

Winnipeg

2005 DETAILED FINANCIAL STATEMENTS



COMPANION TO 2005 ANNUAL FINANCIAL 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 2005 consolidated financial statements, which are prepared in accordance with Canadian generally accepted accounting principles. Management has also prepared the following Financial Statement Discussion and Analysis, which comments on the year's activity, 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.

Status of the City of Winnipeg

Located at the junction of the Assiniboine and Red Rivers, Winnipeg is at the geographic centre of North America. It is the seventh largest city in Canada with a population of approximately 650,000, and it is the provincial capital of Manitoba. The City has the most diverse economy of major cities in Canada.

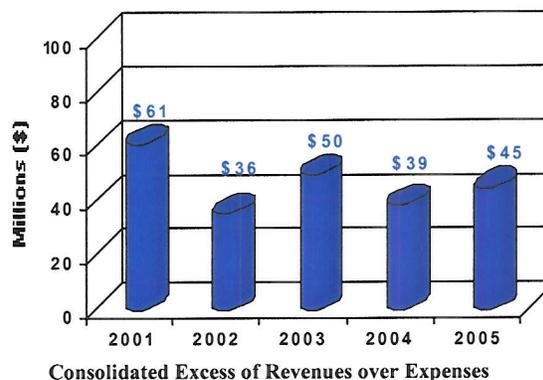
The City of Winnipeg was created on January 1, 1972 pursuant to **The City of Winnipeg Act**, a statute of the Legislature of the Province of Manitoba. It continued as a body corporate by virtue of the enactment of **The City of Winnipeg Charter** on January 1, 2003. The City employs approximately 8,700 staff and provides a wide variety of services to its citizens. Services offered include police, fire, ambulance, transit, water and sewage, to name a few.

Results of Operations

The Consolidated Statement of Operations and Net Assets reports the City's changes in economic resources, obligations, and net assets for 2005, on a comparative basis. As the annual excess of revenues over expenses was positive, it indicates that the revenues raised during the year were sufficient to cover costs.

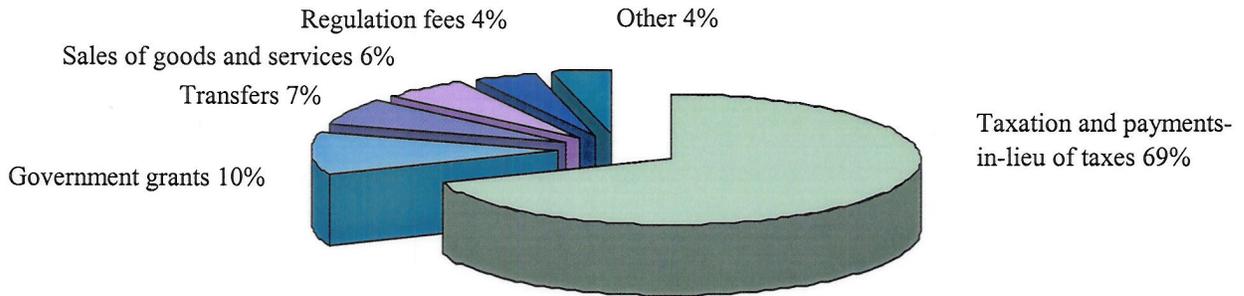
During the year, The City of Winnipeg recorded revenues of \$1,003.5 million (2004 - \$968.9 million) and expenses of \$958.8 million (2004 - \$929.9 million). As a result, net assets increased by \$44.7 million (2004 - \$39.0 million). Consolidated revenues increased by \$34.6 million in 2005 from 2004, due mainly to a \$16.0 million increase in sales of services and regulatory fees and a \$11.7 million increase in taxation. Sales of services and regulatory fees include revenue sources such as water and sewage services, transit fares, and ambulance services. Increased revenue was generated partially by sewer services rates that increased to 3.39 per 100 cubic feet from 3.11 per 100 cubic feet. Also Transit increased its fares and ridership by 3% each during the year.

