds from The Sinking Fund Trustees	918	6,013
Payments to The Sinking Fund Trustees for outstanding long-term debt	(1,444)	(1,856)
Contributions from Reserves	<u>14,661</u>	<u>11,124</u>
	<u>5,376</u>	<u>1,282</u>
INVESTING		
Purchase of capital assets	<u>(17,776)</u>	<u>(12,204)</u>
(Decrease) increase in cash	(32)	333
Cash, beginning of year	<u>350</u>	<u>17</u>
Cash, end of year	<u><u>\$ 318</u></u>	<u><u>\$ 350</u></u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG WATERWORKS SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, sick leave credits, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded which may not coincide with when the assets are actually put into service.

Cost includes 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 capital asset.

b) Shoal Lake Agreement

On June 30, 1989, agreement #7846 was formalized between The City of Winnipeg ("the City"), the Province of Manitoba ("the Province") and the Shoal Lake Indian Band Number 40 ("the Band"). The City and Province each paid \$3 million to the Royal Trust Corporation of Canada. On January 1, 1996, the Canadian Imperial Bank of Commerce Trust was appointed as the new trustee. The principal sum of the trust created under the agreement is to be disbursed to the Band upon the expiry of the full term of 60 years, or upon termination of the agreement prior to the full term. The principal sum is to be calculated as the principal multiplied by the expired term divided by the full term with the balance returned equally to the City and the Province. The interest income is disbursed annually to the Band. The details of the agreement are only recorded as a note to these financial statements.

1. Summary of Significant Accounting Policies (continued)

c) Watermain Renewal Reserve

On February 18, 1981, Council adopted a motion that a reserve for watermain replacement be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Watermain Renewal Reserve Fund. On October 25, 2001, City Council requested City Administrators to draft amendments to the frontage levy By-law No. 549/73 to include the repair and replacement of streets and sidewalks in residential areas.

d) Aqueduct Rehabilitation Reserve

City Council on January 24, 1996, authorized the establishment of an Aqueduct Rehabilitation Reserve Fund for the renewal of the City's aqueduct. The 2004 water rates include a provision of 0 cents (2003 - 7.69 cents) per 100 cubic feet of water consumption billed for aqueduct rehabilitation. In 2004, \$0 million (2003 - \$2.6 million) was transferred to the Reserve. Prior to 1996, funds were appropriated in the Waterworks System Fund for the aqueduct rehabilitation project.

e) Water Treatment Reserve

On December 17, 1993, Council adopted a motion that a reserve for a water treatment program be established. The purpose of the reserve is to provide 50% funding for the construction of a water treatment plant. The 2004 water rates include a provision of 47.25 cents (2003 - 39.50 cents) per 100 cubic feet of water consumption billed for water treatment. In 2004, \$11.2 million (2003 - \$10.1 million) was transferred to the Water Treatment Reserve.

2. Status of the Waterworks System

Although the water supply system for the City of Winnipeg dates back to 1882, the Waterworks System ("Utility") was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of the aqueduct, five pumping stations, four reservoir systems and the distribution network. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the supply of water.

3. Accounts Receivable

	<u>2004</u>	<u>2003</u>
Water billings and other	\$ 14,097	\$ 14,986
Allowance for doubtful accounts	<u>(200)</u>	<u>(274)</u>
	<u>\$ 13,897</u>	<u>\$ 14,712</u>

4. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this Fund does not have a bank account. Cash transactions are credited or charged to the "Due (to) from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

5. Capital Assets

	2004	2003
Plant and equipment	\$ 408,960	\$ 397,560
Work in progress	56,773	57,657
Undistributed capital assets	16,565	16,565
Land	613	613
	<u>482,911</u>	<u>472,395</u>
Work in progress funding	(54,440)	(55,324)
Accumulated amortization	(151,947)	(147,334)
Contributions in aid of construction	(234,230)	(222,830)
	<u>\$ 42,294</u>	<u>\$ 46,907</u>

During the year, the following funds provided contributions in aid of construction towards the acquisition, construction and development of capital assets:

Aqueduct Rehabilitation Reserve \$1.1 million (2003 - \$3.5 million);
Waterworks System Fund \$3.1 million (2003 - \$1.1 million); and
Watermain Renewal Reserve \$6.3 million (2003 - \$6.5 million).

Commencing in 2003, Water Treatment projects are recorded as assets in the Water Treatment Reserve as they are completed. These assets will continue to build in value until the new Water Treatment Plant is complete. At that time, the completed assets will be transferred to the Waterworks System Fund and will be amortized over their expected useful life. Prior to this change, these assets were expensed in the Reserve in the year acquired. This change has been applied prospectively.

6. Accounts Payable and Accrued Liabilities

	2004	2003
Trade accounts payable	\$ 1,568	\$ 36
Accrued debenture interest	1,046	1,084
Other accrued liabilities	529	725
Deferred revenue and other	214	213
	<u>\$ 3,357</u>	<u>\$ 2,058</u>

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2004	2003
1991-2004	Nov. 1	10.000	VL	5779/91	\$ -	\$ 919
1990-2005	Oct. 1	11.700	VI	5507/90	1,008	1,008
1989-2009	Dec. 14	10.000	VH	5286/89	1,500	1,500
1993-2013	Feb. 11	9.375	VN	6090/93	5,000	5,000
1994-2014	Jan. 20	8.000	VQ	6300/94	13,000	13,000
1995-2015	May 12	9.125	VR	6620/95	25,000	25,000
					<u>45,508</u>	<u>46,427</u>

7. Long-Term Debt (continued)

Equity in Sinking Fund (Note 7b)	<u>(17,933)</u>	<u>(16,538)</u>
Net sinking fund debentures outstanding	27,575	29,889
Other long-term debt outstanding		
Serial and installment debt issued by the City with varying maturities up to 2006 and a weighted average interest rate of 6.75% (2003 - 6.67%)	4,652	6,787
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 6.91% (2003 - 7.80%)	<u>116</u>	<u>279</u>
	<u>32,343</u>	<u>36,955</u>
Current portion of long-term debt	(3,653)	(3,580)
Current portion of Equity in Capital Assets Fund debt	<u>(68)</u>	<u>(163)</u>
Current portion of long-term debt	<u>(3,721)</u>	<u>(3,743)</u>
	<u>\$ 28,622</u>	<u>\$ 33,212</u>

Principal retirement on long-term debt over the next five years is as follows:

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>Thereafter</u>
Sinking fund debentures \$	1,008	\$ -	\$ -	\$ -	\$ 1,500	\$ 43,000
Serial and installment	2,260	2,392	-	-	-	-
Equity in Capital Assets Fund	<u>68</u>	<u>35</u>	<u>6</u>	<u>7</u>	<u>-</u>	<u>-</u>
	<u>\$ 3,336</u>	<u>\$ 2,427</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 1,500</u>	<u>\$ 43,000</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.
- 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.
- c) Cash paid for interest during the year was \$4.6 million (2003 - \$5.5 million).

8. Revenue

The 2004 Water Treatment reserve contribution was 47.25 cents per hundred cubic feet (2003 - 39.5 cents). In 2004 there were no changes to the water rate.

9. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund. The only exceptions to this are payments-in-lieu of taxes paid to the R.M. of Tache, the R.M. of Springfield and the Local Government District of Reynolds which equate to 10% of full taxes - "full taxes" being in each case the verifiable product of the City's (exempt) assessment multiplied by the jurisdiction's prevailing mill rate adjusted to mill rates which would prevail if "full taxes" were being paid by the City.

Included in expenses is \$0.8 million (2003 - \$0.9 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's general expenditure and actual computer services charges applicable to the Waterworks System.

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2004 is \$2.3 million (2003 - \$2.1 million).

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. The amount of this unrecorded liability at December 31, 2004 is estimated at \$130 thousand (2003 - \$41 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the 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 (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2004 at \$3.2 million (2003 - \$3.4 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year, \$1.3 million (2003 - \$1.2 million) of pension costs were allocated to the Waterworks System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has disclosed an actuarial surplus.

10. Transfers to Other Funds

Beginning in 1988, Council adopted a motion instructing the Waterworks System to transfer an amount equal to 10% of water sales revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of water sales net of the transfers to the water treatment reserve and other transfers to the General Revenue Fund. In addition, the Utility transferred \$5.6 million in 2004 (2003 - \$5.6 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	2004	2003
Transfer to General Revenue Fund	\$ 11,487	\$ 11,187
Transfer to Water Treatment Reserve	11,174	10,114
Transfer to Aqueduct Rehabilitation Reserve	-	2,639
	<u>\$ 22,661</u>	<u>\$ 23,940</u>

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Waterworks System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

12. Comparative Figures

As a result of a departmental reorganization certain financial statement figures have been reclassified to conform to the current years financial statement presentation.

THE CITY OF WINNIPEG WATERWORKS SYSTEM

Schedule 1

REVENUES

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

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>2003 Actual</u>
Sale of goods and services			
Water sales	\$ 70,089	\$ 67,998	\$ 72,150
Fire hydrant and other rentals	3,262	3,312	3,307
Sale of scrap material	36	35	30
	<u>73,387</u>	<u>71,345</u>	<u>75,487</u>
Interest			
Sinking Fund earnings	870	869	848
Interest	-	427	303
Interest capitalized	40	47	9
	<u>910</u>	<u>1,343</u>	<u>1,160</u>
Government grants, permits and other			
Provincial support grant	400	465	416
Other	334	145	198
Permits and fees	144	126	118
	<u>878</u>	<u>736</u>	<u>732</u>
Total Revenues	<u>\$ 75,175</u>	<u>\$ 73,424</u>	<u>\$ 77,379</u>

THE CITY OF WINNIPEG WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Water distribution			
Watermain maintenance	\$ 4,233	\$ 6,002	\$ 7,273
Pumping stations	3,275	2,977	2,773
Service pipe maintenance	3,909	2,679	3,207
General administration	2,423	2,429	1,956
Mechanical/civil/electrical maintenance allocation	2,489	2,321	2,353
Emergency services	1,208	1,372	1,292
Railway maintenance and operations	1,117	1,143	914
Hydrant maintenance	1,884	1,013	1,136
Valve maintenance	1,057	633	526
Water meter maintenance	867	571	536
Water supply administration	825	377	467
Intake operation	383	328	358
Backflow prevention	134	222	142
Stores - 552 Plinguet	155	180	231
Meter shop	562	67	181
Staff house	89	65	61
	<u>24,610</u>	<u>22,379</u>	<u>23,406</u>
Debt and finance			
Long-term debt			
Amortization	4,850	4,613	5,003
Interest	4,855	4,585	5,010
Contributions in aid of construction	-	3,115	1,080
Finance charges	13	14	58
	<u>9,718</u>	<u>12,327</u>	<u>11,151</u>
Taxes, employee benefits and other			
Property taxes	2,704	2,833	3,087
Employee benefits	1,301	1,303	837
General government charges	615	615	615
Provincial payroll tax	420	494	467
Insurance and damage claims	366	489	408
Rent	337	334	312
Other services	312	322	234
Voluntary retirement incentive program	-	-	2
Recoveries	(260)	(381)	(335)
	<u>5,795</u>	<u>6,009</u>	<u>5,627</u>

THE CITY OF WINNIPEG WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Engineering services division			
Drafting and graphics	511	519	458
Design and construction	539	459	437
Project management	454	388	249
Administration	105	334	243
Water planning	399	314	315
Customer technical services	329	268	293
Services development	142	125	132
Land drainage/flood planning	-	52	10
Resource centre	72	48	53
Asset management	47	47	129
	<u>2,598</u>	<u>2,554</u>	<u>2,319</u>
Finance and administration division			
Customer billing	1,625	1,698	1,479
Administrative services	214	179	177
Accounting services	137	121	134
Financial planning	142	93	103
Process improvement	(65)	80	85
	<u>2,053</u>	<u>2,171</u>	<u>1,978</u>
Information systems and technology division			
Support services	375	310	283
Major systems	315	310	252
	<u>690</u>	<u>620</u>	<u>535</u>
Customer services division			
Customer relations	548	423	408
Administration	145	62	37
Communications	53	41	38
	<u>746</u>	<u>526</u>	<u>483</u>
Laboratory services division			
Analytical services	282	297	284
Research	127	130	120
Administration	71	50	61
	<u>480</u>	<u>477</u>	<u>465</u>

THE CITY OF WINNIPEG WATERWORKS SYSTEM

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Human resources division			
Human resources	155	190	125
Timekeeping and payroll	84	77	75
Human resources training	186	70	62
Work place health and safety	35	32	21
	<u>460</u>	<u>369</u>	<u>283</u>
Total Expenses from Operations	<u>47,150</u>	<u>47,432</u>	<u>46,247</u>
Transfers to other funds			
Transfer to General Revenue Fund	11,354	11,487	11,187
Transfer to Water Treatment Reserve	11,720	11,174	10,114
Transfer to Aqueduct Rehabilitation Reserve	-	-	2,639
	<u>23,074</u>	<u>22,661</u>	<u>23,940</u>
Total transfer to other funds	<u>23,074</u>	<u>22,661</u>	<u>23,940</u>
Total Expenses	<u>\$ 70,224</u>	<u>\$ 70,093</u>	<u>\$ 70,187</u>

THE CITY OF WINNIPEG WATERWORKS SYSTEM

Schedule 3

EXPENSES BY OBJECT

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

	<u>2004 Budget</u>	<u>2004 Actual</u>	<u>2003 Actual</u>
Transfers	\$ 23,074	\$ 22,661	\$ 23,940
Salaries	22,464	20,799	20,083
Goods and services	19,310	17,714	18,587
Amortization	4,850	4,613	5,003
Interest on long-term debt	4,855	4,585	5,010
Other expenses	4,027	4,193	4,391
Employee benefits	4,236	4,109	3,438
Contributions in aid of construction	-	3,115	1,080
Finance charges	277	153	232
Grants	50	41	40
Recoveries	(12,919)	(11,890)	(11,617)
Total Expenses	<u><u>\$ 70,224</u></u>	<u><u>\$ 70,093</u></u>	<u><u>\$ 70,187</u></u>

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

The Water and Waste Department ("the Department") is committed to providing and improving services for drinking water, wastewater, land drainage, flood control and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The objective of the Sewage Disposal System is to protect public health, aquatic life and the aesthetic quality of the rivers through adequate collection and treatment of the wastewater flows in the City of Winnipeg. The Department is responsible for the planning, engineering, contract administration, operation, maintenance and management of the system. The Sewage Disposal System budget provides funding for local collection sewers, the interception system, three wastewater treatment plants, sludge disposal and an industrial and hazardous waste control program along with debt charges, employee benefits, taxes and a contribution to the General Revenue Fund and transfers to the Environmental Projects Reserve.

The three wastewater treatment plants, which are among the most modern in Canada, provide conventional secondary level of treatment of wastewater on a continuous basis during dry weather. This is done explicitly to preserve the quality and health of rivers flowing through Winnipeg. Ongoing development in the City of Winnipeg may require future expansion of the South End wastewater treatment plant to collect and treat increased wastewater flows. Studies will be undertaken to assess the current plant capacity, future requirements and associated costs, if applicable.

A by-product of the sewage treatment process are biosolids. These are anaerobically digested and the dewatered sludge is used in the "WINGRO" program which has evolved into a successful resource recycling initiative. Through the co-operation of the rural municipalities, individual farmers, a hauling contractor, the Province of Manitoba and The City of Winnipeg ("the City"), the application of the "WINGRO" product has been used to fertilize farmers' fields. A biosolids management study was initiated in September 2001 to assess the current operations and determine the most appropriate and cost effective method of managing this residual product of wastewater treatment. The current license for land application of biosolids is under review and renewal will occur after completion of the study and broad based public consultation.

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve Fund for the purpose of providing funding for environmental projects to improve river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the nature of the projects this Reserve was set up to fund.

The Reserve is financed through a monthly transfer from the Sewage Disposal System Fund based upon the amount of water consumption billed. The Reserve funds ongoing ammonia, nitrification and combined sewer overflow ("CSO") studies. It also funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba. This includes effluent disinfection, centrate treatment, biological nutrient removal and CSO mitigation infrastructure.

River quality is under the jurisdiction of the Province of Manitoba and in 2003 the Clean Environment Commission ("CEC"), at the request of the Minister of Conservation, conducted public hearings to review and receive comments on the City's 50 year wastewater collection and treatment improvement program. At the conclusion, the CEC recommended that the City implement these improvements over a 25 year period which was subsequently ordered by the Minister of Conservation on September 26, 2003.

THE CITY OF WINNIPEG

SEWAGE DISPOSAL SYSTEM (continued)

In September 2003 Manitoba Conservation responded to the CEC's report. The Minister concurred with the report but specifically directed that certain pollution initiatives be completed sooner than recommended by the CEC.

In 2004 Manitoba Conservation issued a draft Environment Act License to the City for the West End Water Pollution Control Center and the City appealed certain provisions in the license. This license has not yet been finalized. In 2005, the Province will issue licenses for the North End and West End sewage treatment plants. These could place additional compliance conditions which would amend the current plan.

The 25 year wastewater improvement program, which includes effluent disinfection, nutrient control, centrate treatment, combined sewer overflow mitigation, biosolids management, and other CEC recommendations is estimated to cost \$900 million.

Wastewater treatment upgrades to the North and West End Water Pollution Control Centres are currently underway and are expected to be completed by the end of 2006. Engineering design efforts on biological nutrient removal at the South End Water Pollution Control Centre will be initiated in 2005, with construction to be completed by 2012.

Discussions with the Province of Manitoba regarding the wastewater collection and treatment improvement program are ongoing.

THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM
FIVE-YEAR REVIEW

As at December 31

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Rate in dollars (per 100 cu. ft.)	\$ 3.11	\$ 2.73	\$ 2.73	\$ 2.73	\$ 2.78
Annual sewage received (million litres)	127,534	96,199	103,659	117,165	116,368
Daily sewage received (million litres)	349.4	263.6	284.0	321.0	318.8
Kilometres of interceptor sewers	109.7	109.8	108.9	107.7	110.0
Kilometres of combined sewers	1,334.1	1,327.8	1,320.0	1,320.0	1,320.0
Kilometres of wastewater sewers	1,422.3	1,408.5	1,389.1	1,296.0	1,266.0
Kilometres of storm sewers	2,241.9	2,217.8	2,173.9	2,165.0	2,106.0
Number of lift stations	85	85	85	84	83
Number of billed sewer services	185,939	184,637	183,406	182,334	181,404

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash	\$ 1	\$ 1
Due from General Revenue Fund (Note 3)	16,521	19,086
Accounts receivable (Note 4)	<u>19,658</u>	<u>14,968</u>
	36,180	34,055
Capital assets (Note 5)	<u>81,366</u>	<u>88,757</u>
	<u><u>\$ 117,546</u></u>	<u><u>\$ 122,812</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 4,892	\$ 5,431
Performance and other deposits	168	123
Current portion of long-term debt (Note 7)	<u>4,989</u>	<u>4,703</u>
	10,049	10,257
Long-term debt (Note 7)	<u>60,788</u>	<u>64,656</u>
	70,837	74,913
RETAINED EARNINGS	<u>46,709</u>	<u>47,899</u>
	<u><u>\$ 117,546</u></u>	<u><u>\$ 122,812</u></u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	2004 Budget	2004 Actual	2003 Actual
REVENUES (Schedule 1)			
Sewer services (Note 8)	\$ 79,855	\$ 76,495	\$ 71,805
Interest	3,011	3,209	3,239
Government grants, permits and other	2,190	2,154	2,478
Total revenues	85,056	81,858	77,522
EXPENSES (Schedules 2 and 3)			
Debt and finance	18,614	23,193	23,194
Collection, interception and treatment	21,529	21,428	19,997
Taxes, employee benefits and other (Note 9)	8,588	8,399	4,855
Engineering services	2,811	2,640	2,378
Finance and administration	2,475	2,383	2,134
Laboratory services	1,373	1,281	1,361
Information systems and technology	788	705	626
Customer services	816	609	596
Human resources	313	423	251
Total expenses from operations	57,307	61,061	55,392
Surplus for the year from operations	27,749	20,797	22,130
Transfers to other funds (Note 10)	23,934	21,987	18,259
Net (deficit) surplus for the year	3,815	(1,190)	3,871
Unappropriated retained earnings			
Beginning of year	24,029	24,029	27,302
Transfer from appropriated retained earnings	-	5,019	4,514
Appropriation for Sewage Disposal System Fund Capital	-	(21,330)	(11,658)
End of year	27,844	6,528	24,029
Appropriated retained earnings			
Beginning of year	23,870	23,870	16,726
Appropriation for Sewage Disposal System Fund Capital	-	21,330	11,658
Transfer to unappropriated retained earnings	-	(5,019)	(4,514)
End of year	23,870	40,181	23,870
Total retained earnings	\$ 51,714	\$ 46,709	\$ 47,899

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

STATEMENT OF CASH FLOWS

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

	<u>2004</u>	<u>2003</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net (deficit) surplus for the year	\$ (1,190)	\$ 3,871
Non-cash items related to operations		
Amortization	7,391	7,418
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,661)	(2,545)
Contributions in aid of construction from retained earnings	<u>5,019</u>	<u>4,514</u>
Working capital from operations	8,559	13,258
Change in net working capital other than cash	<u>(5,184)</u>	<u>(2,072)</u>
	<u>3,375</u>	<u>11,186</u>
FINANCING		
Debt retired	813	(12,509)
Due from General Revenue Fund	2,565	(7,833)
Payments from The Sinking Fund Trustees for long-term debt retired	1,837	18,219
Payments to The Sinking Fund Trustees for outstanding long-term debt	(3,535)	(4,520)
Decrease in other long-term debt	(36)	(28)
Contributions from Reserves	<u>2,642</u>	<u>1,734</u>
	<u>4,286</u>	<u>(4,937)</u>
INVESTING		
Purchase of capital assets	<u>(7,661)</u>	<u>(6,249)</u>
Increase in cash	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been generally prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, sick leave credits, workers compensation claims, environmental costs and insurance claims which are recorded on a cash basis.

a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired, and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded, which may not coincide with when the assets are actually put into service.

Commencing in 1998, when debt is retired, the underlying asset purchased with that debt will continue to be amortized over the asset's remaining useful life using the straight-line method of amortization.

Cost includes 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 capital asset.

b) Wastewater Sewer Renewal Reserve

On May 27, 1992, City Council authorized the establishment of a Wastewater Sewer Renewal Reserve for the renewal and rehabilitation of wastewater sewers that are budgeted within the Sewage Disposal System Fund ("Utility") capital budget. Funding is provided from the frontage levy identified for this purpose in By-law 549/73 (as amended from time to time). The purpose of the Reserve is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88). The available funding obtained annually from the frontage levy can be allocated by Council between the Wastewater Sewer Renewal Reserve and the Combined Sewer Renewal Reserve in accordance with the needs at that time. In 2004, \$420 thousand (2003 - \$0) of the frontage levy revenue was transferred to the Wastewater Sewer Renewal Reserve, the remaining revenue for the year was transferred to the Combined Sewer Renewal Reserve.

1. Summary of Significant Accounting Policies (continued)

c) Environmental Projects Reserve

On December 17, 1993, City Council authorized the establishment of a River Quality Environmental Studies Reserve for the purpose of providing funding for environmental studies for river quality. On January 24, 1996, City Council changed the name of this Reserve to the Environmental Projects Reserve to more accurately reflect the environmental nature of the projects this Reserve was set up to fund.

The 2004 sewer rate includes a provision of 55 cents (2003 - 27.6 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2004, \$12.1 million (2003 - \$7.0 million) was transferred to the Environmental Projects Reserve.

2. Status of the Sewage Disposal System

Although sewer collection and treatment began in the City of Winnipeg in 1935, the Sewage Disposal System was created in 1972 with the inception of Unicity. The Utility is self-supporting and is primarily funded by user fees which provide financing for the planning, design and construction, operation, maintenance and administration of local collection sewers, the interception system, three treatment plants, sludge disposal and an industrial and hazardous waste control program. The purpose of the Fund is to provide a structure to measure financial performance and accommodate long-term financial planning for the collection and treatment of the City's wastewater flows.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this Fund does not have a bank account. Cash transactions are credited or charged to the "Due (to) from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Accounts Receivable

	<u>2004</u>	<u>2003</u>
Sewer billings and other	\$ 16,072	\$ 15,123
Province of Manitoba	3,800	-
Allowance for doubtful accounts	(214)	(155)
	<u>\$ 19,658</u>	<u>\$ 14,968</u>

5. Capital Assets

	<u>2004</u>	<u>2003</u>
Buildings and plants	\$ 255,703	\$ 255,703
Other structures	45,533	45,460
Equipment	3,580	3,580
Undistributed capital assets	1,367	1,367
Land	564	564
	<u>306,747</u>	<u>306,674</u>
Contributions in aid of construction	(63,593)	(63,520)
Accumulated amortization	(161,788)	(154,397)
	<u>\$ 81,366</u>	<u>\$ 88,757</u>

5. Capital Assets (continued)

During the year, the following funds provided contributions in aid of construction towards the acquisition, construction and development of capital assets:

Wastewater Sewer Renewal Reserve \$292 thousand (2003 - \$547 thousand);
Environmental Projects Reserve \$1.0 million (2003 - \$1.2 million); and
Sewage Disposal System Fund \$5.0 million (2003 - \$4.5 million).

Commencing in 2004, major environmental projects are recorded as assets in the Environmental Projects Reserve as they are completed. These assets will continue to build in value until the new facilities are completed. At that time, the completed assets will be transferred to the Sewage Disposal System Fund and will be amortized over their expected useful life. Prior to this change, assets were expensed in the Reserve in the year acquired. This change has been applied prospectively.

6. Accounts Payable and Accrued Liabilities

	2004	2003
Accrued debenture interest	\$ 3,531	\$ 3,539
Trade accounts payable	1,097	1,769
Other accrued liabilities	264	123
	<u>\$ 4,892</u>	<u>\$ 5,431</u>

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2004	2003
1991-2004	Nov. 1	10.000	VL	5779/91	\$ -	\$ 1,837
1990-2005	Oct. 1	11.700	VI	5507/90	17,927	17,927
1989-2009	Dec. 14	10.000	VH	5286/89	11,000	11,000
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	35,000	35,000
					<u>103,927</u>	<u>105,764</u>
Equity in Sinking Fund (Note 7b)					<u>(55,569)</u>	<u>(51,210)</u>
Net sinking fund debentures outstanding					<u>48,358</u>	<u>54,554</u>

7. Long-term Debt (continued)

Other long-term debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2010 and a weighted average interest rate of 4.50% (2003 - 6.67%)

13,619 10,964

Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 6.92% (2003 - 6.92%)

88 93

Pointe West Properties debt, maturity in 2012, interest rate of 6.65%

3,712 3,748

65,777 69,359

Current portion of long-term debt

(4,932) (4,662)

Current portion of Equity in Capital Assets Fund debt

(5) (5)

Current portion of Pointe West Properties debt

(52) (36)

Current portion of long-term debt

(4,989) (4,703)

\$ 60,788 \$ 64,656

Principal retirement on long-term debt over the next five years is as follows:

	2005	2006	2007	2008	2009	Thereafter
Sinking fund debentures \$	17,927	\$ -	\$ -	\$ -	\$ 11,000	\$ 75,000
Serial and installment	1,500	1,578	1,241	1,302	1,367	6,631
Equity in Capital Assets Fund	5	6	6	6	7	58
Pointe West debt	52	56	79	125	134	3,266
	<u>\$ 19,484</u>	<u>\$ 1,640</u>	<u>\$ 1,326</u>	<u>\$ 1,433</u>	<u>\$ 12,508</u>	<u>\$ 84,955</u>

- All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and to the various utilities in the amounts shown in the issuing by-law.
- 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.

7. Long-term Debt (continued)

- c) On June 23, 1999, The City of Winnipeg entered into an Agreement with Pointe West Properties Inc. (PWP), approving PWP to provide design, construction and financing of certain wastewater facilities for servicing lands within the City of Winnipeg west of the Perimeter Highway.

On August 27, 2001, the Certificate of Substantial Completion was accepted by the City and ownership of the work (design and construction of the wastewater facilities) was transferred from PWP to the City. The City shall pay to PWP an amount equal to the project cost of \$3.8 million plus interest, compounded semi-annually at a rate per annum of 6.645% (equal to the Canada 10 Year Bond Rate as at the date of acceptance by the City of the Certificate of Substantial Performance, plus 1.5%, less spread differential) by way of blended quarterly payments of principal and interest. Year 2011 includes a balloon payment of \$3 million.

- d) Cash paid for interest during the year was \$10.8 million (2003 - \$11.7 million).

8. Revenue

The 2004 sewer rate increased to 3.11 cents per hundred cubic feet (2003 - 2.73 cents). The 2004 Environmental Projects Reserve contribution increased to 55 cents per hundred cubic feet (2003 - 27.6 cents).

9. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to outside municipalities and to The City of Winnipeg General Revenue Fund.

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2004, this amounted to \$0.5 million (2003 - \$0.5 million).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2004 is \$1.0 million (2003 - \$1.0 million).

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. The amount of this unrecorded liability at December 31, 2004 is estimated at \$176 thousand (2003 - \$49 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the 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 (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2004 at \$0.9 million (2003 - \$0.9 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, \$668 thousand (2003 - \$661 thousand) of pension costs were allocated to the Sewage Disposal System. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has disclosed an actuarial surplus.

10. Transfers to Other Funds

Beginning in 1988, Council adopted a motion instructing the Sewage Disposal System to transfer an amount equal to 10% of sewer services revenue to the General Revenue Fund. Effective January 1, 1994, the transfer is calculated on 10% of sewer services revenue net of the amount for environmental projects and other transfers to the General Revenue Fund. In addition, in 2004, the Utility contributed \$3.8 million (2003 - \$3.8 million) to the General Revenue Fund to support the land drainage program.

	<u>2004</u>	<u>2003</u>
Transfer to Environmental Projects Reserve	\$ 12,109	\$ 7,047
Transfer to General Revenue Fund	<u>9,878</u>	<u>11,212</u>
	<u>\$ 21,987</u>	<u>\$ 18,259</u>

11. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Sewage Disposal System's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 1

REVENUES

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

	2004 Budget	2004 Actual	2003 Actual
Sewer services	\$ 79,855	\$ 76,495	\$ 71,805
Interest			
Sinking Fund earnings	2,661	2,661	2,545
Interest	300	477	632
Capitalized	50	71	62
	3,011	3,209	3,239
Government grants, permits and other			
Industrial waste surcharges	1,850	1,433	1,688
Other	60	396	450
Provincial support grant	200	186	215
Permits and fees	80	139	125
	2,190	2,154	2,478
Total Revenues	\$ 85,056	\$ 81,858	\$ 77,522

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Debt and finance			
Long-term debt			
Interest	\$ 10,950	\$ 10,754	\$ 11,175
Amortization	7,664	7,391	7,418
Contribution in aid of construction from retained earnings	-	5,019	4,514
Finance charges	-	29	87
	<u>18,614</u>	<u>23,193</u>	<u>23,194</u>
Collection, interception and treatment			
North end water pollution control centre	7,099	6,660	6,721
Administration	5,427	5,300	4,600
South end water pollution control centre	2,193	2,335	2,093
Sludge disposal	1,681	1,763	1,393
Interception system	1,585	1,564	1,445
West end water pollution control centre	1,342	1,446	1,407
Mechanical maintenance	1,050	1,115	1,064
Electrical maintenance/instrumentation	651	778	816
Civil maintenance	501	467	458
	<u>21,529</u>	<u>21,428</u>	<u>19,997</u>
Taxes, employee benefits and other			
Property taxes	6,701	6,825	2,823
Miscellaneous	401	582	954
General government charges	467	467	467
Employee benefits	587	453	350
Rent	337	334	312
Insurance and claims	280	280	266
Provincial payroll tax	215	169	187
Recoveries	(400)	(711)	(504)
	<u>8,588</u>	<u>8,399</u>	<u>4,855</u>
Engineering services			
Drafting and graphic	511	513	459
Sewer connections	525	490	320
Design and construction	539	456	439
Project management	454	387	249
Administrative services	99	333	241
Customer technical services	329	267	294
Engineering services development	142	125	132
Land drainage and flood planning	50	50	59
Resource centre	72	47	54
Wastewater planning	43	14	-
Asset management	47	(42)	131
	<u>2,811</u>	<u>2,640</u>	<u>2,378</u>

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Finance and administration			
Customer accounts	1,735	1,842	1,477
Administrative services	230	204	213
Accounting services	157	138	159
Financial planning	162	106	117
Process improvement	191	93	168
	<u>2,475</u>	<u>2,383</u>	<u>2,134</u>
Laboratory services			
Analysis	612	592	615
Industrial waste	336	302	356
Research	275	280	260
Administration	150	107	130
	<u>1,373</u>	<u>1,281</u>	<u>1,361</u>
Information systems and technology			
Major systems	360	354	303
Support services	428	351	323
	<u>788</u>	<u>705</u>	<u>626</u>
Customer services			
Customer relations	639	492	508
Administration	115	71	43
Communications	62	46	45
	<u>816</u>	<u>609</u>	<u>596</u>
Human Resources			
Human resources	177	219	143
Timekeeping and payroll	96	89	87
Human resources training	-	79	-
Work place health and safety	40	36	21
	<u>313</u>	<u>423</u>	<u>251</u>
Total Expenses from Operations	<u>57,307</u>	<u>61,061</u>	<u>55,392</u>
Transfers to other funds			
Transfer to Environmental Projects Reserve	13,900	12,109	7,047
Transfer to General Revenue Fund	10,034	9,878	11,212
	<u>23,934</u>	<u>21,987</u>	<u>18,259</u>
Total Expenses	<u>\$ 81,241</u>	<u>\$ 83,048</u>	<u>\$ 73,651</u>

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 3

EXPENSES BY OBJECT

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

	2004 Budget	2004 Actual	2003 Actual
Goods and services	\$ 27,161	\$ 25,464	\$ 23,905
Transfers	23,934	21,987	18,259
Interest on long-term debt	10,950	10,754	11,175
Salaries	10,323	10,272	9,565
Other expenses	7,029	8,061	3,887
Amortization	7,664	7,391	7,418
Contribution in aid of construction from retained earnings	-	5,019	4,514
Employee benefits	1,860	1,823	1,692
Finance charges	190	127	278
Recoveries	(7,870)	(7,850)	(7,042)
Total Expenses	\$ 81,241	\$ 83,048	\$ 73,651

THE CITY OF WINNIPEG SOLID WASTE DISPOSAL FUND

The Water and Waste Department ("Department") is committed to providing and improving services for drinking water, wastewater, land drainage and solid waste to the residents and business interests of Winnipeg. The Department, through its employees, continuous improvement initiatives and technological advancements, strives for excellence in customer service, environmental stewardship, cost effectiveness and fiscal responsibility.