The major components of taxation revenue are property, business, local improvements, and electricity and gas tax. Municipal property tax revenue, excluding school property taxes, grew from its 2004 level of \$366.2 million to \$373.4 million as a result of assessment growth.



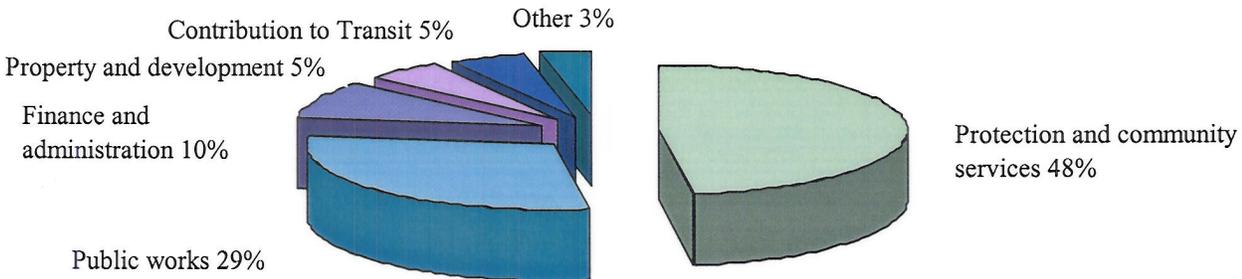
Consolidated expenses grew by \$28.9 million from the previous year. This is comprised of increases and decreases to various expense categories. The major increase resulted from an additional \$13.2 million spent on public works operations primarily due to heavy snowfall levels and summer storms.

The consolidated financial statements include the activities recorded in the General Revenue Fund, which reports on property tax-supported operations. These operations consist of services such as police, fire, recreation, library, street maintenance and other general government activities. Tax-supported services are 52% (2004 - 52%) funded by municipal realty tax revenues.



General Revenue Fund 2005 Actual Revenues

During 2005, the General Revenue Fund recorded revenues and expenses of \$711.5 million (2004 - \$697.7 million).



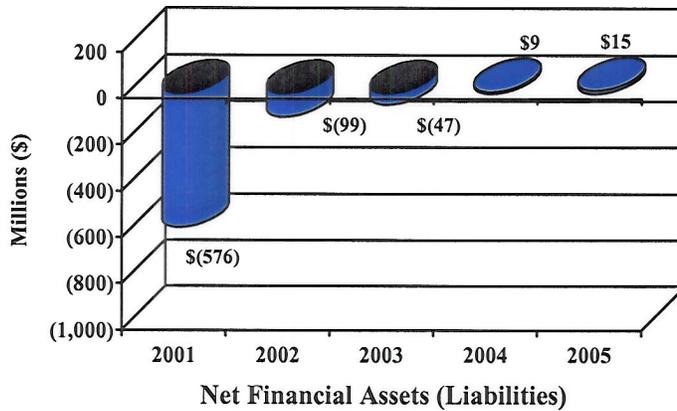
General Revenue Fund 2005 Actual Expenses

The budget for the property tax-supported operations was adopted by City Council on March 22, 2005. During the budget process the City faced several challenges to produce a balanced budget while maintaining its commitment to a competitive tax environment. These challenges included inflationary increases, maintaining service levels to meet program needs, and infrastructure maintenance and renewal requirements. The result was another approved budget with no increase to property taxes following eight years of reductions and freezes. Within the budget, funding for public safety remained a priority, as did continued fiscal restraint, while frontline essential services were maintained. The business tax rate for businesses located in the downtown geographic area was reduced to 7.75%, while the rate for other businesses remained at its 1996 level of 9.75%.

During 2005, several unexpected events occurred that impacted the financial results of the City's property tax-supported operations. The City experienced high snowfall levels, an increased contribution to the Transit System Fund largely as a result of increased diesel fuel prices, and higher policing costs. These areas were identified early in 2005, which allowed City Council and the Administration to initiate a discretionary spending freeze and transfer surpluses from various funds.

Financial Position

The Consolidated Statement of Financial Position reports the City's financial and non-financial resources,



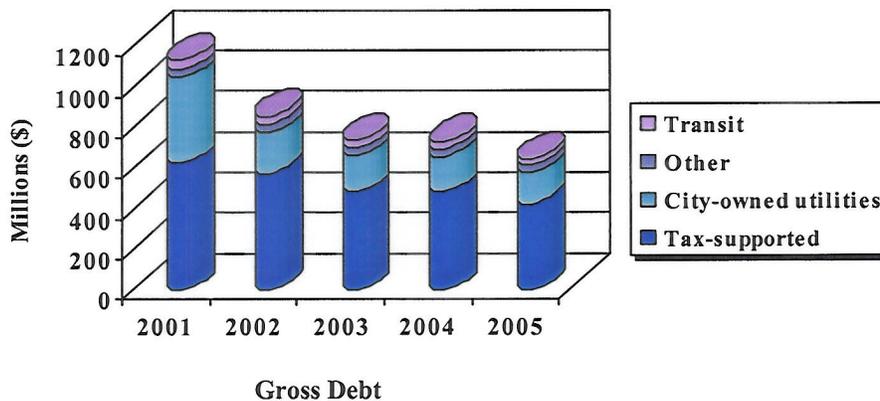
obligations and net assets as at December 31, 2005, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities and to meet its liabilities and commitments. An important indicator on the Statement of Financial Position is the City's net

financial assets 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, 2005, the City was in a net financial asset position of \$14.9 million (2004 - \$8.7 million). The improved position is comprised of various positive elements including the increase in net revenues over expenses during the year.

Debt Management

The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under **The City of Winnipeg Charter** the City is required to make annual payments towards the retirement of sinking fund debt. These annual payments are invested in government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures. By investing in bonds and debentures of investees that are considered to be high quality credits, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

During 2005 a sinking fund debenture originally issued in 1990 for \$66.4 million at a rate of 11.7% matured and repayment in full was made from the Sinking Fund. By 2017, all of the outstanding sinking fund debt will mature. Repayment of debt will be made in full from the Sinking Fund except for \$50.0 million that will become payable in 2009. This debenture will have a sinking fund shortfall of \$31.0 million.



The City also has serial and installment debt that have varying maturities up to 2014 and carry a weighted average interest rate of 4.82% (2004 - 4.79%). Annual payments are made on both the principal and interest portion of the debt outstanding to investors. In addition, the City has guaranteed the payment of principal and interest on capital loans for several third parties totalling \$7.3 million (2004 - \$7.8 million). The City is confident that there will be no call for payment relating to these guarantees.

In 2005, Standard & Poor's and Moody's Investors Service advised the City that its credit rating would be maintained at AA and Aa2, respectively. These debt ratings contribute to the City's ability to access capital markets.

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 \$198.9 million from 1999, 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 \$115.3 million in debt over the next few years to finance a water treatment plant estimated to cost \$230.1 million. The Water Treatment Reserve, which was established on December 17, 1993, has a balance at December 31, 2005 of \$73.7 million (2004 - \$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, 2005 of \$52.3 million.

Capital Expenditures

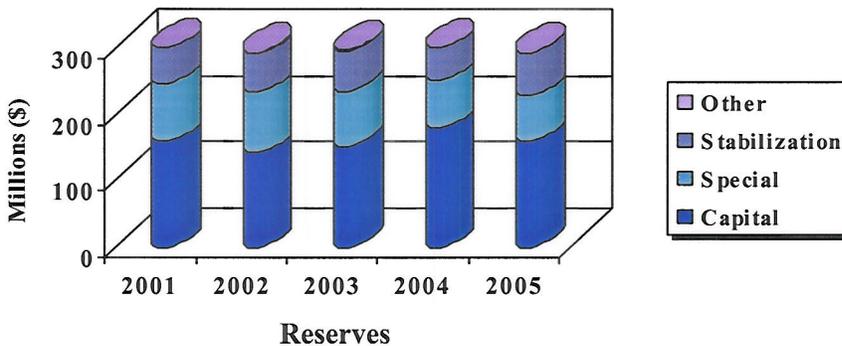
The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment and fiscal responsibility. The 2005 capital budget and the 2006 to 2010 five-year forecast was adopted by Council on December 13, 2004 and revisions were approved on March 22, 2005. The capital investment plan committed \$1.3 billion in spending over the next six years with \$298.5 million in 2005. Priority was given to the renewal and improvement of existing infrastructure with continued commitment to pay-as-you-go financing and no external debt for tax-supported programs. Areas of major capital investment included in the six-year plan were \$370 million for the sewage disposal system, \$249 million for the water system, \$243 million for the street system including bridges, and \$109 million for the transit system.