The Solid Waste Disposal Fund was established in 1992 to create a self-supporting utility. Historically, solid waste disposal was a tax-supported function. A landfill tipping fee was introduced to cover the cost of operating the disposal operation and to fund other programs.

The objective of the Solid Waste Disposal Fund ("Fund") is to provide facilities for the receiving and disposal of solid waste generated in the City to protect the public health and the environment. The Water and Waste Department is responsible for the planning and monitoring of the City's operating and closed landfill facilities, and is responsible for the operation of the active landfill sites. The Fund's budget provides funding for the operation of the Brady Road landfill site, a landfill monitoring program, Take Pride Winnipeg and Waste Minimization along with debt charges, employee benefits, and taxes. In addition, the Utility transfers funds to the General Revenue Fund to support the refuse collection program.

Waste minimization programs include multi-material residential recycling for 170,000 single-family and 93,000 multi-family residences, "Let's Chip-In" (Christmas tree recycling), "Leaf It With Us" (leaf collection and composting), Office Paper Recycling, Back Yard Composting and public information/education programs.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the Capital Region. Commercial tonnage coming to the Brady Road landfill has increased from 2003. Competition is intense and the lack of variable spot rate pricing puts the City operation at a disadvantage and it is difficult to increase these tonnages. While it has been a challenge to compete in this market, the lowering of the tipping fee to \$22.50 per tonne in 2000 has resulted in positive gains. The Department continues to aggressively seek business from City of Winnipeg commercial customers and other municipalities. The amount of commercial tipping at Brady Road is estimated to be about 25% to 30% of market share.

The internal tipping fee and other municipalities' tipping fee remained at \$22.50 per tonne. In 2004, waste was accepted from the City of Kenora, Whiteshell Provincial Park, R.M. of MacDonald and the R.M. of Springfield.

The improved residential recycling program, which was introduced in late 2003, completed its first full year of operations. Blue Box collection tonnage in 2004 was 32,503 tonnes, an increase of 14% over 2003 and 25% over 2002. Recycling Service Requests declined from 10,065 in 2003 to 6,141 in 2004, a 39% decrease, which is attributable to both the elimination of the sorting of materials in the blue box and dedication of improved customer service taken by the three contractors working for the city. Single family collection is done by International Paper Inc.. They are also responsible for all the processing of recyclables collected by the city's recycling program.

THE CITY OF WINNIPEG

SOLID WASTE DISPOSAL FUND (continued)

Collection of recyclables from multi-family locations is done by two different contracts - one with Canadian Waste Services Inc. and the other with BFI Canada Ltd.. In total, these programs recycled 40,877 tonnes in 2004, an increase of 14% over 2003 and an increase of 64% over 2000. The increased recycling efforts in the City of Winnipeg are due to the provision of more collection services at multi-family locations, the addition of approximately 160 single family homes, an enhanced awareness of environmental issues that arose from the debate on garbage collection user-fees, the addition of mixed plastics, deleting the requirement for sorting, an expanded public education program and the availability and subsidy of blue boxes through a major retailer.

The revenues from the recycling programs are made up of support payments from the Manitoba Product Stewardship Corporation (\$128 per tonne until April 2004, \$110 thereafter) and from the sale of the recyclables. In 2004, the City realized \$8.8 million in revenue (2003 - \$7.3 million). The increased recycling tonnages increased funding from the Manitoba Product Stewardship Corporation as well as the revenues from the sale of recyclables.

THE CITY OF WINNIPEG SOLID WASTE DISPOSAL FUND

FIVE-YEAR REVIEW

As at December 31

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Solid Waste (tonnes)					
Single family residential	200,295	190,122	181,635	185,901	189,953
Multi-family and small commercial	42,869	38,442	36,999	39,921	41,811
Large commercial / industrial	112,000	101,930	92,939	100,888	87,818
Other	68,132	58,931	48,895	52,623	56,848
Charitable organization	1,040	-	749	604	749
Total landfill tonnage	<u>424,336</u>	<u>389,425</u>	<u>361,217</u>	<u>379,937</u>	<u>377,179</u>
Clean fill, concrete, automotive shredder residue and sawdust	<u>135,379</u>	<u>86,489</u>	<u>60,269</u>	<u>63,520</u>	<u>40,547</u>
Residential small loads					
Number of loads	<u>93,128</u>	<u>80,091</u>	<u>72,522</u>	<u>79,197</u>	<u>78,141</u>
Recyclables (tonnes)					
Blue box	32,503	28,529	25,937	25,327	22,164
Depots/apartments	8,374	7,194	7,044	3,186	1,779
Other	-	-	-	93	1,050
Total	<u>40,877</u>	<u>35,723</u>	<u>32,981</u>	<u>28,606</u>	<u>24,993</u>

THE CITY OF WINNIPEG SOLID WASTE DISPOSAL FUND

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash	\$ 77	\$ 20
Due from General Revenue Fund (Note 3)	7,156	7,229
Accounts receivable (Note 4)	<u>1,273</u>	<u>2,691</u>
	8,506	9,940
Capital assets (Note 5)	<u>6,291</u>	<u>6,742</u>
	<u>\$ 14,797</u>	<u>\$ 16,682</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 690	\$ 1,960
Current portion of long-term debt (Note 7)	<u>288</u>	<u>355</u>
	978	2,315
Long-term debt (Note 7)	<u>1,357</u>	<u>1,741</u>
	2,335	4,056
RETAINED EARNINGS	<u>12,462</u>	<u>12,626</u>
	<u>\$ 14,797</u>	<u>\$ 16,682</u>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND**

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	2004 Budget	2004 Actual	2003 Actual
<i>REVENUES (Schedule 1)</i>			
Sales of services and regulatory fees	\$ 16,438	\$ 17,753	\$ 15,408
Interest	301	276	405
Government grants	100	110	101
Sale of surplus equipment and other	-	46	54
Total Revenues	<u>16,839</u>	<u>18,185</u>	<u>15,968</u>
<i>EXPENSES (Schedules 2 and 3)</i>			
Solid waste disposal	14,678	14,562	14,335
Debt and finance	1,057	1,062	1,191
Taxes, employee benefits and other (Note 8)	393	299	265
Total expenses from operations	<u>16,128</u>	<u>15,923</u>	<u>15,791</u>
Surplus for the year from operations	711	2,262	177
Transfers to other funds (Note 9)	<u>2,597</u>	<u>2,426</u>	<u>1,974</u>
Net deficit for the year	(1,886)	(164)	(1,797)
Retained earnings			
Beginning of year	<u>12,626</u>	<u>12,626</u>	<u>14,423</u>
End of year	<u>\$ 10,740</u>	<u>\$ 12,462</u>	<u>\$ 12,626</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SOLID WASTE DISPOSAL FUND

STATEMENT OF CASH FLOWS

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

	<u>2004</u>	<u>2003</u>
<i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i>		
<i>OPERATING</i>		
Net deficit for the year	\$ (164)	\$ (1,797)
Non-cash items related to operations		
Amortization	451	644
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(96)	(123)
Contributions in aid of construction	<u>220</u>	<u>25</u>
Working capital from operations	411	(1,251)
Net change in working capital other than cash	<u>148</u>	<u>(116)</u>
	<u>559</u>	<u>(1,367)</u>
<i>FINANCING</i>		
Debt retired	(265)	(4,014)
Due from General Revenue Fund	73	3,071
Payments from The Sinking Fund Trustees for long-term debt retired	24	2,623
Payments to The Sinking Fund Trustees for outstanding long-term debt	<u>(114)</u>	<u>(300)</u>
	<u>(282)</u>	<u>1,380</u>
<i>INVESTING</i>		
Purchase of capital assets	<u>(220)</u>	<u>(25)</u>
Increase (decrease) in cash	57	(12)
Cash position, beginning of year	<u>20</u>	<u>32</u>
Cash position, end of year	<u>\$ 77</u>	<u>\$ 20</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SOLID WASTE DISPOSAL FUND

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

Basis of accounting

These financial statements have been prepared in accordance with generally accepted accounting principles with the following exceptions:

The operations are accounted for on the accrual basis except for vacation credits, sick leave credits, workers compensation claims, environmental costs, and insurance claims which are recorded on a cash basis.

a) Capital assets

Amortization is recorded on the basis of serial debt repaid, sinking fund installments provided, Equity in Capital Assets Fund debt retired and interest earned on the sinking fund. The effect of this policy is that:

- i) All capital assets purchased through the issue of debt, including the cost of land, are subject to amortization; and
- ii) Capital assets are amortized as they are funded which may not coincide with when the assets are actually put into service.

Cost includes 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 capital asset.

b) Brady Landfill Site Rehabilitation Reserve

City Council on December 17th, 1993, in accordance with Sections 338 (1) and (2) of the former **City of Winnipeg Act**, established the Reserve to provide funding, over time, for the future rehabilitation of the Brady Landfill Site.

The Reserve is financed through a monthly transfer from the Solid Waste Disposal Fund. The transfer is based on 50 cents per tonne of the tipping fee charged at the Brady Road Landfill Site. The Director of Water and Waste is the Fund Manager.

2. Status of the Solid Waste Disposal Fund

On March 23, 1992, Council adopted a motion establishing the Solid Waste Disposal Fund ("Solid Waste Disposal") as a separate fund within The City of Winnipeg's ("City") financial records. Upon establishment of this utility, the capital assets, work in progress and related debt were transferred to this utility from the General Capital Fund. The Solid Waste Disposal Utility is self-supporting and is primarily funded by landfill tipping fees. The purpose of the Fund is to improve the cost accountability of the solid waste management system and to establish a financial structure to accommodate long-term planning and financing of solid waste management programs.

3. Due from General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, this Fund does not have a bank account. Cash transactions are credited or charged to the "Due from (to)" account in each fund. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Accounts Receivable

	2004	2003
Refuse disposal and recycling	\$ 1,280	\$ 2,696
Allowance for doubtful accounts	(7)	(5)
	<u>\$ 1,273</u>	<u>\$ 2,691</u>

5. Capital Assets

	2004	2003
Other site costs	\$ 11,274	\$ 11,274
Undistributed capital assets	4,369	4,369
Land	4,050	4,050
Work in progress	3,008	2,685
	<u>22,701</u>	<u>22,378</u>
Contributions in aid of construction	(3,203)	(2,880)
Accumulated amortization	(13,207)	(12,756)
	<u>\$ 6,291</u>	<u>\$ 6,742</u>

6. Accounts Payable and Accrued Liabilities

	2004	2003
Trade accounts payable	\$ 616	\$ 1,900
Accrued debenture interest payable	38	40
Other accrued liabilities	36	20
	<u>\$ 690</u>	<u>\$ 1,960</u>

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2004	2003
1991-2004	Nov. 1	10.000	VL	5779/91	\$ -	\$ 23
1990-2005	Oct. 1	11.700	VI	5507/90	517	517
1989-2009	Dec. 14	10.000	VH	5286/89	1,935	1,935
1995-2015	May 12	9.125	VR	6620/95	1,000	1,000
					<u>3,452</u>	<u>3,475</u>
Equity in Sinking Fund (Note 7b)					<u>(2,085)</u>	<u>(1,899)</u>
Net sinking fund debentures outstanding					<u>1,367</u>	<u>1,576</u>

Other long-term debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2006 and a weighted average interest rate of 6.75% (2003 - 6.67%)					180	264
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2006 and a weighted average interest rate of 9.46% (2003 - 10.01%)					98	256
					<u>1,645</u>	<u>2,096</u>
Current portion of long-term debt					(200)	(197)
Current portion of Equity in Capital Assets Fund debt					<u>(88)</u>	<u>(158)</u>
Current portion of long-term debt					<u>(288)</u>	<u>(355)</u>
					<u>\$ 1,357</u>	<u>\$ 1,741</u>

Principal retirement on long-term debt over the next five years is as follows:

	2005	2006	2007	2008	2009	Thereafter
Sinking fund debentures	\$ 517	\$ -	\$ -	\$ -	\$ 1,935	\$ 1,000
Serial and installment	88	92	-	-	-	-
Equity in Capital Assets Fund	88	10	-	-	-	-
	<u>\$ 693</u>	<u>\$ 102</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,935</u>	<u>\$ 1,000</u>

- a) All debentures are general obligations of The City of Winnipeg. Debenture debt is allocated to the General Capital Fund and various utilities in the amounts shown in the issuing by-law.

7. Long-Term 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.

c) Cash paid for interest during the year was \$0.4 million (2003 - \$0.7 million).

8. Taxes, Employee Benefits and Other

Realty and business taxes represent full taxes paid to The City of Winnipeg General Revenue Fund.

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2004 this amounted to \$79 thousand (2003 - \$79 thousand).

Employee benefits

Employees accrue vacation credits which together with unused holidays from previous years are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2004 is \$0.13 million (2003 - \$0.16 million).

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. The amount of this unrecorded liability at December 31, 2004 is estimated at \$21 thousand (2003 - \$8 thousand).

Under the retirement allowance plan (including certain sick leave credits) for the majority of the 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 (excluding resignation). An actuarial valuation has estimated the unrecorded liability at December 31, 2004 at \$0.2 million (2003 - \$0.2 million).

Solid Waste employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During 2004, \$101 thousand (2003 - \$99 thousand) of pension costs were allocated to Solid Waste.

9. Transfers to Other Funds

	2004	2003
Transfer to General Revenue Fund	\$ 2,230	\$ 1,806
Transfer to Brady Landfill Site Rehabilitation Reserve	196	168
	<u>\$ 2,426</u>	<u>\$ 1,974</u>

10. Related Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various City of Winnipeg controlled departments, agencies and corporations to which the City is related. Account balances resulting from these transactions are included in the Solid Waste Disposal's Statement of Financial Position and are settled on normal trade terms. Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

**THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND**

Schedule 1

REVENUES

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

	2004 Budget	2004 Actual	2003 Actual
Sales of services and regulatory fees			
Recycling	\$ 8,588	\$ 8,728	\$ 7,236
Landfill tipping fees	7,560	8,652	7,853
Small load fees	290	373	319
	<u>16,438</u>	<u>17,753</u>	<u>15,408</u>
Interest			
Interest	200	172	277
Sinking Fund earnings	96	96	123
Late payment charges	-	6	5
Interest capitalized	5	2	-
	<u>301</u>	<u>276</u>	<u>405</u>
Government grants			
Provincial support	<u>100</u>	<u>110</u>	<u>101</u>
Sale of surplus equipment and other	<u>-</u>	<u>46</u>	<u>54</u>
Total Revenues	<u><u>\$ 16,839</u></u>	<u><u>\$ 18,185</u></u>	<u><u>\$ 15,968</u></u>

**THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND**

Schedule 2

EXPENSES

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

	2004 Budget	2004 Actual	2003 Actual
Solid waste disposal			
Recycling	\$ 9,574	\$ 9,842	\$ 9,724
South West Operations	4,205	3,350	3,183
Landfill and environmental	391	475	380
Administration	41	362	411
Waste minimization	287	313	279
Take Pride Winnipeg	180	220	197
West Central Operations	-	-	161
	14,678	14,562	14,335
Debt and finance			
Long-term debt			
Amortization	478	451	644
Interest	579	390	521
Contributions in aid of construction	-	220	25
Finance charges	-	1	1
	1,057	1,062	1,191
Taxes, employee benefits and other			
Provincial payroll tax	105	118	111
Employee benefits	249	151	23
General government charges	79	79	79
Property taxes	45	37	50
Insurance and damage claims	29	28	30
Departmental recovery	(114)	(114)	(28)
	393	299	265
Total expenses from operations	16,128	15,923	15,791
Transfers to other funds			
Transfer to General Revenue Fund	2,431	2,230	1,806
Transfer to Brady Landfill Site Rehabilitation Reserve	166	196	168
	2,597	2,426	1,974
Total Expenses	\$ 18,725	\$ 18,349	\$ 17,765

**THE CITY OF WINNIPEG
SOLID WASTE DISPOSAL FUND**

Schedule 3

EXPENSES BY OBJECT

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

	2004 Budget	2004 Actual	2003 Actual
Goods and services	\$ 12,739	\$ 12,435	\$ 12,151
Transfers	2,597	2,426	1,974
Salaries	1,659	1,727	1,578
Other expenses	412	463	764
Amortization	478	451	644
Interest on long-term debt	579	390	521
Employee benefits	540	379	240
Contributions in aid of construction	-	220	25
Finance charges	4	84	4
Recoveries	(283)	(226)	(136)
Total Expenses	\$ 18,725	\$ 18,349	\$ 17,765



Special Operating Agencies 2004 DETAILED FINANCIAL STATEMENTS



THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash	\$ 4,891	\$ 16,150
Due from City of Winnipeg - General Revenue Fund (Note 3)	-	114,277
Accounts receivable (Note 4)	41,527	52,200
Inventory	11,164	12,974
Prepaid expenses	26,000	55,342
	<u>83,582</u>	<u>250,943</u>
Equipment		
Computer	74,500	74,500
Furniture and other	71,015	70,000
	<u>145,515</u>	<u>144,500</u>
Less: accumulated depreciation	<u>145,515</u>	<u>130,500</u>
	<u>-</u>	<u>14,000</u>
	<u><u>\$ 83,582</u></u>	<u><u>\$ 264,943</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 34,557	\$ 15,269
Vacation and overtime payable (Note 5a)	48,423	53,204
Deferred revenue	375,960	528,628
Due to City of Winnipeg - General Revenue Fund (Note 3)	108,252	-
Due to City of Winnipeg - Idea Bank Reserve (Note 6)	-	100,000
	<u>567,192</u>	<u>697,101</u>
Long-term		
Retirement allowance (Note 5b)	<u>120,227</u>	<u>130,000</u>
	<u>687,419</u>	<u>827,101</u>
CAPITAL DEFICIENCY		
Deficit	<u>(603,837)</u>	<u>(562,158)</u>
	<u><u>\$ 83,582</u></u>	<u><u>\$ 264,943</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF LOSS AND DEFICIT

For the years ended December 31

	unaudited 2004 Budget	2004 Actual	2003 Actual
REVENUES	\$ 1,184,451	\$ 995,214	\$ 665,998
EXPENSES			
Salaries and benefits	1,218,183	1,140,121	1,100,051
Services (Note 7)	550,783	498,227	452,847
Rent (Note 7)	168,666	168,326	168,215
Material, parts and supplies	43,425	39,056	34,761
Other			
Administrative expenses (Note 7)	211,669	146,791	141,228
Depreciation	32,625	15,015	32,625
Interest	2,118	144	338
	2,227,469	2,007,680	1,930,065
Loss from operations	(1,043,018)	(1,012,466)	(1,264,067)
Other			
Grant from the Province of Manitoba	22,665	20,787	20,711
Grant from The City of Winnipeg (Note 8)	950,000	950,000	1,100,000
NET LOSS FOR THE YEAR	(70,353)	(41,679)	(143,356)
DEFICIT, BEGINNING OF YEAR	(562,158)	(562,158)	(418,802)
DEFICIT, END OF THE YEAR	\$ (632,511)	\$ (603,837)	\$ (562,158)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

For the years ended December 31

	<u>2004</u>	<u>2003</u>
<i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i>		
<i>OPERATING</i>		
Net loss for the year	\$ (41,679)	\$ (143,356)
Non-cash items related to operations		
Depreciation	15,015	32,625
(Decrease) Increase in retirement allowance	<u>(9,773)</u>	<u>4,000</u>
Working capital from operations	(36,437)	(106,731)
Net change in working capital other than cash assets	<u>(96,336)</u>	<u>258,763</u>
	<u>(132,773)</u>	<u>152,032</u>
<i>FINANCING</i>		
Decrease in Due to City of Winnipeg - Idea Bank Reserve	(100,000)	(125,000)
Increase (Decrease) in Due to/from City of Winnipeg - General Revenue Fund	<u>222,529</u>	<u>(14,743)</u>
	<u>122,529</u>	<u>(139,743)</u>
<i>INVESTING</i>		
Purchase of equipment	<u>(1,015)</u>	<u>-</u>
(Decrease) Increase in cash	(11,259)	12,289
<i>CASH POSITION, BEGINNING OF YEAR</i>	<u>16,150</u>	<u>3,861</u>
<i>CASH POSITION, END OF YEAR</i>	<u><u>\$ 4,891</u></u>	<u><u>\$ 16,150</u></u>
<i>See accompanying notes to the financial statements</i>		
<i>SUPPLEMENTARY INFORMATION</i>		
Interest paid	\$ 144	\$ 338

THE CITY OF WINNIPEG

ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

1. Description of Business

Animal Services, Special Operating Agency commenced operations on January 1, 2000. Our goals since the establishment of the agency have been to become financially self-sustaining to the greatest degree possible and to improve both the services provided to the public and the public's perception of Animal Services.

2. Accounting Policies

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles. The financial statements are based on the following significant accounting policies:

Revenue Recognition

License revenues are recognized over the license validation period.

Inventory

Inventory is stated at the lower of cost and net realizable value.

Equipment

Equipment is recorded at cost and is depreciated on a straight-line basis over the estimated useful life of the asset using the following annual rates:

Computer equipment	25%
Furniture and other equipment	20%

Financial Instruments

Financial instruments include cash, accounts receivable, due to/from City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities and due to City of Winnipeg - Idea Bank Reserve. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. Unless otherwise stated, the book value of the Agency's financial assets and liabilities approximates their fair value.

3. Due to/from City of Winnipeg - General Revenue Fund

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, Animal Services does not have a bank account. Bank transactions are credited or charged to the "Due (to)/from" account. As well, the Agency has negotiated an operating line of credit up to \$300 thousand from The City of Winnipeg at a 2004 effective interest rate of prime plus 2.5%.

4. *Accounts Receivable*

	2004	2003
Trade accounts receivable	\$ 27,203	\$ 39,108
Allowance for doubtful accounts	(6,174)	(7,619)
	21,029	31,489
Provincial Grant	20,498	20,711
	\$ 41,527	\$ 52,200

5. *Employee Benefits*

(a) *Vacation and overtime payable*

The Agency's employees accrue vacation credits, which together with unused holidays from previous years generally become a charge to operations in the year they are earned.

(b) *Retirement allowance*

Under various union agreements, 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 (excluding resignation). An actuarial valuation had estimated the sick leave credit liability as at December 31, 2004 at \$120,227 (2003 - \$130,000).

(c) *Pensions*

The Agency's employees are eligible for pension under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year, \$60,089 (2003 - \$56,079) of pension costs were allocated to Animal Services.

6. *Due to City of Winnipeg - Idea Bank Reserve*

The Agency originally negotiated a loan of up to \$500,000 from The City of Winnipeg Idea Bank Reserve at an effective interest rate for 2004 of 3.5% (2003 - 3.5%).

7. *Related Parties*

Included in Animal Services expenditures is a transfer to City of Winnipeg Civic Accommodations Fund for rent of \$168,326 (2003 - \$168,215) and a transfer to City of Winnipeg General Revenue Fund for administrative services of \$130,000 (2003 - \$130,000). Also included are lease costs of \$81,466 (2003 - \$89,960) to The City of Winnipeg Fleet Management - Special Operating Agency.

8. *Grant from the City of Winnipeg*

This year, the general grant from The City of Winnipeg decreased by 14% or \$150,000 to \$950,000. This follows a decrease in 2003 of 12%. It is anticipated that the funding will decrease a further 5% in 2005 to \$900,000.

2000	\$ 1,250,000
2001	1,250,000
2002	1,250,000
2003	1,100,000
2004	950,000

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash (Note 6)	\$ 39	\$ 29
Accounts receivable (Note 3)	455	292
Income taxes recoverable (Note 4)	86	86
Inventory	<u>549</u>	<u>551</u>
	1,129	958
Capital assets (Note 5)	<u>4,516</u>	<u>4,527</u>
	<u><u>\$ 5,645</u></u>	<u><u>\$ 5,485</u></u>
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 6)	\$ 1,157	\$ 671
Accounts payable and accrued liabilities	748	543
Deferred revenue (Note 7)	255	-
Vacation payable (Note 8a)	67	42
Current portion of long-term debt (Note 9)	<u>197</u>	<u>151</u>
	2,424	1,407
Retirement allowance (Note 8b)	84	84
Long-term debt (Note 9)	<u>3,977</u>	<u>4,129</u>
	6,485	5,620
CAPITAL DEFICIENCY		
Deficit	<u>(840)</u>	<u>(135)</u>
	<u><u>\$ 5,645</u></u>	<u><u>\$ 5,485</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

REVENUES

Sales of goods and services (Note 10)

2004	2003
\$ 2,352	\$ 2,959

EXPENSES

Administrative services (Note 10)

Amortization and depletion

Interest on long-term debt (Note 9)

Material, parts and supplies

Salaries and benefits

Services

42	72
184	173
286	280
580	516
670	634
1,295	1,400
3,057	3,075

Net loss before income taxes

(705) (116)

Income tax recovery (Note 4)

- 53

Net loss for the year

(705) (63)

DEFICIT, BEGINNING OF YEAR

(135) (72)

DEFICIT, END OF YEAR

\$ (840) \$ (135)

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

**NET INFLOW (OUTFLOW) OF CASH RELATED TO THE
FOLLOWING ACTIVITIES:**

	<u>2004</u>	<u>2003</u>
OPERATING		
Net loss for the year	\$ (705)	\$ (63)
Non-cash items related to operations		
Amortization and depletion	184	173
Retirement allowance	-	(16)
	<u>(521)</u>	94
Working capital from operations		
Net change in working capital	<u>324</u>	<u>(310)</u>
	<u>(197)</u>	<u>(216)</u>
FINANCING		
Due to City of Winnipeg - General Revenue Fund	486	467
Repayment of long-term debt	(151)	(85)
Proceeds of issuance of long-term debt	45	284
	<u>380</u>	<u>666</u>
INVESTING		
Proceeds on disposal of capital assets	68	-
Purchase of capital assets	(241)	(421)
	<u>(173)</u>	<u>(421)</u>
INCREASE IN CASH POSITION	10	29
CASH POSITION, BEGINNING OF YEAR	<u>29</u>	<u>-</u>
CASH POSITION, END OF YEAR	<u>\$ 39</u>	<u>\$ 29</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

GLACIAL SAND AND GRAVEL - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended December 31, 2004

(in thousands of dollars, except as noted)

1. Description of Business

Glacial Sand and Gravel - Special Operating Agency ("Agency") commenced operations on January 1, 2001. Since the inception, sales of gravel pit aggregate, limestone, and treated sand are realized from both The City of Winnipeg and private industry customers.

2. Summary of Significant Accounting Policies

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets transferred from the City of Winnipeg on January 1, 2001 were recorded at their estimated value. Subsequent acquisitions are recorded at cost. Capital assets are amortized over the estimated useful life using the following rates and methods:

Machinery	10 years	Straight-line
Buildings	4-5%	Declining balance
Office equipment	20%	Declining balance
Computer equipment	30%	Declining balance

The depletion of the gravel pit is recorded at a rate of 20 cents per tonne of aggregate inventory extracted on an annual basis.

Revenue recognition

Revenue is recognized upon delivery of products.

Financial instruments

Financial instruments include accounts receivable, income taxes recoverable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, deferred revenue, and long-term debt. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. *Accounts Receivable*

	2004	2003
Trade accounts receivable	\$ 465	\$ 326
Allowance for doubtful accounts	(10)	(34)
	<u>\$ 455</u>	<u>\$ 292</u>

4. *Income Tax Equivalency*

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge/recovery of 46% which is payable to (recoverable from) The City of Winnipeg. Amounts paid are to be directed to infrastructure renewal in the City of Winnipeg.

5. *Capital Assets*

	Cost	Accumulated Amortization/ Depletion	Net Book Value 2004	Net Book Value 2003
Gravel pit	\$ 3,800	\$ 298	\$ 3,502	\$ 3,560
Machinery	1,104	238	866	835
Building under capital lease	51	4	47	48
Computer equipment	88	33	55	36
Land clearing	28	-	28	28
Building	19	3	16	17
Office equipment	4	2	2	3
	<u>\$ 5,094</u>	<u>\$ 578</u>	<u>\$ 4,516</u>	<u>\$ 4,527</u>

6. *Due to City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account, and amounts reported as cash represent bank deposits not yet charged to this account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

The Agency has negotiated an operating line of credit of up to \$400 thousand from The City of Winnipeg - Idea Bank Reserve, at a rate of 6.5%.

7. *Deferred Revenue*

Amounts billed for products not yet delivered are recorded as deferred revenue and are recognized as revenue when those products are delivered.

8. *Employee Benefits*

a) *Vacation*

The Agency's employees accrue vacation credits, which together with unused holidays from previous years generally become a charge to operations in the year they are earned.

b) *Retirement allowance*

Under various union agreements, 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 (excluding resignation). An actuarial valuation has estimated the retirement allowance liability at December 31, 2004 at \$84 thousand (2003 - \$84 thousand).

c) *Pension*

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$31 thousand (2003 - \$31 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has an actuarial surplus.

9. *Long-Term Debt*

	<u>2004</u>	<u>2003</u>
City of Winnipeg - Equipment and Materials Services:		
Equipment financing program loan, interest at 6.5%, payment of \$5 hundred monthly, due December 2005	\$ 6	\$ 11
Equipment loan, interest at 6.5%, payment of \$5 thousand monthly, due December 2005	56	109
Gravel pit loan, interest at 6.5%, no repayment schedule	3,800	3,800
City of Winnipeg - Fleet Management - Special Operating Agency		
Equipment replacement loan, interest at 6.5%, payment of \$2 thousand monthly, due September 2005	18	42
Equipment loan, interest at 6.5%, payment of \$6.5 thousand monthly, due February 2008	223	284
Capital lease obligations	<u>71</u>	<u>34</u>
	4,174	4,280
Current portion of long-term debt	<u>(197)</u>	<u>(151)</u>
	<u>\$ 3,977</u>	<u>\$ 4,129</u>

9. Long-Term Debt (continued)

- a) Principal repayments due within the next five years are as follows:

2005	\$	197
2006		78
2007		83
2008		16
2009		-
Thereafter		<u>3,800</u>
	\$	<u><u>4,174</u></u>

- b) Interest on the equipment loans during the year was \$39 thousand (2003 - \$33 thousand) and has been paid to The City of Winnipeg - Equipment and Material Services and Fleet Management - Special Operating Agency; and

The interest payable on the gravel pit loan during the year of \$247 thousand (2003 - \$247 thousand) is to be directed to infrastructure renewal in the City of Winnipeg.

- c) Cash paid for interest during the year was \$39 thousand (2003 - \$33 thousand).

10. Related Party Transactions

Included in the Agency's revenues/expenses are the following transactions, which occurred in the normal course of operations and are recorded at the exchange amount:

- a) Sales of goods and services of \$1.146 million (2003 - \$1.540 million) to The City of Winnipeg and
- b) General government charges in the amount of \$26 thousand (2003 - \$26 thousand) to The City of Winnipeg - General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency, and
- c) Charges in the amount of \$143 thousand (2003 - \$85 thousand) to Fleet Management - Special Operating Agency for services related to equipment supply, maintenance, and fuel.

11. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's financial statement presentation.

THE CITY OF WINNIPEG

GOLF SERVICES - SPECIAL OPERATING AGENCY

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative". Pursuant to the foregoing process, the Community Services Department prepared a feasibility study which recommended the establishment of a SOA with the mandate to manage and be accountable for maximizing the return on City-owned golf course assets.

On February 23, 2000, Council directed that a Business Plan and Operating Charter for a Golf Services SOA be prepared and further that the municipal golf course operation be realigned under the purview of the Planning, Property and Development Department.

The SOA manages the golf courses operated by the City and administer the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
		(Restated Note 10)
ASSETS		
Current		
Cash	\$ -	\$ 3
Accounts receivable	3	17
Inventory	111	80
Prepaid expenses	5	5
	<u>119</u>	<u>105</u>
Capital assets (Note 3)	<u>23,579</u>	<u>23,679</u>
	<u><u>\$ 23,698</u></u>	<u><u>\$ 23,784</u></u>
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	\$ 244	\$ 44
Accounts payable and accrued liabilities	9	7
Vacation payable (Note 5a)	47	35
Current portion of long-term debt (Note 6)	12	6
	<u>312</u>	<u>92</u>
Retirement allowance (Note 5b)	146	121
Long-term debt - City of Winnipeg (Note 6)	<u>3,267</u>	<u>3,164</u>
	<u>3,725</u>	<u>3,377</u>
SURPLUS		
Contributed surplus	20,574	20,574
Deficit	<u>(601)</u>	<u>(167)</u>
	<u>19,973</u>	<u>20,407</u>
	<u><u>\$ 23,698</u></u>	<u><u>\$ 23,784</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND DEFICIT

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

	<u>2004</u>	<u>2003</u>
		(Restated Note 10)
REVENUES		
Green fees	\$ 2,101	\$ 2,474
Equipment rentals	176	251
Concessions	128	231
Merchandise sales (Note 7)	121	150
Other	120	50
Net revenue from leasing operations	12	-
	<u>2,658</u>	<u>3,156</u>
Total Revenues		
EXPENSES		
Salaries and employee benefits (Note 5)	1,294	1,329
Services (Note 8)	591	579
Material, parts and supplies (Note 7)	265	402
Municipal tax equivalency charge (Note 9)	264	251
Debt and finance charges	222	202
Amortization (Note 3)	222	191
Rent (Note 8b)	17	17
Other	-	9
	<u>2,875</u>	<u>2,980</u>
Total Expenses		
Net (loss) income from operations	(217)	176
DEFICIT, BEGINNING OF YEAR	(167)	(144)
Transfer to The City of Winnipeg - General Revenue Fund	217	199
DEFICIT, END OF YEAR	<u>\$ (601)</u>	<u>\$ (167)</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
GOLF SERVICES - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

**NET INFLOW (OUTFLOW) OF CASH RELATED TO THE
 FOLLOWING ACTIVITIES:**

	<u>2004</u>	<u>2003</u> (Restated Note 10)
OPERATING		
Net (loss) income for the year	\$ (217)	\$ 176
Non-cash items related to operations		
Increase in retirement allowance	25	-
Amortization	<u>222</u>	<u>191</u>
Working capital from operations	30	367
Net change in working capital	<u>(3)</u>	<u>30</u>
	<u>27</u>	<u>397</u>
FINANCING		
Increase (decrease) in due to City of Winnipeg - General Revenue Fund	200	(186)
Increase in long-term debt - City of Winnipeg	109	75
Transfer to City of Winnipeg - General Revenue Fund	<u>(217)</u>	<u>(199)</u>
	<u>92</u>	<u>(310)</u>
INVESTING		
Purchase of capital assets	<u>(122)</u>	<u>(84)</u>
(DECREASE) INCREASE IN CASH POSITION	(3)	3
CASH POSITION, BEGINNING OF YEAR	<u>3</u>	<u>-</u>
CASH POSITION, END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ 3</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

GOLF SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004
(in thousands of dollars)

1. *Description of Business*

On February 23, 2000, Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency ("Agency") be prepared and further that the municipal golf course operations be realigned under the purview of the Planning, Property and Development Department.

The Agency manages the golf courses operated by the City and administers the agreements for those courses under lease or contract to other parties. The intent of the Agency is to maximize the annual return to the City on golf operations and ensure the long term sustainability of the City's golf course assets.

The Agency commenced operations on January 1, 2002.

2. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Land and buildings are stated at assessed values as of January 1, 2002, which were determined by the City of Winnipeg Property and Assessment Department. All golf course improvements incurred up to January 1, 2002 are assumed to be fully amortized. Equipment on hand as at January 1, 2002, is recorded at its estimated net realizable value on that date. Subsequent acquisitions are recorded at cost.

Capital assets are amortized over the estimated useful life using the following rates and methods:

Building	4%	Straight-line
Equipment	10%	Straight-line
Golf course improvements	5%	Straight-line

Revenue recognition

Green fees and equipment rental income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product.

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

Financial instruments

Financial instruments include accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, and long-term debt. It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2004</u>	<u>2003</u>
				(Restated Note 10)
Land	\$ 20,376	\$ -	\$ 20,376	\$ 20,376
Building	2,427	290	2,137	2,233
Equipment	1,214	276	938	1,025
Golf course improvements	133	5	128	45
	<u>\$ 24,150</u>	<u>\$ 571</u>	<u>\$ 23,579</u>	<u>\$ 23,679</u>

In 2004, it was discovered that buildings located on St. Boniface, Transcona, and Tuxedo Golf Courses at the inception of the Agency were not owned by the City of Winnipeg. The net book value of buildings as at December 31, 2003 was reduced by \$880 thousand to correct this error. Related amortization expense was reduced by \$38 thousand.

4. *Due to City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is \$400 thousand at a rate of 6.5%. The interest paid in 2004 was \$8 thousand (2003 - \$4 thousand).

5. *Employee Benefits*

a) Vacation

The Agency's employees accrue vacation credits, which together with unused holidays from previous years generally become a charge to operations in the year they are earned.

b) Retirement allowance

Under various union agreements, 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 (excluding resignation). An actuarial valuation has estimated the retirement allowance liability as at December 31, 2004, at \$146 thousand (2003 - \$121 thousand).

5. *Employee Benefits (continued)*

c) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$54 thousand (2003 - \$57 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has an actuarial surplus.

6. *Long-Term Debt - City of Winnipeg*

	<u>2004</u>	<u>2003</u> (Restated Note 10)
Golf Course Reserve		
Golf course improvements loan, interest at 6%, with principal repayments scheduled over 10 years, commencing in 2004	\$ 259	\$ 150
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of \$264 thousand, commencing in 2007	<u>3,020</u>	<u>3,020</u>
	3,279	3,170
Current portion of long-term debt	<u>(12)</u>	<u>(6)</u>
	<u><u>\$ 3,267</u></u>	<u><u>\$ 3,164</u></u>

a) Principal repayments due within the next five years are as follows:

2005	\$ 12
2006	21
2007	42
2008	44
2009	47
Thereafter	<u>3,113</u>
	<u><u>\$ 3,279</u></u>

b) Interest on the golf course improvements loan during the year was \$12 thousand (2003 - \$7 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was \$181 thousand (2003 - \$181 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was \$193 thousand (2003 - \$188 thousand).

7. *Comparative Figures*

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

8. *Related Party Transactions*

In addition to those transactions described elsewhere in the notes, included in the Agency's revenues/expenses are the following amounts which occurred in the normal course of operations and are recorded at the exchange amount:

- a) In Services, an amount of \$63 thousand (2003 - \$61 thousand) for general government charges has been included and paid to the General Revenue Fund which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.
- b) An amount of \$17 thousand (2003 - \$17 thousand) has been charged by the Civic Accommodations Fund for the rental of office space.
- c) An amount of \$50 thousand (2003 - \$48 thousand) has been charged by the General Revenue Fund for various supporting services provided by the Planning, Property and Development Department.
- d) An amount of \$85 thousand (2003 - \$106 thousand) has been charged by the Building Services Fund for services provided at the various Golf Courses.
- e) An amount of \$4 thousand has been charged by the Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by Golf Services.

9. *Municipal Tax Equivalency Charge*

Municipal realty tax equivalency charges are applicable to the five facilities owned and previously operated by the City of Winnipeg - Windsor, Kildonan, Crescent Drive, Harbour View and John Blumberg. These charges are based on estimated assessments and mill rates that would have been applicable had these facilities been privately owned. Estimated business tax equivalency amounts are also included with respect to the three facilities operated entirely by the Agency, based on rates applicable to private golf course businesses.

10. *Correction Of Prior Period Error*

During 2004, it was discovered that capital assets in the amount of \$956 thousand recorded by the Agency, at its inception on January 1, 2002, were not owned by the City of Winnipeg. The correction was accounted for retroactively with restatement of all prior periods reported. The effect of these changes on the 2003 comparative figures is as follows:

<i>Financial Statement Item</i>	<u>Previously Reported</u>	<u>Change</u>	<u>Balance As Restated</u>
Statement of Financial Position			
Capital assets	\$ 24,559	\$ (880)	\$ 23,679
Due to City of Winnipeg - General Revenue Fund	158	(114)	44
Long-term debt - City of Winnipeg	4,120	(956)	3,164
Deficit	(357)	190	(167)
Statement of Operations			
Debt and finance charges	\$ 259	\$ (57)	\$ 202
Amortization	229	(38)	191

10. Correction Of Prior Period Error (continued)

	<u>Previously Reported</u>	<u>Change</u>	<u>Balance As Restated</u>
Statement of Cash Flows			
Net (loss) income for the year	\$ 81	\$ 95	\$ 176
Net change in working capital	(27)	57	30
Increase (decrease) in due to City of Winnipeg - General Revenue Fund	(72)	(114)	(186)

THE CITY OF WINNIPEG FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

On March 20, 1997, Council adopted a document entitled "Reshaping our Civic Government". The document identified the development of Special Operating Agencies ("SOA") as one of the five strategic initiatives needed to create a more affordable and fundamentally better civic government.

On September 24, 1997, Council adopted the strategic direction with regard to SOAs identified in the report entitled "Special Operating Agencies Initiative".

On March 25, 1998, Council adopted the Policy and Framework for Alternative Service Delivery (ASD), which recommended that certain services be studied as potential candidates for delivery outside of the departmental structure of government.

In 1999, Public Works Department conducted a feasibility study of alternative service delivery options for those services provided by Equipment and Material Services (EMS). The report was presented in June 2000 and it recommended that EMS become a Special Operating Agency.

On October 18, 2000, Council approved the Alternative Service Delivery Committee's feasibility study recommendation that administration produce a Business Plan and Operating Charter to convert EMS to an SOA. Further, Council approved that the Business Plan and Operating Charter be premised on the following principles:

- The SOA maintain the existing dedicated customer base for a period of three years;
- The SOA assume ownership of the fleet of its current customers;
- The SOA have the authority to access the Equipment Replacement Reserve as a financing source for the replacement of equipment; and
- The SOA have the authority to increase its customer base.

The Agency commenced operations on January 1, 2003.

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF FINANCIAL POSITION

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Due from City of Winnipeg - General Revenue Fund (Note 3)	\$ 7,868	\$ 11,453
Accounts receivable	137	77
Income taxes recoverable (Note 4)	81	-
Current portion of loans receivable (Note 5)	84	85
Inventory	1,096	794
Prepaid expenses	215	179
	<u>9,481</u>	<u>12,588</u>
Loans receivable (Note 5)	158	241
Capital assets (Note 6)	<u>26,948</u>	<u>22,209</u>
	<u><u>\$ 36,587</u></u>	<u><u>\$ 35,038</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 868	\$ 428
Vacation payable (Note 7a)	460	222
Income taxes payable (Note 4)	-	328
	<u>1,328</u>	<u>978</u>
Deferred revenue	7,261	11,626
Retirement allowance (Note 7b)	654	714
Environmental liability (Note 8)	420	420
Long-term debt (Note 9)	<u>24,014</u>	<u>18,721</u>
	<u>32,349</u>	<u>31,481</u>
	<u>33,677</u>	<u>32,459</u>
Commitments (Note 10)		
SURPLUS		
Contributed surplus	390	390
Retained earnings	<u>2,520</u>	<u>2,189</u>
	<u>2,910</u>	<u>2,579</u>
	<u><u>\$ 36,587</u></u>	<u><u>\$ 35,038</u></u>

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

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

	<u>2004</u>	<u>2003</u>
REVENUES		
Fleet leases	\$ 10,609	\$ 9,194
Services and parts revenue (Schedule 1)	5,802	5,368
Fuel sales	4,649	4,446
Amortization of deferred revenue	3,282	5,014
Rental income	2,304	1,803
Gain on sale of capital assets	595	1,575
	<u>27,241</u>	<u>27,400</u>
Total Revenues	27,241	27,400
EXPENSES		
Services	7,221	6,058
Salaries and employee benefits	6,679	5,913
Supplies	6,306	5,713
Amortization	4,856	5,741
Grant - Autopac rebate to Public Works Department (Note 11f)	691	-
Interest	461	472
General government charges (Note 11b)	421	363
Other	356	623
	<u>26,991</u>	<u>24,883</u>
Total Expenses	26,991	24,883
Net income from operations	250	2,517
Income tax recovery (equivalency charge) (Note 4)	81	(328)
	<u>331</u>	<u>2,189</u>
Net income for the year	331	2,189
RETAINED EARNINGS, BEGINNING OF YEAR	<u>2,189</u>	<u>-</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 2,520</u>	<u>\$ 2,189</u>

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

STATEMENT OF CASH FLOWS

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

**NET INFLOW (OUTFLOW) OF CASH RELATED TO THE
 FOLLOWING ACTIVITIES:**

	<u>2004</u>	<u>2003</u>
OPERATING		
Net income for the year	\$ 331	\$ 2,189
Non-cash items related to operations		
Amortization	4,856	5,741
Amortization of deferred revenue	(3,282)	(5,014)
Gain on sale of capital assets	(595)	(1,575)
Retirement allowance	(60)	-
	<u>1,250</u>	<u>1,341</u>
Working capital from operations		
Net change in working capital	<u>(129)</u>	<u>501</u>
	<u>1,121</u>	<u>1,842</u>
FINANCING		
Decrease in Due from City of Winnipeg - General Revenue Fund	3,585	6
Increase in long-term debt	<u>5,293</u>	<u>6,169</u>
	<u>8,878</u>	<u>6,175</u>
INVESTING		
Purchase of capital assets	(10,888)	(9,393)
Decrease (increase) in loans receivable	84	(199)
Proceeds from sale of capital assets	<u>805</u>	<u>1,575</u>
	<u>(9,999)</u>	<u>(8,017)</u>
CASH POSITION, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG

FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004
(in thousands of dollars)

1. *Commencement of Operations*

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

The Agency offers a complete range of fleet management services to The City of Winnipeg, its main customer, and provides light, super and heavy duty vehicles and construction and specialty equipment, using life cycle cost management principles.

2. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends on future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles and include the following significant accounting policies:

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets, other than land and buildings, transferred from The City of Winnipeg on January 1, 2003, are recorded at their estimated net realizable value on that date. Subsequent acquisitions are recorded at cost. Land and buildings are stated at assessed values as of January 1, 2003 which were determined by The City of Winnipeg Property Assessment Department.

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

Buildings	4%	Straight-line
Fleet assets		
Acquired at start-up	30%	Declining balance
Purchased	Lease term	Straight-line
Equipment	10% to 30%	Straight-line

Revenue recognition

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

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

Deferred revenue

Deferred revenue represents the value of fleet assets acquired from The City of Winnipeg at start-up. This amount is recognized as income at the same rate that the related assets are being amortized.

Financial instruments

Financial instruments include due from City of Winnipeg - General Revenue Fund, accounts receivable, income taxes recoverable/payable, loans receivable, accounts payable and accrued liabilities, and long-term debt. Unless otherwise stated, it is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

3. *Due from City of Winnipeg - General Revenue Fund*

The City of Winnipeg operates a centralized treasury function with a single operating bank account in the General Revenue Fund. Consequently, the Agency does not have a bank account. Cash transactions are credited or charged to the "Due (to)/from" account. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account. The Agency has negotiated an operating line of credit up to \$300 thousand from The City of Winnipeg at the City's borrowing rate.

4. *Income Tax Equivalency*

As part of the municipal government, the Agency is not subject to corporate income taxes. However, in order to approximate a business model, the operation of the Agency is assessed with an income tax equivalency charge which is payable to (recoverable from) The City of Winnipeg based on the following rates:

Small business rate on the first \$250 thousand of net income	18.12%
Regular corporate rate on the balance	37.62%

The gain on sale of fleet assets acquired at inception is excluded from net income for the purpose of the tax calculation.

5. *Loans Receivable*

	<u>2004</u>	<u>2003</u>
Glacial Sand and Gravel - Special Operating Agency		
Equipment financing program loan, interest at 6.5%, payment of \$2.1 thousand monthly, due September 2005	\$ 18	\$ 42
Equipment financing program loan, interest at 6.5%, payment of \$6.5 thousand monthly, due February 2008	224	284
	<u>242</u>	<u>326</u>
Current portion	(84)	(85)
	<u>\$ 158</u>	<u>\$ 241</u>

6. Capital Assets

	Cost	Accumulated Amortization	Net Book Value	
			2004	2003
Land	\$ 390	\$ -	\$ 390	\$ 390
Building	1,914	128	1,786	1,661
Fleet assets				
Acquired at start-up	14,818	7,557	7,261	11,626
Purchased	18,621	1,740	16,881	7,979
Equipment	1,051	421	630	553
	<u>\$ 36,794</u>	<u>\$ 9,846</u>	<u>\$ 26,948</u>	<u>\$ 22,209</u>

7. Employee Benefits

a) Vacation

The Agency's employees accrue vacation credits, which together with unused holidays from previous years become a charge to operations in the year they are earned.

b) Retirement allowance

Under various union agreements, 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 (excluding resignation). An actuarial valuation has estimated the retirement allowance liability at \$654 thousand at December 31, 2004 (2003 - \$714 thousand).

c) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$369 thousand (2003 - \$333 thousand) of pension costs were allocated to the Agency. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2003 and has an actuarial surplus.

8. Environmental Liability

The Agency has included an estimate of the cost to remediate fuel sites. A third party has estimated the cost at \$420 thousand (2003 - \$420 thousand).

9. Long-Term Debt

	2004	2003
City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule	\$ 1,230	\$ 1,586
City of Winnipeg (see below)	<u>22,784</u>	<u>17,135</u>
	<u>\$ 24,014</u>	<u>\$ 18,721</u>

On May 28, 2003, Council approved the transfer of the Equipment Replacement Reserve Fund balance at January 1, 2003 to the Agency, to be used as a source of financing for fleet replacement, thereby resulting in the termination of the Fund at January 1, 2003. The balance increases during the year by customer capital contributions and interest, and decreases by the amount of capital leases charged to customers, to the limit of the annual contribution amount. Interest paid on the balance was \$461 thousand for the year (2003 - \$412 thousand). The balance at December 31, 2004 is \$22,784 thousand (2003 - \$17,135 thousand).

10. Commitments

The Agency has entered into lease agreements mainly for the lease of fleet equipment. Future minimum lease payments are as follows:

	Operating Leases
2005	\$ 540
2006	388
2007	363
2008	335
2009	260
	<u>\$ 1,886</u>

11. Related Party Transactions

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue and all of its financing requirements from the City.

In addition to those disclosed elsewhere in the financial statements, included in the Agency's revenues/expenses are the following transactions which occurred in the normal course of operations and are recorded at the exchange amount.

- a) Revenues include sales of goods and services of \$22,264 thousand (2003 - \$19,880 thousand) to The City of Winnipeg.
- b) General government charges in the amount of \$421 thousand (2003 - \$363 thousand) to the General Revenue Fund, which represents a transfer to The City of Winnipeg as determined by Corporate Finance Department.
- c) An amount of \$156 thousand (2003 - \$271 thousand) has been transferred to the Civic Accommodations Fund for the rental of office space.
- d) An amount of \$124 thousand (2003 - \$162 thousand) has been transferred to the General Revenue Fund for payment in lieu of business taxes, payment in lieu of municipal tax and human resource services.
- e) An amount of \$328 thousand (2003 - \$0) has been transferred to the General Revenue Fund for 2003 income tax equivalency.
- f) A grant in the amount of \$691 thousand has been made to the Public Works Department representing the 2003 and 2004 Autopac rebate.

THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

Schedule 1

SCHEDULE OF SERVICES AND PARTS REVENUE

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

	<u>2004</u>	<u>2003</u>
Consumables and corrective maintenance	\$ 2,383	\$ 1,994
Insurance revenue	1,542	1,309
Power tools	633	675
Manufacturing sales	543	579
Autopac rebate	354	337
Interest	241	348
Provincial support grant	59	103
Other	47	23
	<u>\$ 5,802</u>	<u>\$ 5,368</u>



Wholly-Owned Corporations 2004 DETAILED FINANCIAL STATEMENTS



THE CONVENTION CENTRE CORPORATION

In 2005 the Winnipeg Convention Centre will be celebrating its 30th anniversary. The Centre opened in 1975 and at the time, was the largest facility of its kind in Canada. Today while not the largest facility in Canada, the Centre remains very versatile allowing for a variety of uses.

The last major upgrade and modernization program was completed in 1996; however, the Centre continues to undertake facility upgrades to meet the needs of today's dynamic businesses and organizations. In 2004, the Centre commenced revitalization of its ground floor facilities. The project is scheduled for completion in 2005.

Today, our facility and experienced staff provide the highest quality of service to convention planners and delegates. Our 160,000 square foot facility remains as one of the most versatile centres in Canada, a necessary feature, as we compete against many convention centres and facilities ranging in size from 38,000 square feet to 2,000,000 square feet.

2004 was a positive year for the Centre with operating revenues exceeding the previous record setting period. In May, teams from every province and territory came to Winnipeg to take part in the 10th Annual Canadian Skills Competition. In September we hosted the Disabled Persons' International Congress. This was the first time this event has ever been held in Canada. Other national and international conventions included; Tire Dealers Association of Canada, National Primary Health Care Conference, Christian and Missionary Alliance in Canada, Canadian Bar Association, and The National Aboriginal Health Organization.

Since its inception, the Winnipeg Convention Centre has generated over \$759 million to the economy of Manitoba; \$209,511,571 in taxes to the three levels of government and \$550,127,004 into the local economy such as hotels, restaurants, retail establishments, transportation, etc..

The Winnipeg Convention Centre tracks lost business for the Centre. For the period of 2000 through 2004, over 12 million dollars of delegate spending was lost as a result of lack of space availability for the convention market sector.

2004 STATISTICS

Occupancy	91.0%
Events hosted	1,313
Average events per day	3.6
People to the centre	1,899,102
Delegate	
Spending	\$38,211,964
Total employees	467
Total payroll	\$5,093,000

2004 MAJOR EVENTS/CONFERENCES

	Delegates
TruServ Canada (April/October)	2,400
National Primary Health Conference	1,000
Skills Canada Competition	3,500
Christian and Missionary Alliance	1,100
Manitoba Highland Dancers	6,000
World Meat Congress	500
	Attendees
Rotary Career Symposium	17,000
Mid-Canada Boat Show	13,574
Home Expressions Show	30,346
World of Wheels	28,439

The Centre continues to reinvest capital funds for major repairs, upgrades, and food and beverage equipment purchases. These expenditures are funded from the Centre's grants from the City of Winnipeg and the Province of Manitoba, as well as revenues from operations - with no added costs to the taxpayers.

Our Sales and Marketing efforts continue to focus on fulfillment of our Mission Statement:

"The prime function of the Winnipeg Convention Centre is to generate economic benefits for the City of Winnipeg and the Province of Manitoba, through the efficient operation of a unique, superior, multi-use facility, which attracts local, regional, national and international events."

The Convention Centre is administered by a Board of Directors consisting of fifteen members, four of which are members of Winnipeg City Council; seven members appointed by the City of Winnipeg; two members are appointed by the Lieutenant Governor in Council; and two members are appointed at large.

THE CONVENTION CENTRE CORPORATION

BALANCE SHEET

As at December 31

	2004	2003
ASSETS		
Current		
Cash and short term investment (note 2)	\$ 2,031,233	\$ 3,357,073
Accounts receivable	1,082,970	1,020,901
Inventory	126,929	114,545
Prepaid expenses	46,689	37,693
	<u>3,287,821</u>	<u>4,530,212</u>
Capital assets (note 3)		
Major capital expenditures, net of accumulated amortization of \$1,422,283 (2003 - \$1,357,733)	577,717	642,267
City of Winnipeg portion of revitalization program expenditures, net of accumulated amortization of \$1,032,330 (2003 - \$894,011) (note 4)	1,967,670	2,105,989
Provincial portion of revitalization program expenditures, net of accumulated amortization of \$684,365 (2003 - \$592,146) (note 4)	1,315,635	1,407,854
Major repair and replacement expenditures, net of accumulated amortization of \$4,502,702 (2003 - \$3,858,054)	2,126,086	1,217,069
Wall cladding replacement and stabilization, net of accumulated amortization of \$682,462 (2003 - \$354,274)	5,881,308	6,198,885
	<u>11,868,416</u>	<u>11,572,064</u>
	<u><u>\$ 15,156,237</u></u>	<u><u>\$ 16,102,276</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,237,265	\$ 1,975,377
Customer deposits	509,689	503,677
Current portion of City of Winnipeg debentures (note 5)	213,056	202,867
Current portion of City of Winnipeg term loan (note 6)	44,348	44,348
Deferred contributions for major repair and replacement expenditures (note 7)	1,177,548	1,643,491
	<u>3,181,906</u>	<u>4,369,760</u>
City of Winnipeg debentures (note 5)	2,332,331	2,545,389
City of Winnipeg term loan (note 6)	257,872	302,220
Deferred contributions related to capital assets (note 8)	3,441,721	2,624,923
Deferred funding - wall cladding replacement and stabilization (note 9)	5,881,308	6,198,885
	<u>15,095,138</u>	<u>16,041,177</u>
SURPLUS		
Surplus	<u>61,099</u>	<u>61,099</u>
	<u><u>\$ 15,156,237</u></u>	<u><u>\$ 16,102,276</u></u>

The accompanying notes are an integral part of this Balance Sheet.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF SURPLUS

Year ended December 31

	<u>2004</u>	<u>2003</u>
Surplus, beginning of year	\$ 61,099	\$ 61,099
Excess of revenue over expenditures for the year	650,994	1,265,677
Allocation of surplus to deferred contributions for major repair and replacement expenditures (note 7)	<u>(650,994)</u>	<u>(1,265,677)</u>
Surplus, end of year	<u>\$ 61,099</u>	<u>\$ 61,099</u>

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31

	<u>2004</u>	<u>2003</u>
Operating revenue	\$ 10,239,602	\$ 10,299,849
Operating costs	<u>4,671,325</u>	<u>4,767,033</u>
Net operating revenue	<u>5,568,277</u>	<u>5,532,816</u>
General operating grant (note 10)		
City of Winnipeg	1,483,353	1,575,921
Province of Manitoba	<u>1,187,636</u>	<u>1,384,034</u>
	<u>2,670,989</u>	<u>2,959,955</u>
	<u>8,239,266</u>	<u>8,492,771</u>
Expenditures		
Accounting and financial services and human resources	695,730	690,962
Administration	1,120,578	956,573
Building maintenance	3,446,341	3,326,366
Client services	1,141,767	1,016,205
Sales and promotion	748,394	855,767
Security	<u>435,462</u>	<u>381,221</u>
	<u>7,588,272</u>	<u>7,227,094</u>
Net operating expenditures less expenditures before under-noted	<u>650,994</u>	<u>1,265,677</u>
City of Winnipeg grants allocated to debentures (note 10)	498,283	527,167
Amortization to revenue of		
Deferred provincial contributions related to the revitalization program expenditures (note 8)	92,219	83,801
Deferred city and provincial contributions related to the major repair and replacement expenditures (note 8)	644,648	362,495
Deferred funding - wall cladding replacement and stabilization (note 9)	328,188	327,124
Amortization to expense of		
Major capital expenditures (note 3)	(64,550)	(86,447)
Revitalization program expenditures (note 3)	(230,538)	(215,534)
Major repair and replacement expenditures (note 3)	(644,648)	(362,495)
Wall cladding replacement and stabilization (note 3)	(328,188)	(327,124)
Interest on City of Winnipeg debentures	<u>(295,414)</u>	<u>(308,987)</u>
Excess of revenue over expenditures for the year	<u>\$ 650,994</u>	<u>\$ 1,265,677</u>

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31

	2004	2003
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 650,994	\$ 1,265,677
Adjustments for		
insurance proceeds	-	25,208
amortization of major capital expenditures	64,550	86,447
amortization of revitalization program expenditures	230,538	215,534
amortization of major repair and replacement expenditures	644,648	362,495
amortization of wall cladding replacement and stabilization	328,188	327,124
amortization of deferred contributions related to capital assets	(1,065,055)	(773,420)
	853,863	1,509,065
Net changes in working capital balances		
Accounts receivable	(62,069)	731,988
Inventory	(12,384)	34,017
Prepaid expenses	(8,996)	2,374
Accounts payable and accrued liabilities	(738,112)	(476,948)
Customer deposits	6,012	(64,005)
	38,314	1,736,491
FINANCING ACTIVITIES		
City of Winnipeg term loan repayments	(44,348)	(44,346)
City of Winnipeg debenture repayments	(202,869)	(218,179)
City of Winnipeg/Province of Manitoba major repair and replacement grant received (note 7)	436,728	192,531
	189,511	(69,994)
INVESTING ACTIVITIES		
Major repair and replacement expenditures (note 7)	(1,553,665)	(941,680)
(DECREASE) INCREASE IN CASH DURING THE YEAR	(1,325,840)	724,817
Cash and short term investments, beginning of year	3,357,073	2,632,256
Cash and short term investments, end of year	\$ 2,031,233	\$ 3,357,073

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2004

1. *Significant Accounting Policies*

The corporation was incorporated by special act under the laws of Manitoba to operate and promote the Winnipeg Convention Centre. The corporation is a not-for-profit organization and is therefore not subject to income taxes.

The accompanying financial statements are prepared in accordance with Canadian generally accepted accounting principles. They include the following significant accounting policies:

a) **Inventory**

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

b) **Capital assets**

Capital assets are recorded at cost. Normal repairs and maintenance are expensed as incurred.

Amortization is calculated at the following rates and basis:

Major capital expenditures	-	at rate of related debenture repayment
Revitalization program expenditures	-	at rate of related debenture repayment
Major repair and replacement expenditures	-	20%, straight line
Wall cladding replacement and stabilization	-	on a straight line basis over 20 years

c) **Vacation pay**

Vacation pay is accrued and expensed as the related service is performed.

d) **Employee sick leave entitlement**

Certain employees hired before February 1996 are entitled to cash payment for unused sick leave credits upon retirement or death. The amount of these accumulated sick leave credits have not been actuarially determined and are not recorded in the financial statements. The credits are expensed when paid.

The estimated maximum unused sick leave credits at year end totalled \$490,000 (2003 - \$452,000).

The corporation entered into new union agreements in 1996 which eliminate the cash payment entitlement for employees hired after the implementation of the new agreements.

e) **Measurement Uncertainty**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management believes its estimates to be appropriate; however, actual results could differ from the amounts estimated.

2. *Cash and Short Term Investments*

	2004	2003
Cash	\$ 2,031,233	\$ 1,857,073
Term deposit	-	1,500,000
	<u>\$ 2,031,233</u>	<u>\$ 3,357,073</u>

3. *Capital Assets*

a) **Major capital expenditures**

The amount for major capital expenditures represents expenditures for major capital projects incurred in the years 1987 to 1995 inclusive.

Major capital expenditures are carried at cost and are equal to the related debentures (note 5). They are being amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life. During the year, the corporation recorded amortization of \$64,550 (2003 - \$86,447).

b) **City of Winnipeg portion of revitalization program expenditures**

The amount for revitalization program expenditures represents The City of Winnipeg portion of expenditures for revitalization program projects (note 4) incurred in the years 1991 - 1996 inclusive.