During 2005, the City spent \$182.9 million on capital projects (2004 - \$143.3 million), which included \$104.8 million for tax-supported projects. Spending on tax-supported projects was made primarily on residential streets, the Kenaston Underpass, completion of the Millennium Library and the Maryland Twin Bridges Rehabilitation. Capital projects 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 decreased by \$22.8 million overall from the prior year. The City's Capital Reserves balances dropped by \$19.9 million. In particular, the Water Treatment Reserve declined by \$19.5 million as work started on the water treatment plant. 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 to fund expenditures such as a Snow Clearing Reserve, declined by \$3.2 million.

Stabilization Reserves were created to offset the effect of major unexpected expenses or fund deficits



recorded in the property tax-supported operating budget. During 2005, 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.

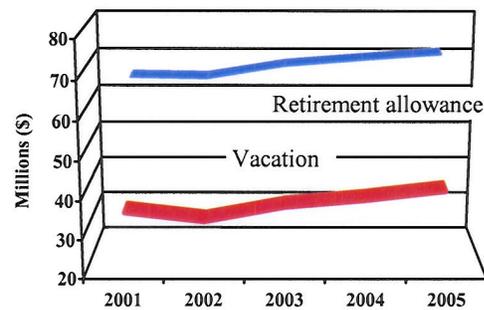
Accounting Policies

The significant accounting policies used in preparing the City's consolidated financial statements are summarized in Note 2 to these statements. The accounting policies section of the financial statements sets out management's decisions concerning estimates that may significantly impact the City's financial results. The precision of these estimates and the likelihood of future changes depend on a number of underlying variables and a range of possible outcomes. The following is a discussion of these critical accounting estimates.

Employee Benefits

The City provides pension and sick leave benefit plans for qualified employees. The cost of these employee benefits are actuarially determined each year. These calculations use management's best estimate of a number of assumptions. The critical assumptions made by management are the long-term rate of investment return on plan assets, certain employee-related factors such as turnover, retirement age and mortality, salary escalation and the discount rate used to value liabilities. Management applies judgment in the selection of these assumptions, based on past experience and on forecasts of future economic and investment conditions.

As these assumptions relate to factors that are long term in nature, they are subject to a degree of uncertainty. Differences between actual experience and the assumptions, as well as revisions to the assumptions resulting from changes in future expectations, may lead to adjustments to the City's pension and sick leave benefits expense in future years.



The City has a number of pension plans.

The two major plans are The Winnipeg Civic Employees' Pension Plan and the Winnipeg Police Pension Plan. Both Plans have funding surpluses that allow the City to take advantage of decreased contributions to the Plans.

The Winnipeg Civic Employees' Pension Plan is similar to a defined contribution pension plan, the terms of which eliminate the City's exposure to future unfunded liabilities. The Plan is a multi-employer contributory plan governed by an independent board of directors. The Police Plan is a defined benefit plan with the City being responsible for unfunded liabilities. The funded surpluses of the Plans are not recorded on the City's consolidated financial statement.

Environmental Liabilities

The City is responsible for future landfill closure and post closure care requirements defined in accordance with the **Environmental Act**. In determining the City's environmental liability management has estimated the total cost to cover and landscape the landfill along with site maintenance, available site capacity, and remaining life. The liability is measured on a discounted basis using the long-term cost of borrowing at year-end.