Revitalization program expenditures are carried at cost and are equal to the related debentures (note 5). They are being amortized in an amount equal to the principal repayments on the related debentures. During the year, the corporation recorded amortization of \$138,319 (2003 - \$125,459).

c) **Provincial portion of revitalization program expenditures**

The amount for this portion of the revitalization program represents the provincial government's portion of expenditures for the revitalization program projects (note 4) incurred in years 1991 - 1996 inclusive.

These expenditures are carried at cost and are amortized on a pro-rata basis at the same rate as The City of Winnipeg revitalization program assets. During the year, the corporation recorded amortization of \$92,219 (2003 - \$83,801) on these assets.

d) **Major repair and replacement expenditures**

Starting in 1994, a portion of grant funding from The City of Winnipeg and the Province of Manitoba has been allocated to cover the cost of major repairs and replacements at The Convention Centre.

These assets are carried at cost and are equal to the restricted contributions portion of deferred contributions on the balance sheet (note 8), as the funding for the major repair and replacement program is restricted to purchase these assets. During the year, the corporation recorded amortization of \$644,648 (2003 - \$362,495) on these assets.

3. Capital Assets (continued)

e) Wall cladding replacement and stabilization

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. The Convention Centre Corporation, The City of Winnipeg, and The Province of Manitoba signed a funding agreement dated March 21, 2002 which stated that the costs of this project would be funded equally between The City of Winnipeg and The Province of Manitoba up to an amount of \$6.6 million. This funding is non-repayable if the conditions of the agreement are met.

The expenditures are carried at cost and are being amortized on a straight line basis over 20 years. The funding for this project is recorded as deferred revenue and will be amortized into income at the same rate as the asset is amortized. During the year, the corporation recorded amortization of \$682,463 (2003 - \$327,124).

4. Revitalization Program

The Province of Manitoba provided a grant of \$2,000,000 to fund a portion of the revitalization program's expenditures. This grant funding is recorded as a deferred contribution and amortized at the same rate as the related assets are amortized. The City of Winnipeg has provided \$3,000,000 of debenture financing to fund the revitalization program. The portion of the revitalization program expenditures financed by the City of Winnipeg are recorded as a capital asset and the related debentures are recorded as a liability on the balance sheet. Debt service costs for these debentures will be funded by future grants from the City of Winnipeg.

5. *City of Winnipeg Debentures*

	2004		2003
	Sinking		
Debenture	Fund	Net	Net
For major capital expenditures:			
Sinking Fund debenture, bearing interest at 10%, maturing December 14, 2009, with annual Sinking Fund contributions of \$15,121 earning interest at 5%	\$ 500,000	\$ 327,056	\$ 172,944
Serial debenture. Principal payments vary under the terms of the debenture, are payable January 17th yearly commencing 2004 and ending in 2013. The debenture bears interest between 3.05% and 5.35% per annum with interest payable semi-annually commencing July 17, 2003	215,149	-	215,149
Sinking Fund debenture, bearing interest at 9.375%, maturing February 11, 2013, with annual Sinking Fund contributions of \$6,805 earning interest at 5%	225,000	100,948	124,052
Sinking Fund debenture, bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of \$3,024 earning interest at 5%	100,000	34,411	65,589
	1,040,149	462,415	577,734
			642,277
For revitalization program expenditures:			
Bearing interest at 9.125%, maturing May 12, 2015, with annual Sinking Fund contributions of \$90,728 earning interest at 5%	3,000,000	1,032,347	1,967,653
	\$ 4,040,149	\$ 1,494,762	2,545,387
Current portion		213,056	202,867
		\$ 2,332,331	\$ 2,545,389

5. City of Winnipeg Debentures (continued)

Principal due within each of the next five years is as follows:

2005	\$	213,056
2006	\$	223,757
2007	\$	234,998
2008	\$	246,800
2009	\$	258,031

Debt service costs will be funded by grants from The City of Winnipeg. The corporation annually allocates an amount from grants received from The City of Winnipeg to cover debt service costs and the grants are recorded to income when the applicable expenditures are incurred.

6. City of Winnipeg - Term Loan

	2004	2003
Term loan	\$ 302,220	\$ 346,568
Less: current portion	44,348	44,348
	<u>\$ 257,872</u>	<u>\$ 302,220</u>

The term loan is non-interest bearing and repayable in 14 annual principal payments of \$44,348 each, beginning August 17, 1997 with the remaining balance due on August 17, 2011. The loan was originally advanced in 1991 to fund the corporation's deficit.

7. Major Repair and Replacement Expenditures

Deferred contributions for major repair and replacement include excess of revenue over expenditures and City and Province grant funding not yet expended. During the year, the corporation incurred \$1,553,665 (2003 - \$941,680) of major repairs and replacements.

8. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent restricted contributions with which the corporation's major repair and replacement assets and the provincial portion of the revitalization program assets were purchased. These amounts are being amortized into income as the related assets are amortized.

	2004	2003
Beginning balance	\$ 2,624,923	\$ 2,129,539
Grant funding received for major repair and replacement expenditures during the year (note 10)	436,728	192,531
Excess of amounts expended over funding received on major repair and replacement assets during the year	1,116,937	749,149
Deduct amounts amortized to revenue:		
Major repair and replacement expenditures	(644,648)	(362,495)
Provincial portion of revitalization program expenditures	(92,219)	(83,801)
	<u>\$ 3,441,721</u>	<u>\$ 2,624,923</u>

9. *Deferred Funding - Wall Cladding Replacement and Stabilization*

Deferred funding - wall cladding replacement and stabilization represent restricted contributions from The City of Winnipeg and The Province of Manitoba for the funding of the wall cladding replacement and stabilization project more fully disclosed in note 3. This amount is being amortized into income as the related asset is amortized.

	<u>2004</u>	<u>2003</u>
Beginning Balance	\$ 6,198,885	\$ 6,488,924
Funding received or receivable during the year	10,611	37,085
Deduct amount amortized to revenue	<u>(328,188)</u>	<u>(327,124)</u>
	<u>\$ 5,881,308</u>	<u>\$ 6,198,885</u>

10. *Grants*

The corporation operates with the assistance of grants from The City of Winnipeg and the Province of Manitoba.

	<u>2004</u>	<u>2003</u>
City of Winnipeg	\$ 2,200,000	\$ 2,199,353
Province of Manitoba	<u>1,406,000</u>	<u>1,480,300</u>
	<u>\$ 3,606,000</u>	<u>\$ 3,679,653</u>

The grants are allocated as follows:

General operating grant	\$ 2,670,989	\$ 2,959,955
Debt service - City of Winnipeg debenture	498,283	527,167
Major repairs and replacement expenditures	<u>436,728</u>	<u>192,531</u>
	<u>\$ 3,606,000</u>	<u>\$ 3,679,653</u>

11. *Pension Plan*

The employees of the corporation are members of the City of Winnipeg Civic Employees Pension Plan. The corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg.

12. *Economic Dependency*

The corporation is dependent on The City of Winnipeg and The Province of Manitoba for funding and financing which is essential to its continuing operations.

13. *Comparative Figures*

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

DESTINATION WINNIPEG INC.

2004 HIGHLIGHTS

The year 2004 was an exciting year for Destination Winnipeg. Following our transition year in 2003 and first full year of operations, 2004 represented Destination Winnipeg's first year of its 3-year Business Plan, and many actions and results were achieved this year.

During the year, Destination Winnipeg was focused on delivering the services and support to industry through its internal core capabilities of information, marketing and promotions as well as mobilizing industry and the three levels of government around select strategic economic development initiatives.

The following represent some highlights of economic development initiatives undertaken during fiscal year 2004:

- Destination Winnipeg facilitated the establishment the Composites Innovation Centre Inc. (CIC), a not-for-profit entity incorporated in October 2003 to further develop public-private partnership projects in composites. In May 2004, Western Diversification and the Province of Manitoba announced a \$2 million funding commitment to CIC and projects are underway.
- Destination Winnipeg's President was part of the International Centre for Infectious Diseases Task Force (report delivered January 2004). Destination Winnipeg was part of the Ottawa biotech mission in March 2004 and discussions around expansion of Winnipeg's infectious disease activities. We were one of many players involved in these efforts. In May 2004, the Government of Canada announced Winnipeg as a main pillar of Canada's new public health agency and as Canada's command and control centre for infectious diseases control.
- In 2004 Destination Winnipeg was the lead agency in responding to a number of Business Service Centre opportunities. Destination Winnipeg developed a comprehensive profile of the customer contact and business service centre industry in Winnipeg and has become the primary source for information expertise for this sector. The agency has been aggressively pursuing a few top tier centres and back office operations.
- Destination Winnipeg continued to be active in north/south trade opportunities within the Mid-Continent Trade Corridor through its involvement as board directors on key bi-national and tri-national organizations.
- In Fall 2004, we held a series of sector forums with industry leaders in key sectors: Aerospace, Transportation, and Information, Communications and Media. These forums provided an opportunity for business leaders to dialogue and connect on issues in their sector. We also held a 2005 Tourism Marketing Partnership session in September attended by approximately 70 industry representatives.
- Destination Winnipeg worked with key Winnipeg based industries in their efforts to expand their operations in the city. We were involved in working with the City of Winnipeg and the company around Winpak's announced expansion in April 2004 of approximately \$50 million in investment and 120 new jobs.
- Destination Winnipeg has been active in working with the City of Winnipeg Department of Planning, Property and Development particularly in the area of building permit processes.
- We established Quarterly Economic Highlights as another key source for people and businesses looking for data, information and analysis of Winnipeg's economy.
- In November 2004, Destination Winnipeg's President was named Vice-Chair of the Mayor's Red Tape Commission. Helping in efforts to reduce red tape is one of Destination Winnipeg's priority areas for 2005.
- We have had record levels of website visits with 560,000 visits for the year (number of hits is several fold higher), a substantial increase over past levels. destinationwinnipeg.ca has established itself as one of the most popular websites in Winnipeg for information: work, live or play.

DESTINATION WINNIPEG INC.

2004 HIGHLIGHTS (continued)

The following are some highlights of tourism services and marketing undertaken during fiscal year 2004:

According to the latest city tourism figures from Statistics Canada (for 2003), Winnipeg's tourism industry generated over \$480 million in direct visitor spending from 2.7 million visitors. 2004 was another year of challenges for tourism on the worldwide, national and local levels, and local leisure tourism was impacted.

Tourism marketing continues to be partner-based, with focused campaigns to specific markets. Priority markets are: meetings and conventions; and special events. These tourism markets help to attract higher spending and overnight visitors.

- Total tracked meetings and conventions for the year 2004 grew to approximately 217 with approximately 61,000 delegates and estimated direct spending of over \$50 million.
- Destination Winnipeg participated in over 65 marketplaces and events promoting Winnipeg throughout the year.
- Our direct sales and bid efforts for meetings and conventions are focused on attracting meetings and conventions in future years. In 2004 through bids, proposals and direct sales, Destination Winnipeg and its partners were involved in securing 162 future meeting and conventions for 2005 - 2009. These future conventions collectively represent approximately 39,000 delegates and over \$31 million in estimated direct spending, a very good return on investment.
- Destination Winnipeg worked with industry partners on a variety of marketing initiatives, for example: 32 partners in Team Winnipeg - meetings and conventions; 18 partners in Jack Rabbit Show for USA Midwest tour operators; 10 partners for Thunder Bay Mall Show in the leisure market; Media marketplace in Minneapolis - one of seven partners; Sport marketplace in USA - one of eight partners.
- Team Winnipeg is a meetings and conventions marketing partnership that is industry-driven. Destination Winnipeg provides coordination and support to Team Winnipeg. Partners participated in select marketing initiatives throughout the year.
- In October 2004, the CFL announced that Winnipeg will host the 2006 Grey Cup. The Winnipeg Football Club partnered with Destination Winnipeg in preparing the comprehensive winning bid with financial support from the Province and the City. The economic impact amount of such an event is expected to be over \$30 million.
- Destination Winnipeg, in partnership with the Manitoba Moose, prepared the winning bid for the 2006 American hockey League All-Star Classic, estimated economic impact of near \$1 million.
- Destination Winnipeg continues to be involved on the Host Committee in planning and preparation for the 2005 Juno Awards. Winnipeg was awarded the Juno Awards for April 2005.
- Destination Winnipeg continued its contractual arrangement with Winnipeg Airports Authority to provide information services at Winnipeg International Airport. We have bilingual staff at the Airport Information Centre providing visitor counselling and handling calls.
- Approximately 90,000 inquiries were handled by our visitor counsellors and Destination Winnipeg in 2004.
- Destination Winnipeg distributed close to 700,000 promotional materials in 2004, from brochures to business facts to maps to visitor guides.
- Tourism marketing materials were re-designed in 2004, incorporating Destination Winnipeg's brand and look.
- Throughout the year, Destination Winnipeg and partners responded to external media requests and stories about Winnipeg. We compile and tabulate the value of external media articles using an industry standard guide. Earned media (external) for the year was over \$1.5 million.

DESTINATION WINNIPEG INC.

BALANCE SHEET

December 31, 2004, with comparative figures for 2003

ASSETS

Current assets

Cash

Investments (Note 3)

Accounts receivable

Prepaid expenses

	2004	2003
	\$ 86,799	\$ 327,032
	902,773	739,907
	91,836	67,595
	69,416	53,581
	<u>1,150,824</u>	<u>1,188,115</u>
	<u>301,644</u>	<u>346,296</u>
	<u>\$ 1,452,468</u>	<u>\$ 1,534,411</u>

Capital assets (Note 4)

LIABILITIES

Current liabilities

Accounts payable and accrued liabilities

Deferred rent

Deferred contributions - future expenses (Note 5)

Deferred contributions - capital assets (Note 6)

	\$ 73,537	\$ 132,647
	57,760	27,892
	29,936	63,679
	279,116	310,714

NET ASSETS

Unappropriated

Invested in capital assets (Note 7)

Unrestricted

	22,528	35,582
	<u>546,029</u>	<u>479,427</u>

Appropriated for contingency reserve (Note 8)

	568,557	515,009
	<u>443,562</u>	<u>484,470</u>

Commitments (Note 9)

	1,012,119	999,479
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	<u>\$ 1,452,468</u>	<u>\$ 1,534,411</u>
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See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2004, with comparative figures for 2003

	<u>2004</u>	<u>2003</u>
REVENUE		
Funding		
City of Winnipeg	\$ 1,228,000	\$ 1,227,200
Province of Manitoba	1,165,000	1,226,700
Airport information services	54,040	53,149
Partners on projects	389,117	221,175
Interest	20,759	30,762
Other	48,428	46,519
Amortization of deferred contributions	31,598	5,266
	<u>2,936,942</u>	<u>2,810,771</u>
EXPENDITURES		
Initiatives and marketing	1,206,104	1,008,945
Personnel	1,291,117	1,176,648
Administrative	218,569	245,471
Occupancy and facilities	208,512	185,631
	<u>2,924,302</u>	<u>2,616,695</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 12,640</u>	<u>\$ 194,076</u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2004, with comparative figures for 2003

	<u>Unappropriated</u>	<u>Contingency Reserve</u>	<u>Total 2004</u>	<u>Total 2003</u>
<i>BALANCE, beginning of year</i>	\$ 515,009	\$ 484,470	\$ 999,479	\$ 805,403
Excess of revenue over expenditures	<u>12,640</u>	<u>-</u>	<u>12,640</u>	<u>194,076</u>
	527,649	484,470	1,012,119	999,479
Allocation from contingency reserve (Note 8)	<u>40,908</u>	<u>(40,908)</u>	<u>-</u>	<u>-</u>
<i>BALANCE, end of year</i>	<u>\$ 568,557</u>	<u>\$ 443,562</u>	<u>\$ 1,012,119</u>	<u>\$ 999,479</u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2004, with comparative figures for 2003

	<u>2004</u>	<u>2003</u>
Cash provided by (used in):		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 12,640	\$ 194,076
Adjustments for		
Amortization of capital assets	53,881	16,402
Write-off of capital assets	-	74,239
Amortization of deferred contributions - capital assets	(31,598)	(5,266)
(Decrease) increase in deferred contributions - future expense, net	(33,743)	35,051
Non-cash rent expense	29,868	27,892
Change in non-cash operating working capital		
Accounts receivable	(24,241)	(17,928)
Prepaid expenses	(15,835)	(10,070)
Accounts payable and accrued liabilities	(59,110)	(180,185)
	<u>(68,138)</u>	<u>134,211</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(9,229)	(362,698)
Investments, net	(162,866)	65,963
	<u>(172,095)</u>	<u>(296,735)</u>
FINANCING ACTIVITIES		
Increase in deferred contributions - capital assets	-	315,980
(DECREASE) INCREASE IN CASH	<u>(240,233)</u>	<u>153,456</u>
CASH, beginning of year	<u>327,032</u>	<u>173,576</u>
CASH, end of year	<u><u>\$ 86,799</u></u>	<u><u>\$ 327,032</u></u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2004

1. General

On April 26, 2002, The City of Winnipeg passed a resolution by Council authorizing the amalgamation of Economic Development Winnipeg (Incorporated as Winnipeg Economic Development Organization) with Tourism Winnipeg. The amalgamated entity continues operations under the name Destination Winnipeg Inc. The date of the amalgamation was September 1, 2002.

The Organization is economically dependent on The City of Winnipeg and the Province of Manitoba for the majority of its revenue.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Revenue recognition

The Organization follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the period in which the related expenses are incurred.

Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

b) Capital assets

Capital assets are recorded at cost. Amortization is calculated on a straight-line basis to amortize the cost of the assets less their residual values over their estimated useful lives as follows:

<u>Asset</u>	<u>Rate</u>
Computer hardware and software	- 2 to 3 years
Office furniture and fixtures	- 5 years
Leasehold improvements	- over the term of the related lease

c) Deferred rent

As part of the new operating premises lease, a period of free rent was incurred, and is being amortized over the term of the related lease.

d) Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

3. Investments

Investments consist of investments in money market instruments to fund the contingency reserve (Note 8) and other expenses. Investments are recorded at cost which approximates market value. When there is an other than temporary decline in the value of investments, a provision for estimated losses is recorded.

4. Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 42,371	\$ 22,642	\$ 19,729	\$ 26,231
Office furniture and fixtures	47,976	14,790	33,186	43,178
Leasehold improvements	281,580	32,851	248,729	276,887
	<u>\$ 371,927</u>	<u>\$ 70,283</u>	<u>\$ 301,644</u>	<u>\$ 346,296</u>

5. Deferred Contributions - Future Expenses

The deferred contributions are externally restricted contributions that have been received and relate to expenses to be incurred in future years.

	2004	2003
Balance, beginning of year	\$ 63,679	\$ 28,628
Amounts received during the year	129,320	140,090
	<u>192,999</u>	<u>168,718</u>
Less amounts recognized into revenue in the year	(163,063)	(105,039)
Balance, end of year	<u>\$ 29,936</u>	<u>\$ 63,679</u>
	2004	2003
Team Winnipeg	\$ 27,936	\$ 58,679
Other	2,000	5,000
	<u>\$ 29,936</u>	<u>\$ 63,679</u>

6. Deferred Contributions - Capital Assets

Deferred contributions - capital assets represent the unamortized amount of externally restricted contributions that have been received for the purchase of capital assets. The amortization of capital contributions is recorded as revenue in the statement of operations.

	2004	2003
Balance, beginning of year	\$ 310,714	\$ -
Contributions received	-	315,980
Amount amortized to revenue	(31,598)	(5,266)
Balance, end of year	<u>\$ 279,116</u>	<u>\$ 310,714</u>

7. *Invested in Capital Assets*

	2004	2003
Capital assets	\$ 301,644	\$ 346,296
Deferred contributions - capital assets	<u>(279,116)</u>	<u>(310,714)</u>
Invested in capital assets	<u>\$ 22,528</u>	<u>\$ 35,582</u>

8. *Contingency Reserve*

A contingency reserve was established to accumulate funds to be available for employee contractual obligations in the event that operating funding for the organization is terminated by The City of Winnipeg and the Province of Manitoba. As at December 31, 2004, \$40,908 (2003 - \$151,429 was added) was deducted from the contingency reserve and added to unappropriated surplus, based on the calculation of the contingency reserve requirement as at December 31, 2004.

9. *Commitments*

The organization is committed under leases for office premises and equipment for a total of \$1,578,072. The minimum lease payments over the next five years are as follows:

2005	\$ 184,623
2006	173,853
2007	173,853
2008	174,606
2009	178,367

10. *Funds Held in Trust*

The organization holds and administers funds in trust for a partnership for convention development and are not included in the financial statements. These funds are held in an interest-bearing trust account for the benefit of convention development.

	2004	2003
Balance, beginning of year	\$ -	\$ -
Amounts received during the year	100,000	-
Interest earned on funds received	<u>576</u>	<u>-</u>
Balance, end of year, and amount of funds in trust	<u>\$ 100,576</u>	<u>\$ -</u>

11. *Financial Instruments*

Credit Risk:

Credit risk arises from the potential that a counter-party will fail to perform its obligations. However, the organization limits their credit risk by investing in lower risk investments.

Interest Rate Risk:

Interest rate risk is the risk to the organization's earnings that arises from fluctuations in the interest rates and the degree of volatility of those rates. The organization does not use derivative instruments to reduce its exposure to interest rate risk.

Fair value:

The fair value of cash, investments, accounts receivable, and accounts payable and accrued liabilities approximate their carrying value due to their short term to maturity.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

WINNIPEG ENTERPRISES CORPORATION

NOTES TO STATEMENT OF FINANCIAL POSITION

May 31, 2004

1. *Entity Definition, Economic Dependence and Wind-Up of Operations*

Entity definition

Winnipeg Enterprises Corporation (the "Corporation") is a not-for-profit organization established by the **Winnipeg Enterprises Corporation Incorporation Act** on July 26, 1952 under the laws of the Province of Manitoba. The Corporation's purpose is to carry on self-sustaining activities primarily related to sport and entertainment for the purpose of civic improvement, pleasure, or recreation for the community of Winnipeg. The Corporation owns and operates the Winnipeg arena and Canad Inns Stadium facilities, and conducts and promotes sporting and entertainment events, and other supportive business ventures.

Economic dependence

The Corporation's primary sources of revenue are generated from ongoing lease agreements and related services, transacted with the Winnipeg Football Club (the "WFC") and the Manitoba Moose Limited Partnership (the "Moose"), and other facility users. The Corporation's ability to continue as a going concern is dependent on the continued support of The City of Winnipeg for the Corporation's ongoing operations and debt obligations.

In addition, the terms of the Corporation's bank debt (note 5) are contingent upon the security by way of a limited guarantee from The City of Winnipeg.

Wind-up of operations

Pursuant to the scheduled opening of a new sports arena described below, the Corporation has been preparing for the wind down of operations with the following implications:

- a) As a result of the anticipated opening of the new arena (The MTS Centre) in November 2004, the Moose Limited Partnership, the sole tenant of the Winnipeg Arena, has given notice of termination of their lease with the Corporation.
- b) On June 8, 2004 the Corporation agreed to terminate its Arena lease with The City of Winnipeg and deliver vacant possession of the Winnipeg Arena effective upon a date mutually acceptable to the Corporation but no later than June 1, 2005. The City of Winnipeg assumes all remaining and prospective debt and liabilities of the Corporation upon termination of the Winnipeg Arena lease.
- c) Subsequent to year end, an Offer to Purchase the Winnipeg Arena property was accepted by the City and approved by the Corporation. Subject to various terms and conditions of the Offer to Purchase the arena building and improvements will be demolished to facilitate the transfer of vacant arena property to the Purchaser. As the agreement requires the property to be vacant and the land is owned by The City of Winnipeg, the building has been written down to reflect no remaining net realizable value. Any costs associated with the demolition of the Winnipeg Arena will be incurred by The City of Winnipeg. Certain equipment related to the Winnipeg Arena that can be sold to unrelated third parties has been written down to its estimated net realizable value (note 4).

1. Entity Definition, Economic Dependence and Wind-Up of Operations (continued)

- d) Subsequent to May 31, 2004, based on a letter of intent between the Corporation, the WFC, and The City of Winnipeg, the WFC took over operations of the Canad Inn Stadium and the Blue and Gold Room. The WFC receives the facility revenues and is responsible for paying the facility operating costs. The Corporation continues to pay the debt service costs and receives The City of Winnipeg entertainment tax from ten Bomber games per season, which is applied against the debt payments. It is anticipated that a formal agreement will be reached in 2005. The financial impact of matters relating to the Canad Inn Stadium cannot be predicted at this time.

2. Significant Accounting Policies

Short-term investments

Short-term investments are valued at the lower of cost or market. As at May 31, 2004, short-term investments consisted of one-month guaranteed investment certificates and, as such, fair market value approximated cost.

Long-term investments

Long-term investments consist of income debentures and are recorded at the lower of cost less principal repayments received or receivable and net realizable value.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and external funding received that has been specified for costs of acquisition. Amortization of property and equipment is provided for by the straight-line method at the following annual rates:

Building and improvements	2.5% per year
Equipment and small tools	10.0% per year
Computer hardware	20.0% per year

Advance tickets

Advance tickets represent funds held on behalf of third party users of the Select-A-Seat ticket agency service.

Unearned revenue

Unearned revenue is amortized over the terms of the various related contracts.

Financial instruments

Financial instruments include cash, short-term investments, accounts receivable, long-term investments, accounts payable, advance tickets, bank debt and an interest rate swap on a portion of the bank debt. Unless otherwise stated, the book value of the Corporation's financial assets and liabilities approximates their fair value. It is management's opinion that the Corporation is not exposed to significant interest, currency, or credit risk arising from these financial instruments except as per note 3.

The Corporation uses interest rate swap contracts to manage interest rate risk on certain floating rate bank debt. Payments and receipts under the interest rate swap contracts are recognized as adjustments to interest expense on a basis which matches the related fluctuations in the interest payments under floating rate bank debt.

2. Significant Accounting Policies (continued)

Use of estimates

The preparation of this statement of financial position in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

3. Long-Term Investments

Long-term investments consist of 1,200 WFC Series A Income Debentures issued July 15, 1996 for a unit price of \$1,000. Each debenture is entitled to a pro-rata share of 25% of the net cash profit of the WFC and a 16 2/3% principal repayment of the net cash profit, if any, in any given fiscal year. The debentures are secured by a general security agreement, which is subordinate to the WFC existing bank debt.

The December 2001, 2002, and 2003 audited financial statements of the WFC present net profits, a portion of which would be allocated to the Corporation in its fiscal 2002, 2003, and 2004 year ends based on the formula above. However, the Corporation agreed to waive the interest component in each year and defer the principal repayments to December 31, 2004. The Corporation's share of the principal repayments calculated under the terms of the debenture for 2002, 2003, and 2004 are presented as a reduction in long-term investments and the total to date of \$130,390 (2003 - \$107,037) has been included in accounts receivable.

On April 16, 2004, the WFC requested that the income debenture be forgiven. It is anticipated that a decision regarding this request will be settled upon resolution of other Canad Inns Stadium matters as described in note 1. As at September 3, 2004, a decision regarding the income debenture has not been finalized. As such, information to calculate the fair value of the income debentures is not readily determinable.

4. Capital Assets

	Cost	Provision for Impairment and Accumulated Amortization	2004 Net Book Value	2003 Net Book Value
Building and improvements				
Canad Inns Stadium	\$ 10,653,629	\$ 3,871,880	\$ 6,781,749	\$ 7,037,026
Winnipeg Arena	10,177,414	10,177,414	-	5,750,426
Blue and Gold Room	146,615	36,977	109,638	113,304
	<u>20,977,658</u>	<u>14,086,271</u>	<u>6,891,387</u>	<u>12,900,756</u>
Equipment and small tools	2,249,533	1,490,077	759,456	944,632
Computer hardware	1,142,512	1,106,446	36,066	107,056
	<u>\$ 24,369,703</u>	<u>\$ 16,682,794</u>	<u>\$ 7,686,909</u>	<u>\$ 13,952,444</u>

During the year ended May 31, 2003, the Corporation entered into a funding agreement to receive government assistance totalling \$2,600,000 towards the Canad Inns Stadium Artificial Turf Replacement Project. The Corporation received \$1,171,770 of government assistance during the year. As at May 31, 2004, \$1,191,718 of costs had been incurred towards the purchase of these capital assets. The assistance received was credited directly to the cost of the asset.

In 2004, a provision for impairment was made to the Winnipeg Arena for \$5,498,395, equipment and small tools of \$145,033 and computer hardware of \$24,658 (note 1c).

5. Bank Debt

	2004	2003
Demand loan (credit facility B); bearing interest at 7.21% per annum until May 31, 2004, after which, bears interest at prime; repayable in blended monthly instalments of \$31,634. On May 31, 2004, the loan was rolled into a floating interest loan at prime rate	\$ 2,209,189	\$ 2,420,594
Demand loan (credit facility C); bearing variable interest at Canadian Bankers' acceptance rates until May 31, 2014, after which bears interest at prime; repayable in quarterly instalments of \$70,833 plus interest	2,833,333	3,116,667
Demand loan (credit facility D); bearing interest at 7.24% per annum until October 21, 2009, after which, bears interest at prime plus 0.25%; repayable in blended monthly instalments of \$11,735; secured by a specific fixed charge on certain equipment	630,131	721,526
	<u>\$ 5,672,653</u>	<u>\$ 6,258,787</u>

The Corporation has an additional credit facility agreement (credit facility A) with the Canadian Imperial Bank of Commerce (the "Bank") to borrow by means of an operating line to a maximum of \$1,000,000. The operating line is due on demand, bears interest at prime and is secured by an assignment of fire insurance. As at May 31, 2004, the balance of the operating line was \$Nil.

Credit facilities B and C are secured by a limited guarantee from the City of Winnipeg of \$7,650,000 and assignment of fire insurance.

At May 30, 2004, interest rates on \$2,833,333 of bank debt under credit facility C were fixed by means of an interest rate swap to August 30, 2004 at an average rate of 2.093%, inclusive of a stamping fee.

Unless demanded under the terms of the agreements above, scheduled principal repayments on bank debt over the next five years are estimated to be as follows:

2005	\$ 609,514
2006	633,857
2007	660,015
2008	688,126
2009	718,335
Thereafter	2,362,806
	<u>\$ 5,672,653</u>

6. Commitments

a) Land lease

The Corporation has entered into three separate land lease agreements with the City of Winnipeg for the stadium and arena expiring December 31, 2017. Lease payments under the terms of the separate agreements are \$1 per annum.

b) Operating leases

The Corporation has entered into various operating leases. The future minimum lease payments under these operating leases over the remaining terms ending in 2005 are \$53,348.

6. Commitments (continued)

c) Food/banquet services agreement

During the year, the Corporation entered into a food/banquet services agreement with a concessionaire to provide food and beverage concessions and catering services. The agreement terminates on the earlier of the date of the first public event held at the MTS Centre, or when the existing Winnipeg Arena ceases to operate; and for Canad Inns Stadium on December 31, 2004. The agreement requires the Corporation to pay certain fees subject to certain terms and conditions.

7. Contingencies

The Corporation is subject to claims that arise in the ordinary course of business. In the opinion of management, the outcome of these matters will not have a material effect on the Corporation's financial position or results of operations.

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED BALANCE SHEET

As at March 31

ASSETS	2004	2003
		(Reclassified)
Current		
Cash and short-term deposits	\$ 143,540	\$ 208,168
Accounts receivable	63,566	80,385
Subsidy due from CMHC (note 3)	14,472	14,472
Subsidy due from MHRC (note 3)	292,815	290,797
Other receivables	126,168	61,144
Operating deficiency recoverable from MHRC (note 4)	148,237	45,369
Marketable securities	152,701	40,000
Advances to City of Winnipeg projects	5,674	3,036
Prepaid expenses	10,652	19,027
Housing inventory (note 5)	1,716,006	1,832,582
Grants receivable (note 6)	537,252	-
	3,211,083	2,594,980
Restricted cash and deposits		
Replacement Reserve Fund (note 7)	2,509,962	2,296,037
Subsidy Surplus Fund, Sargent and Cumberland (note 8)	74,396	76,209
Security deposit fund	126,944	131,485
	2,711,302	2,503,731
Deferred charges (note 9)	-	400,134
Capital assets (notes 2 and 10)	31,150,488	31,740,341
	\$ 37,072,873	\$ 37,239,186

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED BALANCE SHEET

As at March 31

	2004	2003 (Reclassified)
LIABILITIES		
Current		
Short-term loans (note 11)	\$ 136,189	\$ 113,000
Bank overdraft	881,085	845,903
Accounts payable and accrued liabilities	394,092	373,447
Accrued interest payable	247,361	651,856
RRAP payable	-	3,280
Current portion of mortgages payable (note 15)	10,255	-
Current portion of loans payable (note 16)	91,200	87,500
Current portion of long-term debt (note 17)	639,470	586,216
Security deposits	194,462	122,983
Deferred revenue (note 13)	-	85,951
	<u>2,594,114</u>	<u>2,870,136</u>
Tenant deposits on hand	<u>6,986</u>	<u>5,738</u>
Restricted surplus (note 14)	<u>47,503</u>	<u>-</u>
Mortgages payable (note 15)	<u>521,409</u>	<u>-</u>
Loans payable (note 16)	<u>579,067</u>	<u>515,667</u>
Long-term debt (note 17)	<u>31,249,744</u>	<u>31,889,518</u>
Deferred contributions (note 2)	<u>233,977</u>	<u>193,069</u>
Replacement reserves		
Replacement Reserve - CMHC	686,355	622,442
Replacement Reserve - MHRC	1,789,030	1,647,782
Subsidy Reserve - Sargent and Cumberland (note 8)	79,324	80,905
Rental Replacement Reserve (note 2)	23,000	23,000
	<u>2,577,709</u>	<u>2,374,129</u>
CAPITAL DEFICIENCY		
Deficit	<u>(737,636)</u>	<u>(609,071)</u>
	<u><u>\$ 37,072,873</u></u>	<u><u>\$ 37,239,186</u></u>

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED STATEMENT OF OPERATIONS AND DEFICIT

Years ended March 31

	<u>2004</u>	<u>2003</u> (Reclassified)
REVENUE		
Property management fees	\$ 262,646	\$ 268,434
ACT grant	4,424	-
The City of Winnipeg - operating grant	200,499	198,500
Homeownership training initiative grant	53,246	9,635
Interest and other income	28,494	30,088
Rental	<u>6,120,892</u>	<u>6,273,631</u>
	<u>6,670,201</u>	<u>6,780,288</u>
EXPENDITURES		
Advertising	4,856	2,455
Bank charges and other interest	5,612	4,991
Depreciation - office and equipment	16,355	13,916
ACT grant	4,424	-
Insurance	2,418	1,760
Office operations	75,075	72,922
Office salaries and benefits	444,626	331,073
Professional fees	20,184	12,141
Recruiting	445	1,294
Telephone	1,543	1,757
Homeownership training initiative	63,046	9,635
Operational subsidy loss from MHRC portfolio	-	22,140
Terminated project 83 Kate	12,344	-
Rental	<u>6,297,656</u>	<u>6,318,732</u>
	<u>6,948,584</u>	<u>6,792,816</u>
Net deficit before allocation	<u>(278,383)</u>	<u>(12,528)</u>
Allocation to subsidy reserve	<u>149,818</u>	<u>75,553</u>
Net (Deficit) Surplus	<u>(128,565)</u>	<u>63,025</u>
Deficit, beginning of year, as previously stated	(568,718)	-
Prior period adjustment (note 20)	<u>(40,353)</u>	<u>-</u>
Deficit, beginning of year, as restated	<u>(609,071)</u>	<u>(672,096)</u>
Deficit, end of year	<u><u>\$ (737,636)</u></u>	<u><u>\$ (609,071)</u></u>

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended March 31

	2004	2003
OPERATING ACTIVITIES		
Cash flows from operations		
Grant from the City of Winnipeg	\$ 200,810	\$ 310,450
Grants from other sources	72,670	9,635
CMHC subsidy received	173,745	173,665
MHRC subsidy received	3,252,370	3,429,565
Rental revenue received	2,513,471	2,351,255
Other receipts	304,044	580,033
Cash paid for mortgage interest	(3,369,877)	(2,983,945)
Cash allocated to Replacement Reserve - CMHC	(75,174)	(75,174)
Cash allocated to Replacement Reserve - MHRC	(199,599)	(194,200)
Cash allocated to Subsidy Reserve	149,818	75,553
Cash paid to employees and suppliers	(3,092,337)	(3,036,860)
Cash flows (used for) from operations	(70,059)	639,977
FINANCING AND INVESTING ACTIVITIES		
Decrease in long-term debt (including current portion)	(576,265)	(548,560)
Increase in Replacement Reserve - CMHC	63,913	47,428
Increase in Replacement Reserve - MHRC	141,248	145,754
(Decrease) Increase in Subsidy Reserve - Sargent and Cumberland	(1,581)	4,747
Increase in Rental Replacement Reserve	-	23,000
Increase (Decrease) in deferred contributions	40,908	(122,150)
Increase in restricted surplus	47,503	-
Increase in mortgages payable	521,409	-
Increase in tenants deposits on hand	1,248	3,533
Decrease in deferred charges	400,134	-
Purchase of office furniture and computer equipment	(17,609)	(6,376)
Decrease (Increase) in housing inventory	116,576	(795,454)
Increase in grants receivable	(537,252)	-
Increase in marketable securities	(112,701)	-
Increase in loans payable (including current portion)	67,100	464,500
Cash flow from (for) financing and investing activities	154,631	(783,578)
Increase (Decrease) in cash	84,572	(143,601)
Cash, beginning of year	1,752,996	1,896,597
Cash, end of year	\$ 1,837,568	\$ 1,752,996
REPRESENTED BY:		
Cash and short-term deposits	\$ 143,540	\$ 208,168
Bank overdraft	(881,085)	(845,903)
Restricted cash and deposits	2,711,302	2,503,731
Short-term loans	(136,189)	(113,000)
	\$ 1,837,568	\$ 1,752,996

WINNIPEG HOUSING REHABILITATION CORPORATION (Incorporated Without Share Capital)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2004

1. *Description of the Organization*

The Corporation is engaged in providing assisted housing in the Core Area of Winnipeg. The Corporation is mandated by The City of Winnipeg, but receives assistance by way of government sponsorship through Canada Mortgage and Housing Corporation and Manitoba Housing and Renewal Corporation.

The Corporation's activities include a property management head office and the individual properties it manages, as well as a housing rehabilitation program.

The Corporation is not taxable under section 149 of the **Income Tax Act**.

These statements are the combined Winnipeg Housing Rehabilitation Corporation (WHRC) and Winnipeg Partners in Housing (WPH). WHRC controls WPH by virtue of appointing the board of directors. Individual and combined statements are available.

2. *Significant Accounting Policies*

The financial statements of the corporation have been prepared solely for the information and use of CMHC and MHRC to comply with each of their operating agreements. As such the corporation follows certain accounting principles as determined by CMHC and MHRC for administration and funding purposes in recording expenditures. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) **Capital assets**

Capital assets are recorded at cost. For properties acquired from The City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. Government grants received to assist in the development of rental properties are applied against the capital cost of the respective property.

b) **Capitalization policy**

Interest expense, project costs and rental revenue, incurred prior to the determined interest adjustment date, are applied towards the capital cost of the property. Furniture and equipment costing less than \$250 is expensed. Options and feasibility studies are added to the cost of the acquired property or expensed if the property were not acquired. Any forgivable loans received are charged against the capital cost of the property.

c) **Depreciation policy**

Furniture and equipment	- straight-line over 5 years
Office building	- straight-line over 20 years
Rental properties	- an amount equal to the principal reduction of the mortgage, in accordance with the requirements of the organization's funding bodies
General	- a replacement reserve is maintained to provide for future asset replacement

2. Significant Accounting Policies (continued)

d) Replacement Reserve

The Replacement Reserve account is maintained to provide for future asset replacement. The account is established by an annual charge against operations. Interest earned is added and replacement costs are charged directly against the accumulated reserve.

e) Government assistance

Government grants received to assist in the development of rental properties are applied against the capital cost of the respective properties or the housing inventory, whichever be the case.

f) Revenue recognition

The organization follows the deferral method of recognizing revenue, in which contributions for a restricted purpose are deferred until the year in which the corresponding expenses are incurred.

The corporation enters into rent to own agreements with its tenants, in Winnipeg Partners In Housing Inc., except for 288/290 Furby property. The intent is the tenant will purchase the home at an agreed upon price at the end of the lease, a portion of the rent paid goes towards reducing the purchase price. Rent is recognized as revenue when due, including any amount which would be applied to reducing the purchase price. Upon sale of the property the purchase price will be recorded net of rent paid reduction.

g) Restricted funds

MHRC, CMHC, Spence, West Broadway, and William Whyte projects are restricted funds and are reported separately on the statement of operations.

h) Subsidy Reserve Fund

With the Sargent and Cumberland properties, the corporation is allowed to retain \$500 per unit to be used for unforeseen expenses and operating losses. The surplus/deficit between the two properties are netted together into the Subsidy Reserve Fund.

i) Rental Replacement Reserve

The Rental Replacement Reserve consists of annual operating surpluses for the Spence and West Broadway properties, in addition to an allowance of \$1,000 per property at start-up.

j) Housing inventory

Housing inventory is stated at cost. For properties acquired from The City of Winnipeg, cost is defined as the negotiated value plus acquisition cost. No depreciation is being taken on the housing inventory. These buildings are either in the pre-renovation or renovation stages.

3. Subsidy Due from MHRC and CMHC

The CMHC properties are subsidized for mortgage interest on a monthly basis. The MHRC properties are subsidized for mortgage interest and property taxes on a monthly basis. The amounts represent the accrued interest and property taxes for the month of March 2004 and March 2003, for comparative purposes.

4. *Operating Deficiency Recoverable from MHRC*

Pursuant to the current operating agreement with MHRC, and the agreement with CMHC which expired March 31, 1999, on a cumulative basis for each portfolio of properties, any excess funding provided to the Corporation is to be repaid. Where a cumulative deficiency exists for MHRC properties, the shortfall is the responsibility of MHRC subject to MHRC approval of project costs. No subsidy is due from CMHC at March 31, 2004 (2003 - \$NIL).

5. *Housing Inventory*

The Corporation has undertaken projects to acquire and rehabilitate houses in the Spence and West Broadway neighborhoods. The allocation is as follows:

	2004	2003
	\$	\$
186 Salter	989	36,635
204 Furby	80,092	75,659
206 Furby	77,842	82,908
226 Young	-	28,053
230 Young	69,271	67,449
240 Young	71,692	33,794
246 Young	61,499	80,615
250-1 Langside	45,217	99,619
250-2 Langside	45,217	-
254 Furby	4,667	10,876
254 Young	32,888	-
256 Langside	59,168	66,933
258 Langside	76,107	4,961
259 Young	64,542	26,118
263-1 Langside	17,332	1,078
263-2 Langside	17,332	-
265-1 Langside	12,410	2,111
265-2 Langside	22,254	-
271 Furby	41,229	27,363
271-1 Langside	12,646	1,895
271-2 Langside	22,019	-
272 Langside	74,995	94,323
274 Langside	66,124	22,402
278 Langside	67,942	50,520
283 Furby	46,468	38,635
287 Furby	44,463	36,877
288-290 Furby	44,395	42,198
290 Langside	(85,372)	361
296-1 Langside	48,213	109,631
296-2 Langside	45,596	-
297 Furby	13,359	6,013
330 Magnus	19,647	-
366 Langside	34,138	25,357
368 Langside	-	(7,104)
370 Langside	-	1,024
377 Langside	-	(6,812)
415-1 Sherbrook	55,088	95,723
415-2 Sherbrook	50,962	-
417 Sherbrook	24,303	8,442
419 Sherbrook	(24,325)	-

5. *Housing Inventory (continued)*

	2004	2003
441 Furby	-	34,383
452 Langside	(9,276)	-
459 Sherbrook	(13,375)	-
493-1 Langside	48,145	86,374
493-2 Langside	44,355	-
497 Langside	53,767	47,319
511 Young	-	4,189
513 Langside	68,199	85,755
517 Langside	-	55,955
541 Langside	61,601	74,260
558 Langside	7,000	57,232
564-1 Langside	51,108	122,470
564-2 Langside	61,317	-
566 Langside	68,325	76,678
578 Langside	65,220	68,693
592-1 Langside	53,552	104,350
592-2 Langside	49,618	-
614 Langside	-	15,834
663 Furby	(27,179)	10,360
86 Spence	47,352	-
Less intercompany transactions	(274,132)	(174,927)
	<u>\$ 1,716,006</u>	<u>\$ 1,832,582</u>

6. *Grants Receivable*

The organization has the following grants that are receivable from the Province of Manitoba and The City of Winnipeg:

		2004	2003
Spence I			
RRAP Province	366 Langside	\$ 18,000	\$ -
WHHI Province	614 Langside	10,000	-
WHHI City	614 Langside	10,000	-
AHI	663 Furby	22,413	-
WHHI Province	663 Furby	10,000	-
WHHI City	663 Furby	8,400	-
		<u>78,813</u>	<u>-</u>
Spence II			
AHI	419 Sherbrook	22,413	-
WHHI Province	419 Sherbrook	10,000	-
WHHI City	419 Sherbrook	8,400	-
AHI	452 Langside	22,413	-
WHHI Province	452 Langside	10,000	-
WHHI City	452 Langside	8,400	-
AHI	459 Sherbrook	22,413	-
WHHI Province	459 Sherbrook	10,000	-
WHHI City	459 Sherbrook	8,400	-
		<u>122,439</u>	<u>-</u>
		<u>201,252</u>	<u>-</u>

6. *Grants Receivable (continued)*

		2004	2003
West Broadway			
WHHI City	86 Spence	10,000	-
RRAP	254 Young	18,000	-
RRAP	274 Langside	18,000	-
RRAP	296 Langside	198,000	-
		<u>244,000</u>	<u>-</u>
William Whyte			
WHHI City	186 Salter	20,000	-
RRAP	186 Salter	72,000	-
		<u>92,000</u>	<u>-</u>
		<u>\$ 537,252</u>	<u>\$ -</u>

7. *Replacement Reserve Fund CMHC/MHRC*

Under the terms of the agreement with CMHC/MHRC the Replacement Reserve account has been credited in the amount of \$151,260 (2003 - \$151,150). These funds along with accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/MHRC from time to time. The funds in the account may only be used as approved by CMHC/MHRC. Withdrawals are credited to interest first and then principal. At year end, the funds in the reserve consisted of the following:

	2004	2003
Cash	\$ 2,772	\$ 11,485
Term deposits (3.75% - 8.63%)	262,601	257,375
Canadian treasury bills mutual funds	2,226,045	2,024,812
Mutual funds	18,544	2,365
	<u>\$ 2,509,962</u>	<u>\$ 2,296,037</u>

At March 31, 2004, the CMHC Replacement Reserve was over-funded by \$716 (2003 - \$9,009) and the MHRC Replacement Reserve was over-funded by \$16,913 (2003 - \$181).

8. *Subsidy Surplus Fund*

The Corporation has established a Subsidy Surplus Reserve Fund for the Sargent and Cumberland properties in accordance with the **National Housing Act** and an agreement with the Canada Mortgage and Housing Corporation (CMHC). Under the terms of the agreement with CMHC, excess federal assistance payments may be retained in a Subsidy Surplus Reserve up to a maximum of \$500 per unit plus interest. The reserve is to be comprised of monies deposited in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be used to meet future subsidy requirements of income-tested occupants over and above the maximum federal assistance. Withdrawals are credited to interest first and then principal. When the project has attained the maximum of \$500 per unit, up to 10% excess assistance during a year may be transferred to other projects owned by the borrower requiring additional assistance if they are within the same municipality or area and are assisted under the same program.

9. *Deferred Charges*

Deferred charges consist of accrued interest charges on loans payable for the 435 Sargent and 461 Cumberland properties. On April 1, 1994, the Corporation signed agreements with CMHC and MHRC, which provide additional support with respect to the 435 Sargent and 461 Cumberland properties. These agreements provide:

- (a) second mortgage financing to fund payment of the March 31, 1994 mortgage principal, interest and property tax arrears; and
- (b) enhanced mortgage repayment assistance and additional rent subsidies, the amounts of which have been set with the objective of having these properties operate profitably in the future.

The second mortgage loans provide for interest to accrue at 7.25% per annum, due March 31, 1999. CMHC has agreed to review the projects ability to repay the accrued interest at the maturity date. All CMHC properties were transferred to MHRC sponsorship on October 1, 1998. MHRC has subsequently forgiven the interest under the second mortgage provided that WHRC has met all its obligations under the agreements. The second mortgages will be extended to coincide with the expiry dates of the respective operating agreements, with no interest accruing in the interim. Accordingly, the deferred charges and the related accrued interest liability have been written off during the year.

10. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>2004 Net Book Value</u>	<u>2003 Net Book Value</u>
Rental properties	\$ 36,469,648	\$ 5,383,044	\$ 31,086,604	\$ 31,673,125
Office building	44,614	22,306	22,308	24,539
Furniture and equipment	219,837	178,261	41,576	42,677
	<u>\$ 36,734,099</u>	<u>\$ 5,583,611</u>	<u>\$ 31,150,488</u>	<u>\$ 31,740,341</u>

Included in the cost of the rental properties is \$1,541,741 of interest charges (2003 - \$1,541,741).

11. *Short-Term Loans*

Cham Holdings Inc.

<u>Property</u>	<u>2004</u>	<u>2003</u>
283 Furby St, interest is accrued at 7.5%	\$ 36,022	\$ 34,100
287 Furby St, interest after June 30, 2003 will be accrued at prime plus 7.5%	34,808	32,900
226 Young St	-	25,500
Inner city Migrancy - Community Builder account, the amount in this account is repayable on demand, interest is paid at 3%	43,361	-
271 Furby St, interest after April 15, 2003 will be accrued at 7.5%	21,998	20,500
	<u>\$ 136,189</u>	<u>\$ 113,000</u>

12. Bank Indebtedness

WHRC has a demand line of credit with the Assiniboine Credit Union for the West Broadway properties and is secured by a general security agreement on the West Broadway properties. The total amount of the line of credit is \$850,000, of which \$486,377 is still available at March 31, 2004.

WHRC has a demand line of credit with the Assiniboine Credit Union for the Spence Projects and is secured by a general security agreement on the Spence Projects properties. The total amount of the line of credit is \$700,000, of which \$306,891 is still available at March 31, 2004.

WHRC has a demand line of credit with the Assiniboine Credit Union for the Spence Infill Housing/Phase II and is unsecured. The total amount of the line of credit is \$250,000, of which \$250,000 is still available at March 31, 2004. Subsequent to year end, the line is secured by a general security agreement on the Spence Infill Housing Phase II properties.

WHRC has a demand line of credit with the Assiniboine Credit Union for the Land Assembly and is secured by the assignment of a Credit Union deposit for \$150,000. The total amount of the line of credit is \$300,000, of which \$57,552 is still available at March 31, 2004.

13. Deferred Revenue

	2004	2003
City of Winnipeg grant	\$ -	\$ 83,337
Homeownership training initiative grant	-	2,614
	<u>\$ -</u>	<u>\$ 85,951</u>

14. Restricted Surplus

Restricted Surplus is used to keep track of the gains and losses on the sale of the properties that were in construction. The net gains must ultimately be used in the specific communities where the gains have occurred.

	2004	2003
Spence I		
377 Langside	\$ 1,976	\$ -
370 Langside	10,598	-
614 Langside	4,155	-
511 Young	17,594	-
368 Langside	16,584	-
451 Young	44,773	-
562 Langside	1,925	-
665 Langside	1,790	-
524 Langside	(686)	-
495 Langside	2,099	-
371 Maryland	(5,767)	-
441 Furby	(16,826)	-
572 Langside	(389)	-
	<u>77,826</u>	<u>-</u>
Spence II		
493 Langside	12,785	-
497 Langside	8,135	-
513 Langside	(13,263)	-
541 Langside	(10,375)	-
564 Langside	(4,322)	-
566 Langside	(6,003)	-
578 Langside	(672)	-
592 Langside	5,140	-
415 Sherbrook	(2,001)	-
558 Langside	(2,604)	-
517 Langside	4,351	-
	<u>(8,829)</u>	<u>-</u>
	<u>68,997</u>	<u>-</u>
West Broadway		
204 Furby	7,603	-
206 Furby	(1,898)	-
230 Young	3,640	-
240 Young	4,168	-
246 Young	(15,135)	-
250 Langside	(3,261)	-
256 Langside	(5,373)	-
263 Langside	5,212	-
265 Langside	11,900	-
271 Langside	8,913	-
272 Langside	(16,609)	-
278 Langside	(4,005)	-
288/290 Furby	4,850	-
296 Langside	(10,049)	-
259 Young	(11,279)	-
226 Young	(171)	-
	<u>(21,494)</u>	<u>-</u>
	<u>\$ 47,503</u>	<u>\$ -</u>

15. Mortgages Payable

WPH has a first Commercial Mortgage with the Assiniboine Credit Union, in the amount of \$500,000. The maximum to be advanced is 75% of the appraised value of the specific residential housing properties. The mortgage is to be repaid over 5 years at a rate of 6.45%. The mortgage is secured by a general assignment of rents and leases over each property that is registered as a first charge in the Personal Property Registry and Winnipeg Land Titles Office.

WPH has a second First Commercial Mortgage with the Assiniboine Credit Union, in the amount of \$150,000. The maximum to be advanced is 75% of the appraised value of the specific residential housing properties. The mortgage is secured by a registered general assignment of rents and leases over each property to be registered as a first charge in the Personal Property Registry and Winnipeg Land Titles Office. The mortgage is to be repaid over 5 years at the following rates:

Year 1	4.90 %
Year 2	5.60 %
Year 3	6.00 %
Year 4	6.20 %
Year 5	6.45 %
Demand	variable

WPH has a third First Commercial Mortgage with the Assiniboine Credit Union, in the amount of \$550,000, which has yet to be released. The maximum to be advanced is 75% of the appraised value of the specific residential housing properties. All mortgages advanced are to be CMHC Insured. The mortgage is to be repaid over 5 years at a rate of 6.45%. The mortgage is secured by a registered general assignment of rents and leases over each property to be registered as a first charge in the Personal Property Registry and Winnipeg Land Titles Office.

The following properties have been liened under the first and second Assiniboine Credit Union Commercial Mortgages:

	2004	2003
230 Young	\$ 48,004	\$ -
246 Young	40,932	-
256 Langside	38,701	-
263 Langside	34,664	-
265 Langside	34,664	-
271 Langside	34,664	-
272 Langside	54,328	-
288/290 Furby	44,395	-
497 Langside	29,767	-
513 Langside	45,399	-
541 Langside	38,701	-
566 Langside	45,025	-
578 Langside	42,420	-
	<u>531,664</u>	-
Less current portion	<u>10,255</u>	-
	<u>\$ 521,409</u>	<u>\$ -</u>

15. Mortgages Payable (continued)

Principal repayments terms are approximately:

2005	\$	10,255
2006		10,898
2007		11,589
2008		12,322
2009		13,103
Thereafter		473,497
	\$	<u>531,664</u>

16. Loans Payable

	2004	2003
Neighborhood housing assistance (NHA)	\$ 244,667	\$ 241,667
Residential rehabilitation assistance program (RRAP)		
Forgivable loans bearing interest at 8.25%. The loans will be forgiven on July 1, 2017.	126,400	136,000
Forgivable loans bearing interest at 8.45%. The loans will be forgiven on January 31, 2018.	16,600	17,800
Forgivable loans bearing interest at 6.88%. The loans will be forgiven on August 1, 2017.	63,600	68,400
Forgivable loans bearing interest at 8.13%. The loans will be forgiven on August 1, 2017.	16,000	17,200
Forgivable loans bearing interest at 8.15%. The loans will be forgiven on September 1, 2017.	32,000	34,400
Forgivable loans bearing interest at 8.13%. The loans will be forgiven on June 1, 2018.	17,000	18,000
Forgivable loans bearing interest at 8.63%. The loans will be forgiven on December 31, 2017.	32,800	35,200
Forgivable loans bearing interest at 8.75%. The loans will be forgiven on November 30, 2017.	16,300	17,500
Forgivable loans bearing interest at 6.88%. The loans will be forgiven on July 1, 2017.	15,800	17,000
Forgivable loans bearing interest at 8.125%. The loans will be forgiven on March 1, 2019.	71,600	-
Forgivable loans bearing interest at 8.125%. The loans will be forgiven on November 1, 2018.	17,500	-
	<u>670,267</u>	<u>603,167</u>
Less, current portion	<u>91,200</u>	<u>87,500</u>
	<u>\$ 579,067</u>	<u>\$ 515,667</u>

16. Loans Payable (continued)

RRAP

WHRC has entered into various forgivable loans with Manitoba Family Services and Housing under the Residential Rehabilitation Assistance Program. These loans are forgivable over a fifteen year period on a pro-rated, monthly basis beginning the first day of the month following final disbursement of funds. In the event a housing unit is sold and meets the following conditions:

- the property is sold at or below fair market value
- the property is sold to an income qualified purchaser
- the property is held for 5 years under the RRAP agreement and
- the purchaser of the property must agree to provide MHRC with acceptable loan security.

MHRC agrees to release the WHRC from their loan obligation.

These loans will be forgiven as follows:

2005	\$	31,200
2006		31,200
2007		31,200
2008		31,200
2009		31,200
2010 and beyond		269,600

NHA

WHRC has entered into various forgivable loans with Manitoba Family Services and Housing under the Neighbourhood Housing Assistance. These loans are forgivable over a fifteen year period on a pro-rated, monthly basis commencing from the date of execution of the agreement. In the event a housing unit is sold or otherwise transferred before the entire loan is forgiven, any unforgiven portion shall become payable to MHRC.

The loans will be forgiven as follows:

2005	\$	62,000
2006		62,000
2007		38,667
2008		14,000

17. Long-Term Debt

Winnipeg Housing Rehabilitation Corporation finances the purchase of properties by way of first mortgage loans as follows:

Lender	Interest Rate	Maturity Dates	2004	2003
Royal Bank of Canada	5.60% - 5.75%	2004	\$ 52,328	\$ 59,060
Canada Mortgage and Housing Corp.	5.30% - 7.22%	2001 - 2005	5,794,407	5,971,063
Manitoba Housing and Renewal Corp.	6.625% - 12.00%	2001 - 2005	26,042,479	26,445,611
			31,889,214	32,475,734
Less, current portion			639,470	586,216
			<u>\$ 31,249,744</u>	<u>\$ 31,889,518</u>

17. Long-Term Debt (continued)

All mortgages are secured by a charge registered against the properties.

Several of the mortgages are due in the next fiscal period. These mortgages have not been shown as current as they are expected to be refinanced on similar terms when they come due.

Principal repayments due within the next five years are as follows:

2005	\$	639,470
2006		697,944
2007		748,347
2008		805,027
2009		879,645

18. CMHC - Subsidy

The Corporation received Federal assistance through CMHC to reduce mortgage interest from market rates to 2% in order to provide housing to low income individuals. The amount of assistance received during the year was as follows:

	2004	2003
Mortgage subsidy assistance	\$ 173,745	\$ 173,665

19. Manitoba Housing Rent Supplement

Two projects, 435 Sargent and 461 Cumberland receive monthly rent supplements from Manitoba Housing. These amounts are applied to the rent income charged to each tenant. During the current fiscal year, Winnipeg Housing Rehabilitation Corporation received \$53,661 for 435 Sargent and \$85,411 for 461 Cumberland.

20. Prior Period Adjustment

During the year, in WHRC, it was discovered that part of the operational subsidy loss due from MHRC would not be recoverable. This amount was for the recoveries of expenses incurred in 2003. The correction was accounted for retroactively with a restatement of the prior period. This correction decreased the operational subsidy due from MHRC in the amount of \$33,126 and increased the operational subsidy loss by \$33,126.

During the year, in WPH, it was discovered that there was no accrual in 2003 for property taxes, in the amount of \$7,227, for the first three months of the year. The correction was accounted for retroactively with a restatement of the prior period. This correction increased accounts payable by \$7,227 and increased property taxes of the individual properties by \$7,227 in total.

21. Comparative Figures

Comparative figures have been reclassified to conform with current year's presentation. The comparative figures have also been restated due to a prior period adjustment.

The 2003 figures did not have an accrual for gas of \$74,109 and electrical for \$52,910, for a total of \$127,019. Therefore, the expenses for 2003 are understated by \$127,019. The adjustment for these figures was done in 2004 and therefore, the 2004 numbers are overstated by \$127,019.

22. Rental Purchase Agreement

Rental income is being recorded at gross rent value during the year. If the tenant purchases the property after the five year period, a portion of the rental payments will be applied towards the purchase price. The resulting reduction of surplus is the amount equal to the principal reduction of the mortgage payments, had the tenant purchased these homes upon the commencement of the rental contracts.

If all tenants purchase the properties, the total amount of the mortgage that would reduce the surplus at the end of the 5 year period is \$487,269. As at March 31, 2004, the amount of surplus that could be applied to the purchase price if all tenants purchase the properties amounts to \$9,344.

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

**CONSOLIDATED SCHEDULE OF
ACCUMULATED REPLACEMENT RESERVES - CMHC**

Year ended March 31, 2004

Property	Accumulated Replacement Reserve - CMHC					Funded*
	Balance 2003	Allocation	Interest	Expenditure	Balance 2004	
134 Chestnut	\$ 7,701	\$ 935	\$ 58	\$ 2,081	\$ 6,613	\$ 6,468
853 Sherbrook	(1,701)	5,570	466	6,928	(2,593)	(2,536)
435 Sargent	205,975	23,406	3,632	4,090	228,923	229,364
401 Burrows	1,980	1,975	97	2,691	1,361	1,331
461 Cumberland	388,743	41,040	8,475	6,296	431,962	432,795
360 McKenzie	19,744	2,248	136	2,039	20,089	19,649
	<u>\$ 622,442</u>	<u>\$ 75,174</u>	<u>\$ 12,864</u>	<u>\$ 24,125</u>	<u>\$ 686,355</u>	<u>\$ 687,071</u>

* The CMHC Replacement Reserve is over-funded by \$716. (Funding includes accrued interest).

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

**CONSOLIDATED SCHEDULE OF
ACCUMULATED REPLACEMENT RESERVES - MHRC**

Year ended March 31, 2004

Property	Accumulated Replacement Reserve - MHRC					Funded*
	Balance 2003	Allocation	Interest	Expenditure	Balance 2004	
650 Alexander	\$ 4,143	\$ 450	\$ 94	\$ 11,955	\$ (7,268)	\$ (7,337)
730 Alexander	23,617	2,700	562	-	26,879	27,133
622/624 Elgin	7,719	900	189	-	8,808	8,891
635 Pacific	(4,798)	450	94	-	(4,254)	(4,294)
640 Selkirk	28,758	2,700	562	966	31,054	31,348
970 Sherbrook	159,690	17,100	3,562	16,424	163,928	165,478
351 Victor	60,752	8,550	1,781	897	70,186	70,850
347 Manitoba	77,547	8,100	1,687	4,983	82,351	83,130
425 Henry	112,147	11,700	2,438	2,476	123,809	124,979
86 Young	57,526	5,400	1,124	2,158	61,892	62,477
271/275 Young	30,726	6,750	1,403	1,563	37,316	37,669
444 Logan-Penrose	32,191	2,800	468	1,588	33,871	34,191
275 Colony	74,414	8,100	1,687	217	83,984	84,778
484 Toronto	28,420	5,400	1,124	5,803	29,141	29,417
531 Furby	72,537	9,000	1,875	756	82,656	83,437
260 Toronto	60,655	8,100	1,687	8,573	61,869	62,454
200 Charles	31,849	4,500	936	1,126	36,159	36,501
567 William	32,361	2,700	562	356	35,267	35,600
588 Manitoba	48,551	5,400	1,124	349	54,726	55,243
661 Sara	97,789	9,450	1,966	4,433	104,772	105,762
576 McDermot	122,547	17,100	3,562	5,203	138,006	139,311
407 Langside	54,399	8,100	1,687	5,951	58,235	58,785
60 Frances	142,768	19,500	3,652	2,539	163,381	164,926
405 Burrows	28,780	6,300	1,313	-	36,393	36,737
50 Roslyn	156,862	16,200	3,373	17,836	158,599	160,098
324 Stradbrook	105,832	12,149	2,524	3,235	117,270	118,379
	<u>\$ 1,647,782</u>	<u>\$ 199,599</u>	<u>\$ 41,036</u>	<u>\$ 99,387</u>	<u>\$ 1,789,030</u>	<u>\$ 1,805,943</u>

* The MHRC Replacement Reserve is over-funded by \$16,913. (Funding includes accrued interest).