Tangible Capital Assets

The City has historically recorded tangible capital assets to match corresponding outstanding debt, equity allocated internally and from reserves for the purchase of these assets. Tangible capital assets are amortized at an amount equal to the principal repayments of the debt.

In April 2003, the Public Sector Accounting Board ("PSAB") approved a research project on accounting and reporting non-financial assets of local government. On March 9, 2006, PSAB issued an exposure draft, which if approved, would require local governments to record and amortize capital assets. At this time, the impact of the exposure draft on the City's financial statements is not determinable.

Organizational Changes

On January 1, 2005, Winnipeg Parking Authority, a new Special Operating Agency ("SOA"), commenced operations. Its focus is on providing, maintaining, and optimizing the use of fee-based on-street parking and off-street parking, as well as the ongoing monitoring and management of municipally-owned parking spaces across the city.

There are four other SOAs operating within the City's organization including, Animal Services (2000), Glacial Sand and Gravel (2001), Winnipeg Golf Services (2002), and Fleet Management (2003). SOAs provide services as special units of The City. They are granted more direct responsibility for results and increased management flexibility needed to attain planned levels of performance.

SOAs have been given the authority to provide direct public services, internal services, or regulatory and enforcement programs. SOA status is granted when it is in the City's interest that they remain within the government but require greater freedom to manage in a more business-like manner. Each SOA is governed by its own operating charter and prepares an annual business plan for adoption by City Council.

Effective March 31, 2005, Winnipeg Enterprises Corporation ("WEC") wound-down its operations and is being managed by The City of Winnipeg. WEC owned the Winnipeg Arena and the Winnipeg Stadium. In 2004, the MTS Centre commenced operations and the Arena was scheduled for demolition and the land was sold.

Financing Infrastructure

As with other municipalities in North America, the City of Winnipeg is experiencing a 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. On November 18, 2005, an "Agreement on the Transfer of Federal Gas Tax Revenues" was signed between The Governments of Canada and Manitoba. The agreement provides stable, reliable and predictable funding to the City for environmentally sustainable infrastructure. Eligible projects include public transit, water, wastewater, and solid waste. The 2006 six-year capital plan reflects \$101.2 million from the Federal Government, which represents the City's share of the federal gas tax revenue.

Controls and Procedures

Over the past year a number of reviews were conducted by the City Auditor. Reviews included an audit of the City's purchasing card system, the photo radar program, and SOAs. Administration considers all internal control recommendations seriously and balances the cost of implementation against available resources and the extent of controls required to mitigate potential areas of concern. The City has a satisfactory level of controls required to ensure the accuracy of its financial statements.

Looking Forward

On February 21, 2006, City Council approved the 2006 Capital Budget and the 2007 to 2011 Five-Year Forecast. This six-year plan includes \$87.0 million of funding from the Senior levels of government through the Canada Strategic Infrastructure Fund, which will go toward completion of the Kenaston Underpass project, three pollution control centres and recreation and leisure facilities. It is anticipated the Federal Government will also be providing \$28.7 million under Bill C-66 over 2007 to 2008. In addition, the Province of Manitoba has continued with its commitment to fund capital projects through the new framework of the Building Manitoba Fund with approximately \$59.6 million dedicated for roads and transit over the next 6 years. The City will also be working with the Province to select projects for funding under the new Manitoba/Winnipeg Infrastructure Program - formerly Urban Capital Project Allocation - totalling \$70.0 million over six years.

On March 21, 2006, City Council approved the 2006 operating budget. The 2006 mill rate was reduced from 29.686 to 25.448 to reflect the recent general assessment. As a result 2006 property tax revenue will remain at 2005 levels, after adjusting for new assessable properties. Consequently, there will be nine years of property tax freezes or reductions. The City's business tax rate remained fixed at the 2005 level of 7.75% for the downtown geographic area, while being frozen at the 1996 level for areas outside the downtown. In addition, all increases in business taxes resulting from the 2006 general assessment will be limited to 15%. As a result the 2006 business tax revenue will remain at its 2005 level.