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

CONSOLIDATED SCHEDULE OF ACCUMULATED DEPRECIATION

Year ended March 31, 2004

Property	Accumulated Depreciation 2003	Disposals	Depreciation	Accumulated Depreciation 2004
134 Chestnut	\$ 62,486	\$ -	\$ 1,483	\$ 63,969
853 Sherbrook	231,210	-	14,585	245,795
435 Sargent	592,132	-	54,006	646,138
401 Burrows	27,904	-	4,215	32,119
461 Cumberland	1,085,729	-	93,864	1,179,593
360 McKenzie	82,537	-	8,503	91,040
WHRC funded	52,831	-	6,733	59,564
622/624 Elgin	58,792	-	7,744	66,536
635 Pacific	35,882	-	4,758	40,640
650 Alexander	44,815	-	5,897	50,712
640 Selkirk	57,027	-	7,125	64,152
730 Alexander	79,648	-	9,484	89,132
970 Sherbrook	300,417	-	39,033	339,450
347 Manitoba	112,431	-	16,228	128,659
351 Victor	128,513	-	18,264	146,777
425 Henry	137,406	-	20,177	157,583
444 Logan-Penrose	35,098	-	5,113	40,211
484 Toronto	41,953	-	6,583	48,536
86 Young	55,907	-	8,208	64,115
271/275 Young	70,657	-	10,283	80,940
275 Colony	85,506	-	12,286	97,792
260 Toronto	97,413	-	13,824	111,237
200 Charles	35,155	-	6,037	41,192
567 William	41,849	-	5,209	47,058
588 Manitoba	60,606	-	8,288	68,894
661 Sara	118,890	-	15,966	134,856
576 McDermot	265,335	-	36,994	302,329
531 Furby	86,367	-	12,693	99,060
407 Langside	106,903	-	16,222	123,125
60 Frances	161,103	-	27,495	188,598
405 Burrows	45,036	-	7,285	52,321
50 Roslyn	333,070	-	67,735	400,805
324 Stradbroke	65,915	-	14,201	80,116
Total depreciation - properties			586,521	
Office renovation	20,075	-	2,231	22,306
Furniture and equipment	164,137	-	14,124	178,261
	<u>\$ 4,980,735</u>	<u>\$ -</u>	<u>\$ 602,876</u>	<u>\$ 5,583,611</u>

CENTREVENTURE DEVELOPMENT CORPORATION

The 2004 calendar year was very busy, exciting and we believe, successful. Property sales exceeded any previous year, over one-half million dollars was loaned to private-sector developers and an additional eleven properties have been conditionally sold, changing hands in 2005.

2004 Gross Property Sales - \$721,001

289 Garry St. - This boarded up building was sold to a private developer for \$30,000. A new Canadian is investing approximately \$500,000 to convert the building into a commercial and residential development.

313/329 Donald St. - The former Capital Theatre and an adjacent property were demolished. The consolidated land was sold for \$551,000 to a private developer. Construction is underway for the \$13 million new headquarters of Credit Union Central Manitoba and Celero Solutions.

170/174 Fort St. - Two vacant lots were sold for \$140,000 to secure parking for the new \$2 million spa opening this year at the historic Fort Garry Hotel. An accompanying land swap has allowed the neighbouring Pyramid Cabaret to construct an outdoor patio and secures future building expansion capability.

404 Qu' Appelle Ave. - CentreVenture, working with the City's Real Estate Department catalyzed a City tax sale acquisition of this derelict property. The apartment building is currently undergoing a \$1.5 million reconstruction which will provide 28 affordable rental housing units for newly arrived immigrants.

2004 Conditional Gross Property Sales - \$1,220,000

Waterfront Drive - In Spring 2004, CentreVenture issued an RFP for eight parcels of City owned surplus land on Waterfront Drive. In August 2004, Waterfront Drive was officially opened and private developers announced four exciting, residential/commercial developments, which will bring a total of 194 residential units and 36,000 sq. ft. of commercial space to the area. The total revenue from these property sales is approximately \$1.13 million and the private investment is estimated to be \$48.5 million. Construction is slated to start on three of the developments in the spring of 2005.

Corner of Disraeli & Lily - Three parcels of City-owned, surplus land have been conditionally sold to Entegra Credit Union for a purchase price of \$90,000. Entegra Credit Union will spend \$2.0 million to construct a downtown retail and commercial branch.

2004 Mortgage/Construction Financing - \$662,661

In 2004, CentreVenture provided mortgage and/or construction financing for four private developers totalling \$662,661. Three of the projects involve the redevelopment of previously boarded up buildings in the downtown. In all three cases, conventional lenders were not willing to finance at a critical early juncture in the redevelopment. CentreVenture is working closely with a number of property owners/developers who are planning to redevelop other derelict buildings and in two cases, brand new multi-family residential projects.

2004 Grants - Total Grants Provided of \$128,303

In 2004, CentreVenture provided grants which assisted private developers to acquire land for affordable housing development, conduct feasibility studies for reuse of derelict buildings or to assist with development costs.

CentreVenture continues to be a leader in downtown advocacy and participates in numerous undertakings with the City of Winnipeg, other stakeholder groups and private enterprise.

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash and bank	\$ 1,184,636	\$ 969,942
Short-term investments	3,657,592	3,587,926
Accounts receivable	6,440	325,428
Prepaid expenses	7,367	19,387
Property held for resale (Note 2)	1,049,069	382,351
Current portion of long-term investments (Note 3)	3,000,000	-
Current portion of mortgages receivable (Note 4)	59,019	21,482
Current portion of loans receivable (Note 5)	162,806	93,965
	<u>9,126,929</u>	<u>5,400,481</u>
Long-term investments (Note 3)	-	3,000,000
Mortgages receivable (Note 4)	728,286	347,923
Loans receivable (Note 5)	577,026	890,263
Capital assets (Note 6)	1,312,769	1,376,425
	<u>\$ 11,745,010</u>	<u>\$ 11,015,092</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 15,668	\$ 14,909
Deferred grant revenue (Note 7)	546,773	402,173
	<u>562,441</u>	<u>417,082</u>
Commitments and contingencies (Note 8)		
NET ASSETS		
Invested in capital assets	1,312,769	1,376,426
General	1,047,638	766,050
Urban Development Bank	8,822,162	8,455,534
	<u>11,182,569</u>	<u>10,598,010</u>
	<u>\$ 11,745,010</u>	<u>\$ 11,015,092</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	Invested in Capital Assets	General	Urban Development Bank - Regular Operations	2004	2003
Balance, beginning of year	\$ 1,376,426	\$ 766,050	\$ 8,455,534	\$ 10,598,010	\$ 6,931,242
Excess of revenue over expenditures for the year	-	281,588	366,628	648,216	3,726,446
Capital expenditures during the year	3,490	-	-	3,490	118,656
Amortization of capital assets	(67,147)	-	-	(67,147)	(67,139)
Writedown of building (Note 6)	-	-	-	-	(111,195)
Balance, end of year	<u>\$ 1,312,769</u>	<u>\$ 1,047,638</u>	<u>\$ 8,822,162</u>	<u>\$ 11,182,569</u>	<u>\$ 10,598,010</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS - GENERAL

For the years ended December 31

	<u>2004</u>	<u>2003</u>
REVENUE		
Rental	\$ 154,753	\$ 154,661
City of Winnipeg - grant	250,000	250,000
Interest	403,903	422,146
	<u>808,656</u>	<u>826,807</u>
EXPENDITURES		
Administration	311,279	213,349
Professional fees	122,223	40,950
Office	55,061	57,881
Property rental costs	25,304	-
Insurance	8,633	7,727
Capital costs	3,490	7,461
Bank charges and interest	1,078	168
	<u>527,068</u>	<u>327,536</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u><u>\$ 281,588</u></u>	<u><u>\$ 499,271</u></u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS - URBAN DEVELOPMENT BANK

For the years ended December 31

	2004			2003
	Special Urban Development	Projects	Total	Total
REVENUE				
Sale of properties	\$ 678,000	\$ -	\$ 678,000	\$ 19,000
Grants				
City of Winnipeg	-	290,000	290,000	3,918,476
Province of Manitoba	-	-	-	250,000
Application fees	1,950	-	1,950	-
City of Winnipeg	-	-	-	18,083
Other	8,901	-	8,901	-
	<u>688,851</u>	<u>290,000</u>	<u>978,851</u>	<u>4,205,559</u>
Deferred revenue, beginning of year	-	402,173	402,173	352,175
Deferred revenue, end of year	<u>-</u>	<u>(546,773)</u>	<u>(546,773)</u>	<u>(402,173)</u>
	<u>688,851</u>	<u>145,400</u>	<u>834,251</u>	<u>4,155,561</u>
EXPENDITURES				
Cost of properties	190,857	-	190,857	10,826
Special project costs	-	145,400	145,400	368,478
Project development	60,486	-	60,486	94,372
Professional fees	20,880	-	20,880	193,514
Provision for loan losses	50,000	-	50,000	150,000
Capital costs	-	-	-	111,196
	<u>322,223</u>	<u>145,400</u>	<u>467,623</u>	<u>928,386</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u>\$ 366,628</u>	<u>\$ -</u>	<u>\$ 366,628</u>	<u>\$ 3,227,175</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

For the years ended December 31

	<u>2004</u>	<u>2003</u>
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Excess of revenue over expenditures for year	<u>\$ 648,216</u>	<u>\$ 3,726,446</u>
Changes in non-cash working capital balances		
Short-term investments	(69,666)	(3,587,926)
Accounts receivable	318,988	18,129
Prepaid expenses	12,020	(2,011)
Property held for resale	(666,718)	(32,351)
Accounts payable and accrued liabilities	758	(6,400)
Deferred grant revenue	144,600	49,998
	<u>(260,018)</u>	<u>(3,560,561)</u>
	<u>388,198</u>	<u>165,885</u>
<i>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES</i>		
Purchase of capital assets	(3,490)	(117,516)
Advances (net of repayments) of mortgages receivable	(417,900)	139,375
Advances of loans receivable	244,396	28,226
Capital contributions received	3,490	117,516
	<u>(173,504)</u>	<u>167,601</u>
Increase in cash and cash equivalents during the year	214,694	333,486
Cash and cash equivalents, beginning of year	<u>969,942</u>	<u>636,456</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,184,636</u></u>	<u><u>\$ 969,942</u></u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As at December 31, 2004

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results may differ from those estimates. The significant accounting policies used in these financial statements are as follows:

Basis of financial presentation

The corporation records its financial transactions on the deferred fund accounting basis as follows:

General

General includes transactions related to general operations and administration of the corporation.

Urban Development Bank

The Urban Development Bank represents funds intended to enable CentreVenture Development Corporation to facilitate economic development initiatives with private and non-profit sectors and provide creative financing options to encourage downtown investment.

The Urban Development Bank funds, as defined by Board policy, shall not be used to fund the day-to-day operations of the corporation. The Urban Development Bank is funded by various levels of government and other funding organizations.

Revenue recognition

The corporation follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenditures are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Interest income and rental revenue is recognized on an accrual basis consistent with the terms of the related mortgages and agreements. Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser.

Mortgages and loans receivable

Mortgages and loans are carried at the unpaid principal plus accrued interest, less allowances for doubtful loans. Amounts considered uncollectible are written-off. Recoveries on mortgages and loans previously written-off are taken into income.

Allowance for doubtful loans

The allowance for doubtful loans is maintained at a level considered adequate to absorb credit losses existing in the corporation's portfolio. The allowance is evaluated on an ongoing basis and increased as deemed necessary, which is charged against income, and is reduced by write-offs.

Financial instruments

The corporation's financial instruments consist of cash, accounts receivable, short-term and long-term investments, mortgages and loans receivable and accounts payable. Unless otherwise noted, it is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

The fair values of these financial instruments approximate their carrying values, unless otherwise noted.

Property held for resale

Property held for resale is recorded at the lower of cost or net realizable value.

Capital assets

Purchased capital assets are recorded at cost. Amortization is provided for on a straight-line basis in accordance with the following terms:

Buildings	25 years
Computer equipment	3 years
Furniture and fixtures	5 years

The acquisition costs of capital assets which are funded from capital financing sources are charged to operations and matched with the applicable revenue sources in the year of expenditure. These expenditures are recorded as an addition to assets with a corresponding increase in Invested in Capital Assets.

Short and long-term investments

Short and long-term investments are recorded at cost, which approximates market value unless otherwise noted.

Special projects (restricted funding arrangements)

In addition to regular operating revenues, CentreVenture Development Corporation receives grants from time to time for specific programs or initiatives to be administered by the corporation which are accounted for through the Urban Development Bank. The following special funding arrangements were ongoing during the year:

Province of Manitoba:

North Main Economic Development Program Grant

The purpose of this grant is to attract business investment to the North Main area of downtown Winnipeg.

Economic Development Winnipeg:

Waterfront Drive Project Grant

The purpose of this grant is to support the development of a marketing and economic development strategy for the Waterfront Drive project.

City of Winnipeg:

Downtown Housing Strategy

The purpose of this grant is to encourage unique and innovative approaches that support downtown housing developments and result in quality, affordable housing by providing financial assistance to proponents.

City of Winnipeg:

Waterpark Study

The purpose of this grant is to support the study of the viability of a waterpark for downtown Winnipeg.

City of Winnipeg:

Hammerquist 2003

The purpose of this grant is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

City of Winnipeg:

329 Donald Street

The purpose of this grant is to fund costs incurred in respect of demolition and site preparation for 329 Donald Street.

City of Winnipeg:

Hammerquist 2004

The purpose of this grant is to fund innovative measures to attract new investment, occupants and uses for heritage buildings, as well as to conserve the heritage character, architectural elements and detailing of designated buildings.

Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

1. *Nature and Purpose of the Corporation*

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws of the Province of Manitoba on July 9, 1999. The goal of the corporation is to promote and foster economic, residential and cultural growth and development in the downtown district of the City of Winnipeg.

2. *Property Held for Resale*

Under the asset agreement between CentreVenture Development Corporation and The City of Winnipeg, the corporation has the option to acquire an interest in surplus City-owned properties and buildings within the downtown area for the consideration of one dollar. Any properties obtained under this option are recorded at the consideration price.

Property held for resale also includes properties acquired at fair market value from third parties for the purpose of development and/or resale. Material costs associated with the acquisition, development and resale of these properties are capitalized at cost.

3. *Long-Term Investments*

	2004	2003
National Bank term deposit, 6.6% interest paid monthly, matures July 2005	\$ 3,000,000	\$ 3,000,000
Current portion of long-term investments	3,000,000	-
	\$ -	\$ 3,000,000

4. *Mortgages Receivable*

	2004	2003
Mortgages receivable on various properties in downtown Winnipeg with interest rates ranging from 5.25% to 8.5%, terms ranging from demand to maturity of 5 years, monthly instalments applied to interest first, compounded semi-annually not in advance, and secured by recourse to the related underlying property	\$ 808,826	\$ 437,921
Accrued interest receivable	3,479	6,484
Allowance for doubtful loans	(25,000)	(75,000)
	787,305	369,405
Current portion of mortgages receivable	(59,019)	(21,482)
	\$ 728,286	\$ 347,923

5. *Loans Receivable*

	2004	2003
Loans receivable from various borrowers with interest rates ranging from 4.75% to 9%, maximum term to maturity of 10 years, payable in monthly interest instalments plus annual principal payment, and secured by an assignment of heritage tax credits or promissory notes	\$ 861,274	\$ 1,036,678
Accrued interest receivable	3,558	22,550
Allowance for doubtful loans	(125,000)	(75,000)
	739,832	984,228
Current portion of loans receivable	(162,806)	(93,965)
	<u>\$ 577,026</u>	<u>\$ 890,263</u>

6. *Capital Assets*

	2004		2003
	Cost	Accumulated Amortization	Net Book Value
Buildings	\$ 1,485,000	\$ 178,200	\$ 1,306,800
Computer equipment	46,887	42,453	4,434
Furniture and fixtures	7,720	6,185	1,535
	<u>\$ 1,539,607</u>	<u>\$ 226,838</u>	<u>\$ 1,312,769</u>
			<u>\$ 1,376,425</u>

7. *Deferred Grant Revenue*

Deferred grant revenue represents restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for projects during the year is as follows:

	2004	2003
Hammerquist 2004	\$ 290,000	\$ -
Downtown housing strategy	189,490	220,000
Hammerquist 2003	64,683	107,476
North Main economic development program	2,600	2,600
329 Donald Street	-	50,000
Waterfront Drive project	-	17,097
Waterpark study	-	5,000
	<u>\$ 546,773</u>	<u>\$ 402,173</u>

8. *Commitments and Contingencies*

The corporation has made commitments for grants that had not been disbursed by the December 31, 2004 year end in the approximate amount of \$155,000.

The corporation has made commitments for loans that had not been disbursed by the December 31, 2004 year end in the approximate amount of \$259,007.

9. *Bank Indebtedness*

The line of credit is due on demand and bears interest at the National Bank of Canada's prime rate, calculated daily and payable monthly. The limit of the facility is three million dollars (of which no greater than \$300,000 can be used for letters of credit and loan guarantees). The line of credit is secured by a three million dollar term deposit and 65% of assigned City of Winnipeg Downtown Heritage Conservation tax credit receivables. This line of credit is unutilized at December 31, 2004.

10. *Comparative Figures*

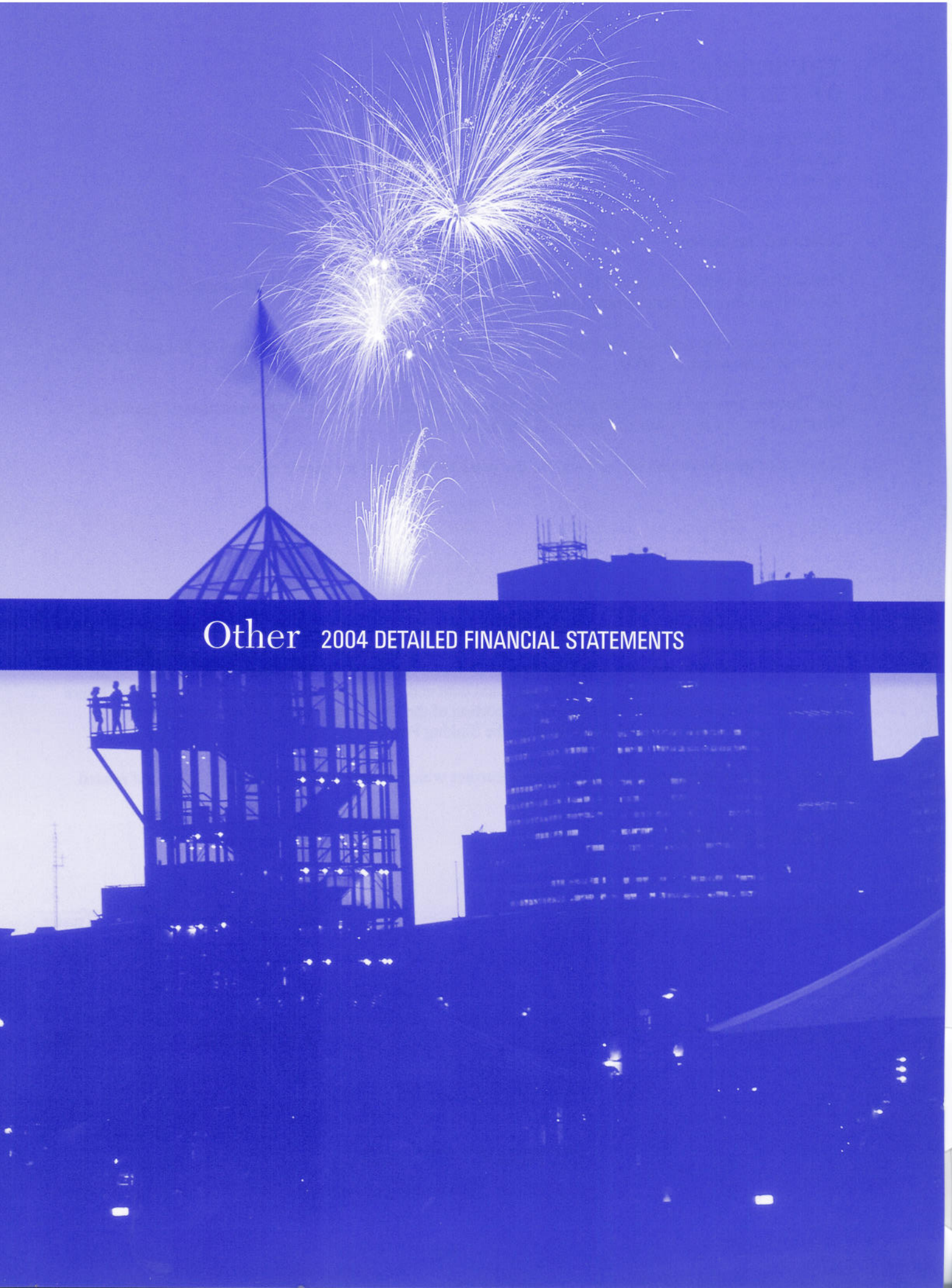
Certain of the comparative figures for the year ended December 31, 2003 have been reclassified to provide better comparison with the current year's presentation.

CENTREVENTURE DEVELOPMENT CORPORATION

SCHEDULE OF SPECIAL PROJECTS

For the year ended December 31, 2004

	<u>Hammerquist 2004</u>	<u>Waterfront Drive</u>	<u>North Main Economic Development</u>	<u>Downtown Housing Strategy</u>	<u>Waterpark Study</u>	<u>Hammerquist 2003</u>	<u>329 Donald Street</u>	<u>Total</u>
REVENUE								
City of Winnipeg	\$ 290,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 290,000
Deferred revenue, beginning of year	-	17,097	2,600	220,000	5,000	107,476	50,000	402,173
Deferred revenue, end of year	<u>(290,000)</u>	<u>-</u>	<u>(2,600)</u>	<u>(189,490)</u>	<u>-</u>	<u>(64,683)</u>	<u>-</u>	<u>(546,773)</u>
	<u>-</u>	<u>17,097</u>	<u>-</u>	<u>30,510</u>	<u>5,000</u>	<u>42,793</u>	<u>50,000</u>	<u>145,400</u>
EXPENDITURES								
Grant dispersal	-	-	-	-	-	42,793	50,000	92,793
Property tax arrears paid	-	-	-	30,510	-	-	-	30,510
Marketing	-	8,830	-	-	-	-	-	8,830
Legal	-	8,172	-	-	-	-	-	8,172
Consulting	-	-	-	-	5,000	-	-	5,000
Miscellaneous	<u>-</u>	<u>95</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95</u>
	<u>-</u>	<u>17,097</u>	<u>-</u>	<u>30,510</u>	<u>5,000</u>	<u>42,793</u>	<u>50,000</u>	<u>145,400</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



Other 2004 DETAILED FINANCIAL STATEMENTS

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

His Worship the Mayor
and Members of the Council
of the City of Winnipeg

Ladies and Gentlemen:

Pursuant to the requirements of **The City of Winnipeg Charter**, the Sinking Fund Trustees submit the 2004 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported net income of \$3,991,000 for the year ended December 31, 2004.

The Trustees appropriated \$7,000,000 of the accumulated surplus towards levy commutations, leaving a balance of surplus in the amount of \$2,135,000 as at December 31, 2004.

The rates of interest earned by the Fund for the years 1995 to 2004 are shown below:

1995.....	8.51%	2000.....	7.43%
1996.....	8.30%	2001.....	6.91%
1997.....	7.77%	2002.....	6.61%
1998.....	7.07%	2003.....	6.02%
1999.....	7.10%	2004.....	6.27%

Changes in the sinking fund reserve during 2004 are summarized as follows. The total reserve for retirement of debenture debt decreased to \$376,557,000 as at December 31, 2004 (2003 - \$386,086,000) of which \$133,168,000 represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and \$5,691,000 represents full funding of all future serial debt repayments on the Winnipeg Hydro portion of the City's serial debt, as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

Sinking funds are invested in securities with maturities which closely match the current position of related reserves.

Respectfully submitted,

J. S. McCALLUM Chairman

R. P. GANNON Trustee

A. S. PENMAN Trustee

J. L. FERRIER Trustee

L. J. DERRY Secretary

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF FINANCIAL POSITION

As at December 31

(in thousands of dollars)

ASSETS

Investment in bonds and debentures (Schedule 1)
Call loans - City of Winnipeg (Note 3)
Accrued interest receivable
Cash

	2004	2003
\$	318,950	\$ 394,401
	64,702	1,851
	4,862	5,241
	4	4
\$	388,518	\$ 401,497

LIABILITIES, RESERVE AND SURPLUS

Accounts payable - City of Winnipeg
Accrued interest payable (Note 5)
Accrued liabilities

\$	7,000	\$ 7,362
	2,813	2,893
	13	12

9,826

10,267

Reserve for retirement of debenture debt (Note 6)
Surplus

	376,557	386,086
	2,135	5,144
\$	388,518	\$ 401,497

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF INCOME

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

	2004	2003
Interest income (Schedule 2)	\$ 26,887	\$ 29,148
Interest requirements - debenture debt reserves	(12,218)	(12,746)
Interest requirements - Manitoba Hydro bonds (Note 5)	(10,567)	(11,156)
Excess of interest earned over requirements	4,102	5,246
Net gain on disposal of investments	-	282
	4,102	5,528
Administration expenses	111	122
Net income for the year	\$ 3,991	\$ 5,406

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF SURPLUS

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

	<u>2004</u>	<u>2003</u>
Balance, beginning of year	\$ 5,144	\$ 7,100
Add:		
Net income for the year	<u>3,991</u>	<u>5,406</u>
	9,135	12,506
Deduct:		
Appropriations for City of Winnipeg - provision for levies	<u>7,000</u>	<u>7,362</u>
Balance, end of year	<u>\$ 2,135</u>	<u>\$ 5,144</u>

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

For the years ended December 31

(in thousands of dollars)

	2004	2003
Balance, beginning of year	\$ 386,086	\$ 521,825
Add:		
Installments - City of Winnipeg	17,899	27,274
Interest credited - debenture debt reserves	12,218	12,746
	416,203	561,845
Deduct:		
Applied to debt redemption (Note 6)	39,646	175,759
Balance, end of year	<u>\$ 376,557</u>	<u>\$ 386,086</u>

See accompanying notes and schedules to the financial statements

THE SINKING FUND TRUSTEES OF THE CITY OF WINNIPEG

NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2004
(in thousands of dollars)*

1. Status of The Sinking Fund Trustees of The City of Winnipeg

The Sinking Fund Trustees of The City of Winnipeg (the "Fund") was established as a body corporate by subsection 314(1) of **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba ("the province"). **The City of Winnipeg Act** was repealed by the province effective January 1, 2003 and replaced by **The City of Winnipeg Charter**, a statute of the province. Under section 520 of **The City of Winnipeg Charter**, The Sinking Fund Trustees continues to have the same rights and obligations as outlined under the former **City of Winnipeg Act** for Sinking Fund debentures issued prior to December 31, 2002 and any future refinancing of these debentures.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies are summarized as follows:

a) Bonds and debentures

Bonds and debentures are carried at cost plus accumulated amortization. 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.

b) Bond residues and coupons

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

c) Statement of cash flows

A statement of cash flows has not been prepared as its presentation would not provide additional information.

3. Call Loans - City of Winnipeg

Call loans represent short-term investments with The City of Winnipeg which are callable by the Fund upon one business days notice.

4. Interest Rate and Credit Risk

a) Interest rate risk

Interest rate risk refers to the adverse consequences of interest rate changes on the Fund's cash flows, financial position and income. This risk arises from differences in the timing and amount of cash flows related to the Fund's assets and liabilities. The value of the Fund's assets is affected by short-term changes in nominal interest rates.

The effective rate of interest earned by the Fund for the year ended December 31, 2004 was 6.27% (2003 - 6.02%).

4. *Interest Rate and Credit Risk (continued)*

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2004 are as follows:

Term To Maturity	Par Value	Book Value
Less than one year	\$ 48,198	\$ 49,463
Two to five years	77,909	69,976
Greater than five years	205,564	199,511
	<u>\$ 331,671</u>	<u>\$ 318,950</u>

b) **Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Fund.

At December 31, 2004 the Fund's maximum credit risk exposure at fair market value was \$403,888.

The Fund limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

5. *Purchase of Winnipeg Hydro by Manitoba Hydro*

Manitoba Hydro purchased Winnipeg Hydro from The City of Winnipeg on September 3, 2002. In accordance with the **Asset Purchase Agreement** between The City of Winnipeg and Manitoba Hydro and **The Purchase of Winnipeg Hydro Act**, a statute of the Legislature of the Province of Manitoba, the Sinking Fund is required to:

- a) Hold the Manitoba Hydro Electric Board bonds issued by Manitoba Hydro to the City 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.

The book value of the Manitoba Hydro Electric Board bonds as at December 31, 2004 amounted to \$138,859 (2003 - \$145,521).

- b) Pay all principal and interest received on the Manitoba Hydro bonds to the City for the payment of principal and interest on the Winnipeg Hydro portion of the City's debt.

As the receipt of the Manitoba Hydro bonds represents full funding of all future Sinking Fund installments and interest related to the Winnipeg Hydro portion of the City's Sinking Fund debt, no further amounts are required to be levied and contributed to the Sinking Fund in respect of this portion of the debt.

6. *Reserve for Retirement of Debenture Debt*

Amounts applied to debt redemption on the statement for retirement of debenture debt are as follows:

		<u>Principal</u>	
	<u>Hydro Portion</u>	<u>Other Purposes</u>	<u>Total</u>
Sinking Fund Debt :			
By-laws 5779/91	\$ 5,290	\$ 32,985	\$ 38,275
Serial Debt :			
By-laws 7054/97	250	-	250
6897/96	1,121	-	1,121
	<u>\$ 6,661</u>	<u>\$ 32,985</u>	<u>\$ 39,646</u>

As at December 31, 2004 the reserve for retirement of debenture debt is allocated as follows:

	<u>Hydro Portion</u>	<u>Other Purposes</u>	<u>Total</u>
Sinking Fund Debt	\$ 133,168	\$ 237,698	\$ 370,866
Serial Debt	5,691	-	5,691
	<u>\$ 138,859</u>	<u>\$ 237,698</u>	<u>\$ 376,557</u>

As at December 31, 2004, the reserve for retirement of debenture debt includes \$133,168 (2003 - \$138,459) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and \$5,691 (2003 - \$7,062) representing full funding of all future serial debt repayments on the Winnipeg Hydro portion of the City's serial debt, as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

**THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG**

Schedule 1

SCHEDULE OF INVESTMENTS

*As at December 31
(in thousands of dollars)*

	2004				2003	
	Par Value	Market Value	%	Book Value	%	Book Value
<i>Investment in bonds and debentures</i>						
Government of Canada and Government of Canada guaranteed	\$ 28,000	\$ 30,160	9	\$ 27,677	9	\$ 37,567
Provincial and Provincial guaranteed (Notes 5 and 6)	190,694	193,361	58	190,100	60	216,380
Municipal	19,000	19,715	6	18,957	6	-
City of Winnipeg	51,106	55,685	17	52,045	16	79,401
	<u>\$ 288,800</u>	<u>298,921</u>	<u>90</u>	<u>288,779</u>	<u>91</u>	<u>333,348</u>
<i>Bond residues and coupons</i>						
Government of Canada		17,576	5	14,363	4	46,253
Provincial		17,827	5	15,808	5	14,800
		<u>\$ 334,324</u>	<u>100</u>	<u>\$ 318,950</u>	<u>100</u>	<u>\$ 394,401</u>

**THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG**

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	<u>2004</u>	<u>2003</u>
Interest on bonds and debentures	\$ 24,093	\$ 25,807
Income accrued - bond residues and coupons	4,393	5,049
Call fund interest	532	573
Securities lending income	29	22
Net bond premium amortization	<u>(2,160)</u>	<u>(2,303)</u>
	<u>\$ 26,887</u>	<u>\$ 29,148</u>

THE CITY OF WINNIPEG **WINNIPEG POLICE PENSION PLAN**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31
(in thousands of dollars)

	2004	2003
ASSETS		
Investments, at market		
Bonds and debentures	\$ 296,673	\$ 289,382
Canadian equities	271,218	253,414
Foreign equities	156,417	133,392
Cash and short-term deposits	26,899	16,483
Venture capital	34	34
	<u>751,241</u>	<u>692,705</u>
Accrued interest	1,175	1,283
Accounts receivable	10	8
Due from The Winnipeg Civic Employees' Pension Plan	40	4
	<u>752,466</u>	<u>694,000</u>
Total Assets		
	<u>752,466</u>	<u>694,000</u>
LIABILITIES		
Accounts payable	1,447	1,250
	<u>1,447</u>	<u>1,250</u>
Total Liabilities		
	<u>1,447</u>	<u>1,250</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 751,019</u>	<u>\$ 692,750</u>
NET ASSETS AVAILABLE FOR BENEFITS COMPRISED OF:		
Main Account - General Component	\$ 691,517	\$ 635,993
Main Account - Contribution Stabilization Reserve	54,036	51,801
Plan Members' Account	5,466	4,956
	<u>\$ 751,019</u>	<u>\$ 692,750</u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN**

**MAIN ACCOUNT - GENERAL COMPONENT
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

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

	<u>2004</u>	<u>2003</u>
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	\$ 6,924	\$ 6,175
Employees	7,028	6,271
Reciprocal transfers from other plans	<u>204</u>	<u>48</u>
	14,156	12,494
Transfer from Contribution Stabilization Reserve (Note 1)	7,824	7,101
Investment income (Note 5)	24,701	23,735
Current period change in market value of investments	<u>41,025</u>	<u>54,238</u>
Total increase in assets	<u>87,706</u>	<u>97,568</u>
DECREASE IN ASSETS		
Pension payments	25,167	23,488
Lump sum benefits	694	461
Administrative expenses (Note 6)	619	638
Investment management and custodial fees	1,046	774
Transfer of surplus to Contribution Stabilization Reserve (Note 3)	4,656	52,210
Transfer of surplus to Plan Members' Account	<u>-</u>	<u>4,357</u>
Total decrease in assets	<u>32,182</u>	<u>81,928</u>
Increase in net assets	55,524	15,640
Net assets available for benefits at beginning of year	<u>635,993</u>	<u>620,353</u>
Net assets available for benefits at end of year	<u><u>\$ 691,517</u></u>	<u><u>\$ 635,993</u></u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN**

**MAIN ACCOUNT - CONTRIBUTION STABILIZATION RESERVE
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

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

	<u>2004</u>	<u>2003</u>
<i>INCREASE IN ASSETS</i>		
Transfer of surplus from Main Account - General Component (Note 3)	\$ 4,656	\$ 52,210
Investment income (Note 5)	2,063	2,057
Current period change in market value of investments	<u>3,427</u>	<u>4,702</u>
Total increase in assets	<u>10,146</u>	<u>58,969</u>
<i>DECREASE IN ASSETS</i>		
Investment management and custodial fees	87	67
Transfer to Main Account - General Component (Note 1)	<u>7,824</u>	<u>7,101</u>
Total decrease in assets	<u>7,911</u>	<u>7,168</u>
Increase in net assets	2,235	51,801
Net assets available for benefits at beginning of year	<u>51,801</u>	<u>-</u>
Net assets available for benefits at end of year	<u><u>\$ 54,036</u></u>	<u><u>\$ 51,801</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG **WINNIPEG POLICE PENSION PLAN**

PLAN MEMBERS' ACCOUNT **STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS**

For the years ended December 31

(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
<i>INCREASE IN ASSETS</i>		
Transfer of surplus from Main Account - General Component	\$ -	\$ 4,357
Investment income (Note 5)	195	184
Current period change in market value of investments	<u>323</u>	<u>421</u>
Total increase in assets	<u>518</u>	<u>4,962</u>
<i>DECREASE IN ASSETS</i>		
Investment management and custodial fees	<u>8</u>	<u>6</u>
Total decrease in assets	<u>8</u>	<u>6</u>
Increase in net assets	510	4,956
Net assets available for benefits at beginning of year	<u>4,956</u>	<u>-</u>
Net assets available for benefits at end of year	<u><u>\$ 5,466</u></u>	<u><u>\$ 4,956</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

WINNIPEG POLICE PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Description of Plan

a) General

The Winnipeg Police Pension Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg police officers. All police officers are required to become members of the Plan at the commencement of their employment.

b) Financial structure

The Winnipeg Police Pension Plan is comprised of three Accounts, namely the Main Account (which has two components being the General Component and the Contribution Stabilization Reserve), the Plan Members' Account and the City Account.

i. Main Account - General Component

All benefits of the Pension Plan are paid from the Main Account - General Component.