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

A handwritten signature in dark ink, appearing to read "R. Gannon", with a horizontal line underneath it.

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.

A handwritten signature in dark ink, appearing to read "R. Gannon", with a horizontal line underneath.

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, 2005 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, 2005 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 7, 2006

Chartered Accountants

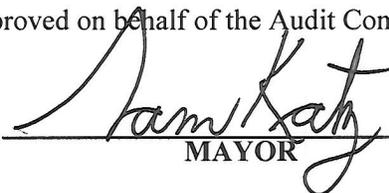
**THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

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

	<u>2005</u>	<u>2004</u> (Restated Note 21)
FINANCIAL ASSETS		
Cash and short-term investments	\$ 430,457	\$ 551,697
Accounts receivable (Note 3)	136,764	142,541
Investments (Note 4)	<u>349,943</u>	<u>368,019</u>
	<u>917,164</u>	<u>1,062,257</u>
LIABILITIES		
Notes payable (Note 5)	137,570	250,777
Accounts payable and accrued liabilities (Note 6)	138,730	129,939
Deferred revenue	<u>6,723</u>	<u>9,408</u>
	<u>283,023</u>	<u>390,124</u>
Debt (Note 7)	447,857	494,840
Other liabilities (Note 8)	41,813	44,579
Retirement allowance, compensated absences and other liabilities (Note 9)	<u>129,607</u>	<u>123,969</u>
	<u>902,300</u>	<u>1,053,512</u>
NET FINANCIAL ASSETS	<u>14,864</u>	<u>8,745</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 10)	942,408	903,714
Inventories	14,457	13,699
Prepaid expenses	<u>2,996</u>	<u>3,909</u>
	<u>959,861</u>	<u>921,322</u>
NET ASSETS	<u>\$ 974,725</u>	<u>\$ 930,067</u>
Commitments and contingencies (Notes 11, 14 and 18)		
Comprised of:		
Surplus (Note 12)	\$ 681,041	\$ 613,599
Reserves (Note 13)	<u>293,684</u>	<u>316,468</u>
	<u>\$ 974,725</u>	<u>\$ 930,067</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>2005</u>	<u>2004</u>
		(Restated Note 21)
REVENUES		
Taxation (Note 14)	\$ 503,397	\$ 491,698
Sales of services and regulatory fees (Note 15)	344,207	328,206
Government grants and transfers (Note 16)	102,509	94,100
Interest	41,681	44,638
Land sales and other revenue	11,697	10,241
	<u>1,003,491</u>	<u>968,883</u>
EXPENSES (Note 17)		
Protection and community services	303,985	300,646
Public works	227,617	214,463
Utility operations	218,855	217,171
Property and development	62,126	53,675
Finance and administration	61,538	65,425
General government	56,068	47,324
Civic corporations	28,644	31,214
	<u>958,833</u>	<u>929,918</u>
Total Revenues		
Excess Revenues Over Expenses	44,658	38,965
NET ASSETS, BEGINNING OF YEAR	<u>930,067</u>	<u>891,102</u>
NET ASSETS, END OF YEAR	<u>\$ 974,725</u>	<u>\$ 930,067</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)