Plan members contribute 8% of earnings to the Main Account. If the Contribution Stabilization Reserve is sufficient to provide a transfer to fund the difference between the current service cost of benefits accrued during the year and matching employee and City contributions, then the City matches the employee contributions during the year.

If the Contribution Stabilization Reserve is insufficient to provide the above transfer, then the City contributes the balance of the cost of non-indexed benefits, as determined by the Plan's Actuary, in excess of Plan members' contributions of 7% of earnings (towards non-indexed benefits), plus 1% of earnings for cost-of-living adjustments.

ii. Main Account - Contribution Stabilization Reserve

The Contribution Stabilization Reserve is credited with a portion of actuarial surpluses. The Contribution Stabilization Reserve finances, through transfers to the Main Account - General Component, the portion of the current service cost of benefits that exceeds the Plan members' and the City's matching contributions. The reserve is also intended to finance the future service cost related to this shortfall of matching contributions for the existing members.

iii. Plan Members' Account

In order to ensure that the Plan members will receive a benefit equal to the benefit received by the City through the contribution holidays that it took in 2001 and 2002, the Plan Members' Account was established effective January 1, 2003 with an initial balance equal to the amount of the City's contribution holidays adjusted for investment income up to December 31, 2002.

The Plan Members' Account will be credited with the share of future actuarial surpluses that are allocated to the Plan Members in accordance with the surplus and risk sharing agreement entered into by the City and its two Police Associations.

1. Description of Plan (continued)

b) Financial structure (continued)

iv. City Account

The financial structure provides for a City Account which will be credited with the share of future actuarial surpluses that are allocated to the City in accordance with the surplus and risk sharing agreement. To date, no actuarial surplus has been credited to the City Account.

c) Retirement pensions

The Plan provides for retirement at or after age 55 or following completion of 25 years of credited service. The Plan allows early retirement at age 50 or completion of at least 20 years of credited service subject to an early retirement pension reduction. The pension formula prior to age 65 is equal to 2% of the average earnings in the 60 consecutive months in which the earnings are highest ("Best Average Earnings") for each year of credited service. The pension formula after age 65 is equal to 1.4% of Best Average Canada Pension Plan earnings plus 2% of Best Average Non-Canada Pension Plan earnings for each year of credited service. Pensions are subject to the maximum benefit limits prescribed for registered pension plans under the **Income Tax Act**.

Retirement and survivor pensions, including deferred pensions, are increased annually to provide cost-of-living adjustments at the stated level in the Plan text, which level is currently 75% of the percentage change in the Consumer Price Index for Canada.

d) Disability pensions

An member, who has completed at least fifteen years of credited service, and who has become totally and permanently disabled may apply for a disability pension.

e) Survivor's benefits

The Plan provides survivor pensions or lump sum benefits on death prior to retirement. On death after retirement, eligible surviving spouses normally receive 66 2/3% of the member's pension.

f) Termination benefits

Upon application and subject to vesting and locking-in provisions, deferred pensions or equivalent lump sum benefits are payable when a member terminates employment with the City.

g) Variation in benefits

The surplus and risk sharing agreement provides that the rate of cost-of-living adjustment to pensions may be increased using funds available in the Plan Members' Account or may be reduced in the event of a funding deficiency.

h) Administration

The Plan is administered by the Winnipeg Police Pension Board which is comprised of two members appointed by the Winnipeg Police Association, one member appointed by the Winnipeg Police Senior Officers' Association and four members appointed by the City. The Plan is registered under the **Pension Benefits Act of Manitoba** and the **Income Tax Act**.

2. *Summary of Significant Accounting Policies*

a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

b) Investments

Investments are stated at market value. Equity investments are valued using published closing market prices. Fixed income investments are valued using published mid-market quotations. The market value of the venture capital investments has been determined by the venture capital funds.

Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

The Plan's investment income, current period change in market value of investments and investment management and custodial fees are allocated between the Accounts and Reserve based on the average balance of each Account and Reserve during the year.

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

3. *Obligations for Pension Benefits*

An actuarial valuation of the Plan was made as of December 31, 2003 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Winnipeg Police Pension Board for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued pension benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6.25% per year, inflation of 2.25% per year and general increases in pay of 3.75% per year. The demographic assumptions, including rates of termination of employment, retirement and mortality, were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2003 disclosed an actuarial surplus of \$4,656,000 which was allocated in 2004 in accordance with the surplus and risk sharing agreement.

3. *Obligations for Pension Benefits (continued)*

The results of the December 31, 2003 actuarial valuation were extrapolated to December 31, 2004 to determine the actuarial present value of accrued benefits disclosed below. The actuarial present value of the Plan's accrued benefits as at December 31, 2004, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2004</u>	<u>2003</u>
Actuarial present value of accrued benefits, beginning of year	\$ 653,844	\$ 621,684
Experience gains and losses and other factors	(2,285)	-
Changes in actuarial assumptions	(6,833)	-
Interest accrued on benefits	40,155	37,151
Benefits accrued	21,980	19,596
Benefits paid	(25,861)	(23,949)
Administrative expenses paid	(619)	(638)
Actuarial present value of accrued benefits, end of year	<u>\$ 680,381</u>	<u>\$ 653,844</u>

The assets available to finance the Program's accrued benefits are those allocated to the Main Account - General Component. To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets of the Main Account - General Component was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years. The value of the assets of the Main Account - General Component on an actuarial basis were:

	<u>2004</u>	<u>2003</u>
Market value of net assets available for benefits	\$ 691,517	\$ 635,993
Market value changes not reflected in actuarial value of assets	(8,907)	13,389
Actuarial value of net assets available for benefits	<u>\$ 682,610</u>	<u>\$ 649,382</u>

4. *Interest Rate, Credit, Foreign Currency and Market Risk*

a) **Interest rate risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income and actuarial liabilities. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

The Plan's actuarial liabilities are exposed to the long term expectation of rates of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term real rate of return which may result in higher City contribution rates or lower cost-of-living adjustments to pensions.

The Plan has approximately 43% of its assets invested in fixed income securities as at December 31, 2004. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

4. Interest Rate, Credit, Foreign Currency and Market Risk (continued)

a) Interest rate risk (continued)

The term to maturity and related market values of investments in bonds and debentures held by the Plan at December 31, 2004 are as follows:

<u>Term to Maturity</u>	<u>Market Value</u>
Less than one year	\$ 22,331
Two to five years	113,028
Greater than five years	161,314
	<u>\$ 296,673</u>

b) Credit risk

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. At December 31, 2004, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totaled \$324,746,000. The Plan's concentration of credit risk as at December 31, 2004, related to bonds and debentures, is categorized amongst the following types of issuers:

<u>Type of Issuer</u>	<u>2004 Market Value</u>	<u>2003 Market Value</u>
Government of Canada and Government of Canada guaranteed	\$ 135,515	\$ 143,363
Provincial and Provincial guaranteed	122,386	112,939
Canadian cities, municipalities, and other institutions	5,807	4,582
Corporations	32,965	28,498
	<u>\$ 296,673</u>	<u>\$ 289,382</u>

The Plan's investments include debentures and short-term deposits with the City of Winnipeg which have an aggregate market value of \$31,141,000 at December 31, 2004.

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

4. *Interest Rate, Credit, Foreign Currency and Market Risk (continued)*

c) Foreign currency risk

Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. There were no open forward contracts outstanding at December 31, 2004 (2003 - \$1,371,000).

As at December 31, 2004, the Plan's net foreign currency exposure was as follows:

	2004	2003
<u>Exposure</u>	<u>Net Exposure</u>	<u>Net Exposure</u>
United States	\$ 84,997	\$ 82,367
Euro	22,351	15,707
United Kingdom	15,695	10,910
Japan	12,380	8,315
Switzerland	4,518	2,425
Australia	2,044	1,196
Other	14,432	11,101
	<u>\$ 156,417</u>	<u>\$ 132,021</u>

d) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

5. *Investment Income*

	2004	2003
Bonds and debentures	\$ 19,171	\$ 18,362
Canadian equities	4,485	5,101
Foreign equities	2,833	1,658
Cash and short-term deposits	470	855
	<u>\$ 26,959</u>	<u>\$ 25,976</u>
Allocated to:		
Main Account - General Component	\$ 24,701	\$ 23,735
Main Account - Contribution Stabilization Reserve	2,063	2,057
Plan Members' Account	195	184
	<u>\$ 26,959</u>	<u>\$ 25,976</u>

6. *Administrative Expenses*

	2004	2003
Winnipeg Civic Employees' Benefits Program	\$ 413	\$ 354
Actuarial fees	185	237
Seminars	6	7
Consulting fees	4	30
Legal fees	3	3
General	8	7
	<u>\$ 619</u>	<u>\$ 638</u>

THE CITY OF WINNIPEG
CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF NET ASSETS

As at December 31
(in thousands of dollars)

	<u>2004</u>	<u>2003</u>
ASSETS		
Investments, at market		
Bonds and debentures	\$ 38,096	\$ 34,626
Canadian equities	43,525	37,668
Foreign equities	21,512	19,610
Short-term deposits	2,017	4,175
	<u>105,150</u>	<u>96,079</u>
Accrued interest	316	291
Accounts receivable	6	2
	<u>105,472</u>	<u>96,372</u>
LIABILITIES		
Accounts payable	387	408
Due to The Winnipeg Civic Employees' Pension Plan	2	5
	<u>389</u>	<u>413</u>
NET ASSETS	<u><u>\$ 105,083</u></u>	<u><u>\$ 95,959</u></u>
 NET ASSETS COMPRISED OF:		
Civic Employees' (Note 3)	\$ 87,381	\$ 80,039
Police Employees' (Note 3)	17,702	15,920
	<u><u>\$ 105,083</u></u>	<u><u>\$ 95,959</u></u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
CIVIC EMPLOYEES' GROUP LIFE INSURANCE PLAN**

STATEMENT OF CHANGES IN NET ASSETS

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

	<u>2004</u>	<u>2003</u>
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	\$ 874	\$ 838
Employees - basic	876	841
Employees - optional	384	366
Pensioners	<u>130</u>	<u>131</u>
	2,264	2,176
Investment income	2,796	2,609
Current period change in market value of investments	<u>6,188</u>	<u>7,621</u>
Total increase in assets	<u>11,248</u>	<u>12,406</u>
DECREASE IN ASSETS		
Administration	101	90
Actuarial fees	-	54
Benefit payments	3,489	3,500
Investment management fees	134	107
Risk premium and taxes	<u>182</u>	<u>174</u>
Total decrease in assets	<u>3,906</u>	<u>3,925</u>
Increase in net assets	7,342	8,481
Net assets at beginning of year	<u>80,039</u>	<u>71,558</u>
Net assets at end of year	<u><u>\$ 87,381</u></u>	<u><u>\$ 80,039</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG
POLICE EMPLOYEES' GROUP LIFE INSURANCE PLAN

STATEMENT OF CHANGES IN NET ASSETS

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

	<u>2004</u>	<u>2003</u>
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	\$ 174	\$ 155
Employees - basic	174	155
Employees - optional	46	34
Pensioners	<u>28</u>	<u>26</u>
	422	370
Investment income	566	516
Current period change in market value of investments	<u>1,231</u>	<u>1,466</u>
Total increase in assets	<u>2,219</u>	<u>2,352</u>
DECREASE IN ASSETS		
Administration	20	16
Actuarial fees	-	52
Benefit payments	366	85
Investment management fees	27	21
Risk premium and taxes	<u>24</u>	<u>21</u>
Total decrease in assets	<u>437</u>	<u>195</u>
Increase in net assets	1,782	2,157
Net assets at beginning of year	<u>15,920</u>	<u>13,763</u>
Net assets at end of year	<u><u>\$ 17,702</u></u>	<u><u>\$ 15,920</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG

CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. Description of the Plan

The City of Winnipeg Employees' Group Life Insurance Plan is comprised of two plans, the Civic Employees' Group Life Insurance Plan for employees of the City of Winnipeg and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police employees of the City.

a) Civic Employees' Group Life Insurance Plan

All employees are eligible to join the Plan commencing on their date of employment. All new members of The Winnipeg Civic Employees' Pension Plan must become members of the group life plan. Plan members are covered for basic life insurance of one or two times annual earnings. Optional coverage can be purchased under the Plan to increase coverage up to four times annual earnings. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. Plan members and the City share equally in the cost of the basic life insurance coverage. Coverage on the life of a disabled member continues at the same earnings multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Plan is administered by The Board of Trustees of The Winnipeg Civic Employees' Benefits Program (Pension Fund). The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

b) Police Employees' Group Life Insurance Plan

All police employees are required to become members of the Plan commencing on their date of employment. Police employees are covered for basic life insurance coverage of two times annual salary. Optional coverage can be purchased under the Plan to increase coverage up to four times annual salary. A portion of the basic life insurance coverage can be continued after retirement at the employee's option. The employees and the City share equally in the cost of basic life insurance. Coverage on the life of disabled members will continue at the same salary multiple prior to disability. A waiver of contributions is provided for insurance coverage in effect at the time of disability.

The Winnipeg Police Pension Board is responsible for the administration of the Plan. The Great-West Life Assurance Company is responsible for claims adjudication and processing of payments.

2. Summary of Significant Accounting Policies

a) Basis of presentation

These financial statements are prepared in accordance with Canadian generally accepted accounting principles on a going concern basis and present the aggregate financial position of the Plans as separate financial reporting entities, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plans for the fiscal period.

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

b) Investments

Investments are stated at market value. The fixed income investments are valued using published mid-market quotations. Equity investments are valued using published closing market prices. Investment transactions are recognized on a trade date basis. Investment income is recorded on the accrual basis.

c) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at the year end. Income and expenses, and the purchase and sale of investments, are translated into Canadian dollars at the exchange rates prevailing on the transaction dates.

d) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

3. *Net Assets*

The Civic and Police Employees' Group Life Insurance Plans' net assets represent reserves to finance a portion of the cost of the post-retirement insurance expected to be provided in the future to the members of the Plans.

4. *Obligation for Post-Retirement Basic Life Insurance Benefits - Civic Employees' Group Life Insurance Plan*

An actuarial valuation of the Civic Employees' Group Life Insurance Plan was made as of December 31, 2001 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Board of Trustees for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions. Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6% per year and general increases in pay of 3.5% per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2001 disclosed an actuarial surplus of \$28,856,000 and a contingency reserve in the amount of \$4,495,000.

4. *Obligation for Post-Retirement Basic Life Insurance Benefits - Civic Employees' Group Life Insurance Plan (continued)*

The results of the December 31, 2001 actuarial valuation were extrapolated to December 31, 2004 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Civic Employees' Group Life Insurance Plan as at December 31, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2004</u>	<u>2003</u>
Actuarial present value of accrued benefits, beginning of year	\$ 49,924	\$ 47,670
Interest accrued on benefits	3,000	2,843
Benefits accrued	1,941	1,878
Benefits paid	<u>(1,773)</u>	<u>(2,467)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 53,092</u>	<u>\$ 49,924</u>

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The value of the assets of the Civic Employees' Group Life Insurance Plan on an actuarial basis were:

	<u>2004</u>	<u>2003</u>
Market value of net assets available for benefits	\$ 87,381	\$ 80,039
Market value changes not reflected in actuarial value of assets	<u>(1,685)</u>	<u>1,874</u>
Actuarial value of net assets available for benefits	<u>\$ 85,696</u>	<u>\$ 81,913</u>

5. *Obligation for Post-Retirement Basic Life Insurance Benefits - Police Employees' Group Life Insurance Plan*

An actuarial valuation of the Police Employees' Group Life Insurance Plan was made as of December 31, 2002 by Western Compensation & Benefits Consultants. The assumptions used by the actuary were approved by the Winnipeg Police Pension Board for purposes of preparing this note to the financial statements. The economic assumptions used in determining the actuarial value of accrued post-retirement basic life insurance benefits were developed by reference to expected long term economic and investment market conditions.

5. *Obligation for Post-Retirement Basic Life Insurance Benefits - Police Employees' Group Life Insurance Plan (continued)*

Significant long term actuarial assumptions used in the valuation included a valuation interest rate of 6% per year and general increases in pay of 3.5% per year. The demographic assumptions, including rates of termination of employment, disability, retirement and mortality were chosen after detailed analysis of past experience. The actuarial present value of accrued benefits was determined using the projected benefit method pro-rated on services.

The actuarial valuation as at December 31, 2002 disclosed an actuarial surplus of \$5,101,000 and a contingency reserve in the amount of \$925,000.

The results of the December 31, 2002 actuarial valuation were extrapolated to December 31, 2004 to determine the actuarial present value of accrued post-retirement basic life insurance benefits disclosed below. The actuarial present value of post-retirement insurance benefits for the Police Employees' Group Life Insurance Plan as at December 31, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2004</u>	<u>2003</u>
Actuarial present value of accrued benefits, beginning of year	\$ 10,079	\$ 8,846
Experience gains and losses and other factors	-	(29)
Changes in actuarial assumptions	-	436
Interest accrued on benefits	609	563
Benefits accrued	400	359
Benefits paid	<u>(241)</u>	<u>(96)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 10,847</u>	<u>\$ 10,079</u>

To be consistent with the assumptions used to determine the actuarial present value of benefits, the actuarial value of the assets was determined from market values. The actuarial value placed on the assets smoothes out fluctuations in market values by spreading the difference between expected returns and actual returns, including unrealized gains and losses, over five years.

The value of the assets of the Police Employees' Group Life Insurance Plan on an actuarial basis were:

	<u>2004</u>	<u>2003</u>
Market value of net assets available for benefits	\$ 17,702	\$ 15,920
Market value changes not reflected in actuarial value of assets	<u>(351)</u>	<u>355</u>
Actuarial value of net assets available for benefits	<u>\$ 17,351</u>	<u>\$ 16,275</u>

6. *Interest Rate, Credit, Foreign Currency and Market Risk*

a) **Interest rate risk**

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's asset values, future investment income, and actuarial liabilities. This risk arises from differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates and equity markets.

The Plan's actuarial liabilities are exposed to the long term expectation of rates of return on investments as well as expectations of salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet the Plan's obligations.

The Plan has approximately 38% of its assets invested in fixed income securities as at December 31, 2004. The returns on fixed income securities are particularly sensitive to changes in nominal interest rates.

The term to maturity and related market values of investments in bonds and debentures held by the Plan at December 31, 2004 are as follows:

<u>Term to Maturity</u>	<u>Market Value</u>
Less than one year	\$ 1,065
Two to five years	12,289
Greater than five years	24,742
	<u>\$ 38,096</u>

b) **Credit risk**

Credit risk arises from the potential for an investee to fail or to default on its contractual obligations to the Plan. At December 31, 2004, the Plan's credit risk exposure relates to bonds and debentures, accrued interest and short-term deposits totaling \$40,429,204. The Plan's concentration of credit risk as at December 31, 2004, related to bonds and debentures, is categorized amongst the following types of issuers:

<u>Type of Issuer</u>	<u>2004 Market Value</u>	<u>2003 Market Value</u>
Government of Canada and Government of Canada guaranteed	\$ 29,242	\$ 29,272
Provincial and Provincial guaranteed	3,863	1,973
Canadian cities, municipalities, and other institutions	515	-
Corporations	4,476	3,381
	<u>\$ 38,096</u>	<u>\$ 34,626</u>

6. Interest Rate, Credit, Foreign Currency and Market Risk (continued)

b) Credit risk (continued)

The Plan's investments include short-term deposits with the City of Winnipeg which have a market value of \$1,501,892 at December 31, 2004.

The Plan limits credit risk by investing in bonds and debentures of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

c) Foreign currency risk

Foreign currency exposure arises from the Plan's holdings of foreign equity investments. The Plan's investment managers may, from time to time, hedge some of this exposure using forward contracts. There were no open forward contracts outstanding at December 31, 2004 (2003 - \$274,000).

As at December 31, 2004, the Plan's net foreign currency exposure was as follows:

<u>Exposure</u>	<u>2004</u>	<u>2003</u>
	<u>Net Exposure</u>	<u>Net Exposure</u>
United States	\$ 12,119	\$ 11,854
Euro	2,843	2,358
United Kingdom	2,351	1,750
Japan	1,053	780
Sweden	376	291
Korea	339	294
Australia	327	241
Other	2,104	1,768
	<u>\$ 21,512</u>	<u>\$ 19,336</u>

d) Market risk

Market risk is the risk that the value of investments will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to an individual asset or its issuer, or factors affecting all securities traded in the market. The Plan's policy is to invest in a diversified portfolio of investments.

**THE CITY OF WINNIPEG
COUNCIL MEMBERS' (PRE-1972) PENSION PLAN**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	<u>2004</u>	<u>2003</u>
<i>ASSETS</i>		
Call funds - City of Winnipeg	\$ 1,718	\$ 3,675
Cash	178	151
Accrued interest	4	8
	<u>1,900</u>	<u>3,834</u>
Total Assets		
	1,900	3,834
<i>LIABILITIES</i>		
Due to Winnipeg Civic Employees' Pension Plan	500	500
	<u>500</u>	<u>500</u>
Total Liabilities		
	500	500
Net assets available for benefits	<u>\$ 1,400</u>	<u>\$ 3,334</u>

**THE CITY OF WINNIPEG
COUNCIL MEMBERS' (PRE-1972) PENSION PLAN**

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	<u>2004</u>	<u>2003</u>
<i>INCREASE IN ASSETS</i>		
Interest	<u>\$ 48</u>	<u>\$ 121</u>
Total increase in assets	<u>48</u>	<u>121</u>
<i>DECREASE IN ASSETS</i>		
Pension payments	1,482	1,482
Administration	<u>500</u>	<u>500</u>
Total decrease in assets	<u>1,982</u>	<u>1,982</u>
Decrease in net assets	(1,934)	(1,861)
Net assets available for benefits at beginning of year	<u>3,334</u>	<u>5,195</u>
Net assets available for benefits at end of year	<u><u>\$ 1,400</u></u>	<u><u>\$ 3,334</u></u>

THE CITY OF WINNIPEG COUNCIL PENSION PLAN

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	<u>2004</u>	<u>2003</u>
ASSETS		
Investments, at market		
Bonds	\$ 1,090,786	\$ 959,188
Cash and short-term deposits	<u>66,738</u>	<u>210,257</u>
	1,157,524	1,169,445
Accrued interest	2,264	2,229
Due from The City of Winnipeg	<u>33,156</u>	<u>-</u>
Total Assets	1,192,944	1,171,674
LIABILITIES		
Accounts payable and accrued liabilities	<u>8,598</u>	<u>8,632</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 1,184,346</u></u>	<u><u>\$ 1,163,042</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG COUNCIL PENSION PLAN

STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

For the years ended December 31

	<u>2004</u>	<u>2003</u>
<i>INCREASE IN ASSETS</i>		
Contributions		
The City of Winnipeg	\$ 127,641	\$ 82,019
Plan members	43,194	43,301
	<u>170,835</u>	<u>125,320</u>
Investment income from		
Bonds	48,951	30,767
Cash and short-term investments	2,115	4,667
	<u>51,066</u>	<u>35,434</u>
Current period change in market value of investments	<u>106,285</u>	<u>66,722</u>
Total increase in assets	<u>328,186</u>	<u>227,476</u>
<i>DECREASE IN ASSETS</i>		
Administrative expenses		
Actuarial fees	20,101	8,644
Investment management and audit fees	11,797	11,968
	<u>31,898</u>	<u>20,612</u>
Refunds and transfers		
Transfers to other plans	211,962	-
Refund of contributions	63,022	-
	<u>274,984</u>	<u>-</u>
Total decrease in assets	<u>306,882</u>	<u>20,612</u>
Increase in net assets	21,304	206,864
Net assets available for benefits at beginning of year	<u>1,163,042</u>	<u>956,178</u>
Net assets available for benefits at end of year	<u><u>\$ 1,184,346</u></u>	<u><u>\$ 1,163,042</u></u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG COUNCIL PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

1. Description of Plan

a) General

The City of Winnipeg Council Pension Plan (the Plan) was established July 18, 2001 by The City of Winnipeg Council Pension Plan By-law No. 7869/2001, which deemed the Plan to have come into existence on January 1, 2001. The Plan is a defined benefit pension plan, which provides pension benefits for City of Winnipeg Council members. All members of Council were required to become members of the Plan on January 1, 2001.

b) Contributions

Plan members contribute 6 1/2% of their Canada Pension Plan earning plus 7 1/2% of any earnings in excess of their Canada Pension Plan earnings. The City makes contributions as required, based on the recommendation of the Plan's actuary. The City is responsible for ensuring that the actuarial liabilities of the Plan are adequately funded over time.

Any surplus disclosed in an actuarial valuation of the Plan may be used to reduce the City's required contributions to the Plan or used as a contingency reserve to offset possible future losses of the Plan.

c) Retirement pensions

The Plan allows for retirement at or after the age 55, or following completion of 30 years of service, or when the sum of a Plan member's age plus years of credited service equals 80, or if the Plan member becomes totally and permanently disabled.

The pension formula prior to age 65 is equal to 2%, multiplied by the Plan member's best 5-year average earnings, multiplied by the number of years of credited service. The pension formula after the age 65 is equal to the Plan member's years of credited service multiplied by the aggregate of 1.5% of the Plan member's best 5-year average Canada Pension Plan earnings plus 2% of the Plan member's best 5-year average non-Canada Pension Plan earnings.

d) Deemed retirement

Any Plan member who is not retired on December 1 of the taxation year in which the Plan member attains age 69 shall be deemed to have retired on that day.

e) Survivor's benefits

The Plan provides for benefits on death before or after retirement.

f) Termination benefits

Upon application and subject to locking-in provisions, deferred pensions or equivalent lump sum benefits are payable to the Plan member when the Plan member ceases to be an elected official with the City.

1. *Description of Plan (continued)*

g) Re-election

If a Plan member who is receiving a pension from the Plan is re-elected, the Plan member's pension will be suspended prior to the Plan member becoming an elected official with the City and their years of credited service will be added to the Plan member's years of credited service after re-election.

h) Administration

The Plan is administered by the Council Pension Benefits Board which is comprised of three representatives appointed by City Council, only one of whom may be a Councillor, and the Financial Officer of the City or his or her designate.

2. *Summary of Significant Accounting Policies*

a) Basis of presentation

These financial statements are prepared on a going concern basis and present the aggregate financial position of the Plan as a separate financial reporting entity, independent of the sponsor and Plan members. They are prepared to assist Plan members and others in reviewing the activities of the Plan for the fiscal period.

The financial statements of the Plan are prepared in accordance with Canadian generally accepted accounting principles.

b) Investments

Investments are stated at market value. Fixed income investments are valued using published mid-market quotations.

Cash and short term deposits are comprised of cash and investments that are readily convertible to cash with maturities of less than 90 days. The effective interest rate during the year was 2% (2003 - 2%).

Investment income is recorded on the accrual basis.

3. *Contributions Receivable*

City contributions to the Plan are due within four weeks of the required date. The City is charged interest on all balances outstanding past the due date.

4. *Obligation for Pension Benefits*

The actuarial present value of accrued pension benefits was determined using the projected benefit method prorated on service and using assumptions recommended by the actuary and approved by the Council Pension Benefits Board. An actuarial valuation of the Plan was prepared, effective December 31, 2003, by Mercer Human Resource Consulting Limited, a firm of consulting actuaries. This valuation was extrapolated to December 31, 2004.

4. *Obligation for Pension Benefits (continued)*

The extrapolated actuarial present value of benefits, as at December 31, and the principal components of changes in the actuarial present values during the year, were as follows:

	2004	2003
Actuarial present value of accrued pension benefits at beginning of year	\$ 1,315,051	\$ 1,111,119
Interest accrued on benefits	65,086	74,437
Benefits accrued (service costs)	139,283	129,495
Benefits paid	(274,985)	-
Actuarial gain	(15,130)	-
Actuarial present value of accrued pension benefits at the end of year	<u>\$ 1,229,305</u>	<u>\$ 1,315,051</u>

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 5% (2003 - 6%) per annum, a rate of return on assets of 5% (2003 - 6%) per annum and a general rate of salary increase of 2.5% (2003 - 3.5%) per annum.

The actuarial value of net assets available for benefits has been determined at fair market value.

The actuarial value of net assets at December 31, was as follows:

	2004	2003
Actuarial value of net assets available for benefits	<u>\$ 1,184,346</u>	<u>\$ 1,163,042</u>

The next full actuarial valuation of the Plan will be effective December 31, 2006 and will be completed in 2007.

5. *Interest Rate and Credit Risk*

a) *Interest rate risk*

Interest rate risk refers to the adverse consequences of interest rate changes on the Plan's cash flows, financial position, and income. This risk arises from the differences in the timing and amount of cash flows related to the Plan's assets and liabilities. The value of the Plan's assets is affected by short-term changes in nominal interest rates.

Pension liabilities are exposed to the long-term expectation of rate of return on investments as well as expectations of inflation and salary escalation. The Plan's primary exposure is to a decline in the long-term rate of return which may result in higher contribution rates required to meet pension obligations.

The plan has approximately 91% (2003 - 82%) of its assets invested in fixed income securities as at December 31, 2004. The effective interest rate on the securities is 4.78% (2003 - 4.25%). The returns of fixed income securities are particularly sensitive to changes in nominal interest rates.

All investments in bonds held by the Plan at December 31, 2004 have a term to maturity in excess of five years.

5. Interest Rate and Credit Risk (continued)

b) Credit risk

Credit risk arises from the potential for an investee to fail or default on its contractual obligations to the Plan. At December 31, 2004, the Plan's maximum credit risk exposure relates to bonds, accrued interest and short-term deposits totaling \$1,159,788. The Plan's concentration of credit risk as at December 31, 2004 related to bonds is categorized amongst the following types of issuer:

<u>Type of Issuer</u>	<u>Market Value</u>
Government of Canada and Government of Canada guaranteed	<u>\$ 1,090,786</u>

The plan limits credit risk by investing in bonds of investees that are considered to be high quality credits and by utilizing an internal Investment Policy Guideline monitoring process.

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

STATEMENT OF FINANCIAL POSITION

*As at December 31
(in thousands of dollars)*

	<u>2004</u>	<u>2003</u>
ASSETS		
Current		
Cash	\$ 303	\$ 272
Accounts receivable (Note 3)	754	710
Prepaid claims (Note 4)	100	100
	<u>\$ 1,157</u>	<u>\$ 1,082</u>
LIABILITIES		
Current		
Accounts payable (Note 5)	\$ 575	\$ 499
EQUITY		
Dental Services Plan	428	429
Vision Care Plan	154	154
	<u>582</u>	<u>583</u>
	<u>\$ 1,157</u>	<u>\$ 1,082</u>

See accompanying notes to the financial statements

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

STATEMENT OF CHANGES IN TRUST ACCOUNTS

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

	<u>2004</u>	<u>2003</u>
<i>DENTAL SERVICES PLAN</i>		
Opening balance	\$ 429	\$ 428
Add:		
Contributions - The City of Winnipeg	6,915	6,486
Interest earned	<u>6</u>	<u>7</u>
	<u>7,350</u>	<u>6,921</u>
Deduct:		
Dental claims	6,604	6,198
Administration fees	<u>318</u>	<u>294</u>
	<u>6,922</u>	<u>6,492</u>
Ending balance	<u><u>\$ 428</u></u>	<u><u>\$ 429</u></u>
<i>VISION CARE PLAN</i>		
Opening balance	\$ 154	\$ 153
Add:		
Contributions - The City of Winnipeg	994	786
Interest earned	<u>1</u>	<u>1</u>
	<u>1,149</u>	<u>940</u>
Deduct:		
Vision claims	935	739
Administration fees	<u>60</u>	<u>47</u>
	<u>995</u>	<u>786</u>
Ending balance	<u><u>\$ 154</u></u>	<u><u>\$ 154</u></u>

See accompanying notes to the financial statements

THE TRUSTEES OF THE DENTAL SERVICES AND VISION CARE PLANS OF THE CITY OF WINNIPEG EMPLOYEES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2004

(in thousands of dollars, except as noted)

1. *Summary of Significant Accounting Policies*

The preparation of periodic financial statements necessarily involves the use of estimates and approximations because the precise determination of financial data frequently depends upon future events. These financial statements have been prepared by management within reasonable limits of materiality and within the framework of accounting policies summarized below.

a) **Basis of accounting**

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

b) **Allocation of interest**

The funds of the Dental Services and Vision Care Plans (the Plans) are deposited in a single bank account. Interest earned is apportioned on the basis of the ratio of the contributions received from The City of Winnipeg by the Plans.

2. *Status of the Trustees of the Dental Services and Vision Care Plans for The City of Winnipeg Employees*

City Council, on October 15, 1980, authorized the appointment of the City Treasurer, the Medical Health Officer and the Director of Personnel as trustees of the Dental Services Plan for The City of Winnipeg Employees.

City Council, on June 9, 1989, authorized the appointment of the aforementioned officers as trustees of the Vision Care Plan for The City of Winnipeg Employees.

The revenue for both plans consists of contributions from The City of Winnipeg equal to dental and vision claims paid by the Trustees and bank interest earned. The disbursements are limited to eligible dental and vision claims processed and administration fees of the servicing organization.

3. *Accounts Receivable*

The accounts receivable is due from The City of Winnipeg for unpaid claims and administration charges as follows:

	2004	2003
Dental Services Plan	\$ 679	\$ 631
Vision Care Plan	75	79
	<u>\$ 754</u>	<u>\$ 710</u>

4. *Prepaid Claims*

The prepaid claims represents the amount held by Manitoba Blue Cross for incurred but unreported claims.

5. *Accounts Payable*

The accounts payable include amounts due to the servicing organization for claims and administration, along with amounts due to The City of Winnipeg as follows:

	<u>2004</u>	<u>2003</u>
Dental Services Plan - Claims	\$ 361	\$ 291
Prepaid claims - Due to City of Winnipeg	100	100
Vision Care Plan - Claims	70	74
Vision Care Plan - administration	31	29
Due to City of Winnipeg	8	-
Vision Care Plan - administration	5	5
	<u>\$ 575</u>	<u>\$ 499</u>

THE CITY OF WINNIPEG

TABLE OF FINANCIAL STATISTICS & SELECTED RATIOS

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars, except as noted)

	2004	2003	2002	2001	2000
Population (Statistics Canada)	647,600	642,700	639,800	637,000	634,100
Consolidated debt (1)	\$ 734,671	740,381	859,389	1,134,788	1,140,520
Net tax-supported debenture debt (2)	\$ 332,936	347,518	337,879	404,811	443,428
Debt per capita:					
Consolidated (dollars)	\$ 1,134	1,152	1,343	1,781	1,799
Net tax-supported (dollars)	\$ 514	541	528	635	699
Non-portioned taxable assessments (millions) (3)	\$ 25,512	25,274	24,831	23,300	23,046
Debt as a % of non-portioned taxable assessments					
Consolidated	2.9%	2.9%	3.5%	4.9%	4.9%
Net tax-supported	1.3%	1.4%	1.4%	1.7%	1.9%
Consolidated revenues (4)	\$ 969,150	961,429	1,158,384	1,041,201	1,076,798
Consolidated debt as a % of consolidated revenues	75.8%	77.0%	74.2%	109.0%	105.9%

Notes:

- (1) Consolidated debt is gross debt outstanding for all municipal purposes - tax-supported and City-owned utilities, Winnipeg Enterprises Corporation and Winnipeg Housing Rehabilitation Corporation.
- (2) Net tax-supported debt is gross debt less accumulated sinking funds, less City-owned utilities (except Transit System) net of sinking funds, and Winnipeg Enterprises Corporation, and Winnipeg Housing Rehabilitation Corporation.
- (3) Non-portioned taxable assessments exclude fully exempt properties and does not include all converted grants.
- (4) Consolidated revenues are comprised of general revenues, City-owned utilities, revenue from the wholly-owned corporations and special operating agencies, but excludes revenues collected on behalf of School authorities.

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

As at December 31, 2004

By-Law Number	Minister of Finance Approval	General Municipal Purposes	City-owned Utilities				Total
		General	Transit System	Solid Waste Disposal	Waterworks System	Sewage Disposal System	
6520/94	December 2/94	\$ 7,000,000	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000
6745/96	February 22/96	-	-	-	-	6,024,693	6,024,693
6774/96	April 16/96	14,801,000	1,144,000	200,000	4,615,000	-	20,760,000
6973/97	March 17/97	27,254,138	463,325	2,588,000	-	-	30,305,463
6976/97	March 17/97	18,213,000	650,000	-	200,000	-	19,063,000
7125/98	January 22/98	-	1,062,000	-	980,000	-	2,042,000
7335/98	January 13/99	-	-	-	3,715,000	-	3,715,000
7751/2001	March 9/2001	14,699,820	770,000	7,210,000	-	-	22,679,820
		<u>\$ 81,967,958</u>	<u>\$ 4,089,325</u>	<u>\$ 9,998,000</u>	<u>\$ 9,510,000</u>	<u>\$ 6,024,693</u>	<u>\$ 111,589,976</u>

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT ISSUES

As at December 31, 2004

Term	Month	Interest Rate	By-Law Number	Payable at	Cities	Amount of Debt	
<i>The City of Winnipeg</i>							
Sinking Fund Debt							
1990-2005	Oct. 1	11.700	5507/90	Royal Bank	Any branch in Canada	\$	66,424,538
1999-2009	Feb. 2	5.350	7368/99	Bank of Montreal	Any branch in Canada	\$	50,000,000
1989-2009	Dec. 14	10.000	5286/89	Royal Bank	Any branch in Canada		85,500,000
							135,500,000
1993-2013	Feb. 11	9.375	6090/93	Royal Bank	Any branch in Canada		90,000,000
1994-2014	Jan. 20	8.000	6300/94	Royal Bank	Any branch in Canada		85,000,000
1995-2015	May 12	9.125	6620/95	Bank of Montreal	Any branch in Canada		88,000,000
1997-2017	Nov. 17	6.250	7000/97	Bank of Montreal	Any branch in Canada		30,000,000
							494,924,538
Serial Debt							
1996-2006	Oct. 30	6.750	6897/96	Bank of Montreal	Any branch in Canada	14,908,606	
1997-2007	June 27	6.337	7054/97	Bank of Montreal	Any branch in Canada	22,750,000	
2003-2013	Jan. 17	4.651	8138/02	Royal Bank	Any branch in Canada	89,543,000	
2004-2014	Mar. 24	3.663	86/2003	Royal Bank	Any branch in Canada	46,392,000	173,593,606
Total Debt							\$ 668,518,144

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2004

Description	Debenture Debt		
	Gross	Sinking Fund	Net
Tax-Supported			
General	\$ 435,829,225	\$ 139,923,628	\$ 295,905,597
Unallocated Sinking Fund Surplus	-	2,134,774	(2,134,774)
Total Tax-Supported	435,829,225	142,058,402	293,770,823
Other Funds			
Civic Accommodations	26,259,271	6,642,356	19,616,915
Transit System	35,091,614	15,543,572	19,548,042
Total Tax-Supported and Other Funds	497,180,110	164,244,330	332,935,780
City-Owned Utilities			
Solid Waste Disposal	3,632,470	2,085,443	1,547,027
Waterworks System	50,160,140	17,933,370	32,226,770
Sewage Disposal System	117,545,424	55,569,073	61,976,351
Total City-Owned Utilities	171,338,034	75,587,886	95,750,148
	<u>\$ 668,518,144</u>	<u>\$ 239,832,216</u>	<u>\$ 428,685,928</u>
2005 Fixed Annual Charges			
Description	Interest	Principal	Total
Tax-Supported	\$ 32,582,041	\$ 25,080,329	\$ 57,662,370
Other Funds			
Civic Accommodations	1,732,460	1,393,441	3,125,901
Transit System	3,047,954	1,646,397	4,694,351
Total Tax-Supported and Other Funds	37,362,455	28,120,167	65,482,622
City-Owned Utilities			
Solid Waste Disposal	357,432	200,309	557,741
Waterworks System	4,371,974	3,652,723	8,024,697
Sewage Disposal System	10,359,625	4,931,710	15,291,335
Total City-Owned Utilities	15,089,031	8,784,742	23,873,773
	<u>\$ 52,451,486</u>	<u>\$ 36,904,909</u>	<u>\$ 89,356,395</u>

THE CITY OF WINNIPEG

TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT CHANGES DURING 2004

As at December 31, 2004

Gross Debt as at January 1, 2004		\$	671,342,177
Debt Issued During 2004			
<i>Tax-Supported Debt:</i>			
Streets and Bridge System	\$ 20,662,356		
Land Drainage	5,247,365		
Culture and Recreation	1,395,115		
Parks and Recreation	670,704		
Libraries	270,445		
Protection	1,239,379		
Fire	333,621		
Police	64,907		
Health and Social Development	1,198,214		
Special Projects	1,393,009		
Overhead Walkways	174,300		
Core Area Programs	4,417,484		
Land Acquisition	162,442	\$ 37,229,341	
<i>Utilities Debt:</i>			
Transit System	1,976,217		
Sewage Disposal System	3,781,375		
Civic Accommodations	3,405,067	9,162,659	46,392,000
Debt Retired During 2004			
<i>Tax-Supported Debt:</i>			
Streets and Bridge System	18,213,538		
Land Drainage	10,814,258		
Culture and Recreation	3,502,038		
Parks and Recreation	115,000		
Libraries	20,000		
Protection	1,513,752		
Police	60,000		
Health and Social Development	428,639		
Special Projects	347,887		
Convention Centre	18,350		
City Development and Dev. Agreements	34,332		
Overhead Walkways	112,152		
Core Area Programs	5,519,159		
North Portage Development	113,809		
Infrastructure - Streets and Bridge	123,900		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335	41,044,214	
<i>Utilities Debt:</i>			
Transit	490,751		
Water Works System	3,054,105		
Sewage Disposal System	2,963,393		
Solid Waste Disposal	106,175		
Civic Accommodations	1,557,395	8,171,819	(49,216,033)
Gross Debt as at December 31, 2004		\$	<u>668,518,144</u>

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT - MATURITY BY YEARS

As at December 31, 2004

<u>Maturity Year</u>	<u>Sinking Fund Debt</u>	<u>Serial and Installment Debt</u>	<u>Total</u>	<u>%</u>
2005	\$ 66,424,538	\$ 20,867,778	\$ 87,292,316	13.0
2006	-	21,870,828	21,870,828	3.3
2007	-	32,316,000 (1)	32,316,000	4.8
2008	-	13,706,000	13,706,000	2.1
2009	135,500,000 (2)	14,378,000	149,878,000	22.4
2010	-	15,083,000	15,083,000	2.3
2011	-	15,824,000	15,824,000	2.4
2012	-	16,600,000	16,600,000	2.5
2013	90,000,000	17,415,000	107,415,000	16.1
2014	85,000,000	5,533,000	90,533,000	13.5
2015	88,000,000	-	88,000,000	13.1
2016	-	-	-	-
2017	30,000,000	-	30,000,000	4.5
Gross Debt	<u>\$ 494,924,538</u>	<u>\$ 173,593,606</u>	668,518,144	100.0
Less: Sinking Fund Reserve			<u>239,832,216</u>	
Net Debt			<u>\$ 428,685,928</u>	

(1) Of the \$32,316,000 serial debt that matures in 2007, there will be a maturity shortfall of \$17,500,000, which will need to be refinanced.

(2) Of the \$135,500,000 sinking fund debt that matures in 2009, there will be a maturity shortfall of \$30,980,600, which will need to be refinanced.

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT SUMMARY OF MATURITIES BY PURPOSES

As at December 31, 2004

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Civic Accommodations	Total
2005	\$ 55,193,705	\$ 7,570,962	\$ 3,268,567	\$ 19,426,609	\$ 604,801	\$ 1,227,672	87,292,316
2006	16,236,175	707,215	2,391,573	1,577,572	92,669	865,624	21,870,828
2007	28,447,290	1,349,196	-	1,241,064	-	1,278,450	32,316,000
2008	11,206,213	549,760	-	1,302,464	-	647,563	13,706,000
2009	121,676,868	3,576,597	1,500,000	12,366,967	1,935,000	8,822,568	149,878,000
2010	12,333,583	604,744	-	1,434,673	-	710,000	15,083,000
2011	12,940,282	634,326	-	1,505,849	-	743,543	15,824,000
2012	13,575,688	665,299	-	1,580,430	-	778,583	16,600,000
2013	52,444,076	5,697,819	5,000,000	41,658,804	-	2,614,301	107,415,000
2014	26,925,877	6,735,696	13,000,000	35,450,990	-	8,420,437	90,533,000
2015	54,849,469	7,000,000	25,000,000	-	1,000,000	150,531	88,000,000
2016	-	-	-	-	-	-	-
2017	30,000,000	-	-	-	-	-	30,000,000
	<u>\$ 435,829,226</u>	<u>\$ 35,091,614</u>	<u>\$ 50,160,140</u>	<u>\$ 117,545,422</u>	<u>\$ 3,632,470</u>	<u>\$ 26,259,272</u>	<u>\$ 668,518,144</u>

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT

As at December 31, 2004

Year	Tax-Supported (Includes Transit System)			Utilities			Total
	Principal	Interest	Sub-total	Principal	Interest	Sub-total	
2005	\$ 26,726,726	\$ 35,629,995	\$ 62,356,721	\$ 10,178,183	\$ 16,821,491	\$ 26,999,674	\$ 89,356,395
2006	25,319,197	29,296,095	54,615,292	9,510,502	14,224,732	23,735,234	78,350,526
2007	38,172,293	27,962,933	66,135,226	7,102,578	13,930,947	21,033,525	87,168,751
2008	20,131,780	26,930,526	47,062,306	6,533,091	13,837,881	20,370,972	67,433,278
2009	20,708,772	25,266,993	45,975,765	6,628,098	13,582,740	20,210,838	66,186,603
2010	17,899,126	16,605,884	34,505,010	6,044,875	11,707,694	17,752,569	52,257,579
2011	18,535,408	15,988,318	34,523,726	6,149,593	11,606,203	17,755,796	52,279,522
2012	19,201,787	15,312,498	34,514,285	6,259,214	11,495,137	17,754,351	52,268,636
2013	19,901,696	12,559,351	32,461,047	6,374,305	9,181,712	15,556,017	48,017,064
2014	8,330,189	8,893,282	17,223,471	3,341,978	4,666,236	8,008,214	25,231,685
2015	2,777,688	4,696,882	7,474,570	790,860	1,193,118	1,983,978	9,458,548
2016	907,200	1,875,000	2,782,200	-	-	-	2,782,200
2017	907,200	1,875,000	2,782,200	-	-	-	2,782,200
	<u>\$ 219,519,062</u>	<u>\$ 222,892,757</u>	<u>\$ 442,411,819</u>	<u>\$ 68,913,277</u>	<u>\$ 122,247,891</u>	<u>\$ 191,161,168</u>	<u>\$ 633,572,987</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004	
				Sinking Fund	Debt	Interest	Principal		
STREETS AND BRIDGE SYSTEM (street improvements, street lighting, bridges and underpasses)									
5507/90	\$ 25,370,655	Oct. 1, 1990-2005	CAN	5.000	11.700	\$ 2,968,366	\$ 1,175,734	\$ 23,330,027	
6897/96	1,046,349	Oct. 30, 1996-2006	CAN	Serial	6.750	70,629	508,399	-	
7054/97	11,423,100	June 27, 1997-2007	CAN	Serial	6.337	723,829	878,700	-	
7368/99	25,364,600	Feb. 2, 1999-2009	CAN	5.000	5.350	1,357,006	767,091	4,431,435	
5286/89	28,210,000	Dec. 14, 1989-2009	CAN	5.000	10.000	2,821,000	853,143	18,452,481	
8138/02	33,826,202	Jan. 17, 2003-2013	CAN	Serial	4.651	1,573,336	3,036,096	-	
6090/93	14,067,475	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	6,311,521	
6300/94	11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	4,584,844	
86/2003	20,662,356	Mar 24, 2004-2014	CAN	Serial	3.663	756,962	1,708,947	-	
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	7,788,700	
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	5,127,356	
	214,813,852					15,869,786	11,012,091	70,026,364	

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
LAND DRAINAGE (storm water relief sewers, drainage sewers and flood control)								
5507/90	5,130,521	Oct. 1, 1990-2005	CAN	5.000	11.700	600,271	237,760	4,717,860
6897/96	4,634,935	Oct. 30, 1996-2006	CAN	Serial	6.750	312,858	2,252,018	-
7054/97	3,510,000	June 27, 1997-2007	CAN	Serial	6.337	222,413	270,000	-
7368/99	1,535,000	Feb. 2, 1999-2009	CAN	5.000	5.350	82,123	46,422	268,179
5286/89	7,950,000	Dec. 14, 1989-2009	CAN	5.000	10.000	795,000	240,429	5,200,185
8138/02	9,156,219	Jan. 17, 2003-2013	CAN	Serial	4.651	425,877	821,823	-
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	583,259
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	1,045,833
86/2003	5,247,365	Mar 24, 2004-2014	CAN	Serial	3.663	192,236	434,000	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	774,776
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	1,213,722
	48,240,852					3,474,377	4,637,430	13,803,814
CULTURE AND RECREATION (parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)								
5507/90	2,544,405	Oct. 1, 1990-2005	CAN	5.000	11.700	297,695	117,914	2,339,751
6897/96	1,429,105	Oct. 30, 1996-2006	CAN	Serial	6.750	96,465	694,372	-
5286/89	10,967,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,096,700	331,670	7,173,639
8138/02	9,410,737	Jan. 17, 2003-2013	CAN	Serial	4.651	437,715	844,668	-
86/2003	1,395,115	Mar 24, 2004-2014	CAN	Serial	3.663	51,110	115,387	-
	25,746,362					1,979,685	2,104,011	9,513,390

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
PARKS AND RECREATION								
7054/97	1,495,000	June 27, 1997-2007	CAN	Serial	6.337	94,731	115,000	-
7368/99	2,739,900	Feb. 2, 1999-2009	CAN	5.000	5.350	146,585	82,862	478,687
6090/93	5,360,525	Feb. 11, 1993-2013	CAN	5.000	9.375	502,549	162,116	2,405,056
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	2,250,229
86/2003	670,704	Mar 24, 2004-2014	CAN	Serial	3.663	24,571	55,472	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	292,498
	16,764,788					1,297,892	611,986	5,426,470
LIBRARIES								
7054/97	260,000	June 27, 1997-2007	CAN	Serial	6.337	16,475	20,000	-
7368/99	376,500	Feb. 2, 1999-2009	CAN	5.000	5.350	20,143	11,386	65,778
6090/93	100,000	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	44,866
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	29,097
86/2003	270,445	Mar 24, 2004-2014	CAN	Serial	3.663	9,908	22,368	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	303	3,441
	1,089,985					62,657	59,290	143,182

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
PROTECTION (firehalls, police garage and public safety building)								
5507/90	567,277	Oct. 1, 1990-2005	CAN	5.000	11.700	66,371	26,289	521,650
6897/96	592,562	Oct. 30, 1996-2006	CAN	Serial	6.750	39,998	287,913	-
5286/89	940,000	Dec. 14, 1989-2009	CAN	5.000	10.000	94,000	28,428	614,865
8138/02	4,315,634	Jan. 17, 2003-2013	CAN	Serial	4.651	200,730	387,353	-
86/2003	1,239,379	Mar 24, 2004-2014	CAN	Serial	3.663	45,404	102,507	-
	7,654,852					446,503	832,490	1,136,515
FIRE								
7368/99	403,500	Feb. 2, 1999-2009	CAN	5.000	5.350	21,587	12,203	70,495
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	583,259
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	5,494
86/2003	333,621	Mar 24, 2004-2014	CAN	Serial	3.663	12,222	27,593	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	61	688
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	445,857
	3,852,912					269,470	134,021	1,105,793

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
POLICE								
7054/97	780,000	June 27, 1997-2007	CAN	Serial	6.337	49,425	60,000	-
7368/99	2,066,000	Feb. 2, 1999-2009	CAN	5.000	5.350	110,531	62,481	360,949
6090/93	1,600,000	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	717,857
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	133,722
86/2003	64,907	Mar. 24, 2004-2014	CAN	Serial	3.663	2,378	5,368	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	34,412
	<u>4,946,585</u>					<u>348,313</u>	<u>189,413</u>	<u>1,246,940</u>
HEALTH AND SOCIAL DEVELOPMENT (urban renewal, community health centres and hospital capital grants)								
5507/90	1,334,770	Oct. 1, 1990-2005	CAN	5.000	11.700	156,168	61,856	1,227,411
6897/96	508,393	Oct. 30, 1996-2006	CAN	Serial	6.750	34,317	247,018	-
5286/89	1,030,000	Dec. 14, 1989-2009	CAN	5.000	10.000	103,000	31,150	673,735
8138/02	2,289,236	Jan. 17, 2003-2013	CAN	Serial	4.651	106,478	205,472	-
6090/93	150,000	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	67,299
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	5,068
86/2003	1,198,214	Mar. 24, 2004-2014	CAN	Serial	3.663	43,896	99,102	-
	<u>6,523,336</u>					<u>458,940</u>	<u>649,519</u>	<u>1,973,513</u>
GENERAL GOVERNMENT								
5507/90	<u>188,536</u>	Oct. 1, 1990-2005	CAN	5.000	11.700	<u>22,059</u>	<u>8,737</u>	<u>173,372</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
SPECIAL PROJECTS								
7054/97	520,000	June 27, 1997-2007	CAN	Serial	6.313	32,950	40,000	-
5286/89	4,800,000	Dec. 14, 1989-2009	CAN	5.000	10.000	480,000	145,164	3,139,734
8138/02	3,609,943	Jan. 17, 2003-2013	CAN	Serial	4.651	167,907	324,013	-
6090/93	14,098,000	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,688	426,360	6,325,216
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	903,223
86/2003	1,393,009	Mar. 24, 2004-2014	CAN	Serial	3.663	51,033	115,213	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	229,525
	27,355,276					2,295,828	1,139,492	10,597,698
CONVENTION CENTRE								
5286/89	500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	50,000	15,121	327,056
8138/02	215,149	Jan. 17, 2003-2013	CAN	Serial	4.651	10,007	19,311	-
6090/93	225,000	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	100,949
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	1,066,758
	4,040,149					363,976	134,989	1,494,763
CITY DEVELOPMENT AND DEV. AGREEMENTS								
6897/96	74,783	Oct. 30, 1996-2006	CAN	Serial	6.750	5,048	36,335	-
OVERHEAD WALKWAYS								
86/2003	174,300	Mar. 24, 2004-2014	CAN	Serial	3.663	6,385	14,416	-

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
CORE AREA PROGRAM								
5507/90	4,103,583	Oct. 1, 1990-2005	CAN	5.000	11.700	480,119	190,169	3,773,521
6897/96	346,563	Oct. 30, 1996-2006	CAN	Serial	6.750	23,393	168,388	-
5286/89	12,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,200,000	362,911	7,849,336
8138/02	9,680,315	Jan. 17, 2003-2013	CAN	Serial	4.651	450,254	868,864	-
86/2003	4,417,484	Mar. 24, 2004-2014	CAN	Serial	3.663	161,834	365,362	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	80,867
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	247,698
	31,782,945					2,399,544	1,993,041	11,951,422
NORTH PORTAGE DEVELOPMENT								
5507/90	417,115	Oct. 1, 1990-2005	CAN	5.000	11.700	48,802	19,330	383,566
8138/02	1,334,399	Jan. 17, 2003-2013	CAN	Serial	4.651	62,066	119,770	-
	1,751,514					110,868	139,100	383,566
NORTH ELLICE NEIGHBORHOOD								
5507/90	20,856	Oct. 1, 1990-2005	CAN	5.000	11.700	2,440	967	19,178
LAND ACQUISITION								
86/2003	162,442	Mar. 24, 2004-2014	CAN	Serial	3.663	5,951	13,435	-

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
INFRASTRUCTURE								
7368/99	2,100,000	Feb. 2, 1999-2007	CAN	5.000	5.350	112,350	63,509	366,890
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	8,602,888
	27,100,000					2,393,600	819,574	8,969,778
INFRASTRUCTURE - STREETS AND BRIDGE								
7054/97	1,610,700	June 27, 1997-2007	CAN	Serial	6.337	102,063	123,900	-
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	396,317
	3,210,700					202,063	172,284	396,317
INFRASTRUCTURE - LAND DRAINAGE								
7054/97	1,144,845	June 27, 1997-2007	CAN	Serial	6.337	72,544	88,065	-
INFRASTRUCTURE - PARKS AND RECREATION								
7054/97	251,355	June 27, 1997-2007	CAN	Serial	6.337	15,927	19,335	-
COMMUNITY IMPROVEMENT PROGRAM								
7368/99	1,250,000	Feb. 2, 1999-2009	CAN	5.000	5.350	66,875	37,803	218,387
WINNIPEG DEVELOPMENT AGREEMENT								
7368/99	2,000,000	Feb. 2, 1999-2009	CAN	5.000	5.350	107,000	60,485	349,419

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
SPECIAL PROJECTS - PARKS AND RECREATION								
7368/99	1,215,000	Feb. 2, 1999-2009	CAN	5.000	5.350	65,003	36,745	212,272
SPECIAL PROJECTS - COMMUNITY SERVICES								
7368/99	428,500	Feb. 2, 1999-2009	CAN	5.000	5.350	22,925	12,959	74,863
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
7368/99	2,367,000	Feb. 2, 1999-2009	CAN	5.000	5.350	126,635	71,584	413,537
SPECIAL PROJECTS - ASSESSMENT								
7368/99	1,582,500	Feb. 2, 1999-2009	CAN	5.000	5.350	84,664	47,859	276,478
SPECIAL PROJECTS - CORPORATE FINANCE								
7368/99	90,000	Feb. 2, 1999-2009	CAN	5.000	5.350	4,815	2,722	15,724
SPECIAL PROJECTS - BUSINESS LIAISON								
7368/99	5,000	Feb. 2, 1999-2009	CAN	5.000	5.350	268	151	873
Tax-Supported Total	435,829,225					32,582,041	25,080,329	139,923,628

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
TRANSIT SYSTEM								
5507/90	6,894,277	Oct. 1, 1990-2005	CAN	5.000	11.700	806,630	319,496	6,339,752
6897/96	257,496	Oct. 30, 1996-2006	CAN	Serial	6.750	17,381	125,112	-
7054/97	975,000	June 27, 1997-2007	CAN	Serial	6.337	61,781	75,000	-
5286/89	3,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	300,000	90,728	1,962,334
8138/02	3,488,624	Jan. 17, 2003-2013	CAN	Serial	4.651	162,264	313,124	-
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	2,243,303
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	2,589,374
86/2003	1,976,217	Mar. 24, 2004-2014	CAN	Serial	3.663	72,398	163,449	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	2,408,809
	35,091,614					3,047,954	1,646,397	15,543,572
WATERWORKS SYSTEM								
5507/90	1,008,370	Oct. 1, 1990-2005	CAN	5.000	11.700	117,979	46,730	927,264
6897/96	4,651,770	Oct. 30, 1996-2006	CAN	Serial	6.750	313,995	2,260,198	-
5286/89	1,500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	150,000	45,364	981,167
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	2,243,303
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,153	5,178,748
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	8,602,888
	50,160,140					4,371,974	3,652,723	17,933,370

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
SEWAGE DISPOSAL SYSTEM								
5507/90	17,926,518	Oct. 1, 1990-2005	CAN	5.000	11.700	2,097,403	830,756	16,484,642
6897/96	768,357	Oct. 30, 1996-2006	CAN	Serial	6.750	51,864	373,329	-
5286/89	11,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,100,000	332,669	7,195,225
8138/02	9,069,174	Jan. 17, 2003-2013	CAN	Serial	4.651	421,828	814,011	-
6090/93	40,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	17,946,422
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	13,942,784
86/2003	3,781,375	Mar. 24, 2004-2014	CAN	Serial	3.663	138,530	312,751	-
	117,545,424					10,359,625	4,931,710	55,569,073
SOLID WASTE DISPOSAL								
5507/90	517,223	Oct. 1, 1990-2005	CAN	5.000	11.700	60,515	23,969	475,622
6897/96	180,247	Oct. 30, 1996-2006	CAN	Serial	6.750	12,167	87,578	-
5286/89	1,935,000	Dec. 14, 1989-2009	CAN	5.000	10.000	193,500	58,519	1,265,705
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	344,116
	3,632,470					357,432	200,309	2,085,443

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2004

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2005		Sinking Fund Reserve at Dec. 31, 2004
				Sinking Fund	Debt	Interest	Principal	
CIVIC ACCOMMODATIONS								
5507/90	400,431	Oct. 1, 1990-2005	CAN	5.000	11.700	46,850	18,557	368,223
6897/96	418,045	Oct. 30, 1996-2006	CAN	Serial	6.750	28,218	203,119	-
7054/97	780,000	June 27, 1997-2007	CAN	Serial	6.337	49,425	60,000	-
7368/99	6,476,500	Feb. 2, 1999-2009	CAN	5.000	5.350	346,493	195,866	1,131,506
5286/89	1,668,000	Dec. 14, 1989-2009	CAN	5.000	10.000	166,800	50,445	1,091,058
8138/02	3,147,370	Jan. 17, 2003-2013	CAN	Serial	4.651	146,392	282,495	-
6090/93	1,799,000	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,407	807,140
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	3,192,629
86/2003	3,405,067	Mar. 24, 2004-2014	CAN	Serial	3.663	124,744	281,627	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,551	51,800
	26,259,271					1,732,460	1,393,441	6,642,356
Utility Total	232,688,919					19,869,445	11,824,580	97,773,814
Unallocated Sinking Fund Surplus								2,134,774
Grand Total	\$ 668,518,144					\$ 52,451,486	\$ 36,904,909	\$ 239,832,216



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