	<u>2005</u>	<u>2004</u>
		(Restated Note 21)
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Excess Revenues Over Expenses	\$ 44,658	\$ 38,965
Non-cash charges to operations		
Amortization	78,178	76,214
Other	<u>3,917</u>	<u>6,660</u>
Working capital from operations	126,753	121,839
Net change in working capital other than cash assets	<u>11,073</u>	<u>(11,979)</u>
Cash provided by operating transactions	<u>137,826</u>	<u>109,860</u>
CAPITAL		
Acquisition of tangible capital assets (Note 10)	(138,749)	(96,920)
Government of Canada capital grants	6,814	6,089
Province of Manitoba capital grants	<u>14,871</u>	<u>35,974</u>
	<u>(117,064)</u>	<u>(54,857)</u>
FINANCING		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(9,520)	(9,208)
Debenture and serial debt retired	(87,292)	(49,216)
Sinking fund investments applied to debt redemption	66,424	32,985
Sinking fund debenture installments	(16,038)	(17,899)
Serial debt issued	-	46,392
Other	<u>(549)</u>	<u>(3,470)</u>
	<u>(46,975)</u>	<u>(416)</u>
INVESTING		
Sale (purchase) of investments	<u>18,180</u>	<u>(1,744)</u>
(Decrease) increase in cash assets	(8,033)	52,843
CASH ASSETS, BEGINNING OF YEAR	<u>300,920</u>	<u>248,077</u>
CASH ASSETS, END OF YEAR	<u>\$ 292,887</u>	<u>\$ 300,920</u>
COMPONENTS OF CASH ASSETS		
Cash and short-term investments	\$ 430,457	\$ 551,697
Notes payable	<u>(137,570)</u>	<u>(250,777)</u>
	<u>\$ 292,887</u>	<u>\$ 300,920</u>

See accompanying notes to the consolidated financial statements

**THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CHANGE IN
NET FINANCIAL ASSETS**

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

	<u>2005</u>	<u>2004</u> (Restated Note 21)
<i>EXCESS REVENUES OVER EXPENSES</i>	\$ 44,658	\$ 38,965
Amortization of tangible capital assets	78,178	76,214
Province of Manitoba grants for capital asset purchases	14,871	35,974
Government of Canada grants for capital asset purchases	6,814	6,089
Change in other non-financial assets	347	(1,620)
Acquisition of tangible capital assets (Note 10)	(138,749)	(96,920)
<i>INCREASE IN NET FINANCIAL ASSETS</i>	6,119	58,702
<i>NET FINANCIAL ASSETS (LIABILITIES), BEGINNING OF YEAR</i>	8,745	(49,957)
<i>NET FINANCIAL ASSETS, END OF YEAR</i>	\$ 14,864	\$ 8,745

See accompanying notes to the consolidated financial statements

THE CITY OF WINNIPEG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

As at December 31, 2005

(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 designated 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 accounting 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 2005, 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 Enterprise 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
* Winnipeg Parking Authority -
Special Operating Agency

Other Entities:

Winnipeg Public Library Board
The Convention Centre Corporation
Destination Winnipeg Inc.
Winnipeg Enterprises Corporation
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 (2004 - \$0.3 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.

Separate financial statements for each of the above-noted entities, including the pension, group life insurance and trust funds, are included in the 2005 Detailed Financial Statements Report, a companion document to the City's 2005 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 30, 2006, and have an effective average interest rate of 3.3% (2004 - 2.6%).

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 benefit 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 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.

The tangible capital assets of the Sewage Disposal System and Waterworks System Funds are recorded at cost and amortized over their expected useful life commencing at various times from 2003 onwards, with the Transit System Fund commencing in 2005. 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.

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*

	<u>2005</u>	<u>2004</u>
Property, payments-in-lieu and business taxes receivable	\$ 37,698	\$ 40,436
Allowance for property, payments-in-lieu and business tax arrears	(6,364)	(6,394)
	<u>31,334</u>	<u>34,042</u>
Trade accounts and other receivables	70,114	65,731
Province of Manitoba	27,621	40,222
Government of Canada	10,967	5,435
Allowance for doubtful accounts	(3,272)	(2,889)
	<u>105,430</u>	<u>108,499</u>
	<u>\$ 136,764</u>	<u>\$ 142,541</u>

4. *Investments*

	<u>2005</u>	<u>2004</u>
Marketable securities		
Provincial bonds, bond residues and coupons	\$ 49,754	\$ 58,877
Government of Canada bonds, bond residues, coupons and treasury bills	44,154	40,552
Other	-	3,000
	<u>93,908</u>	<u>102,429</u>
Manitoba Hydro long-term receivable	253,539	262,772
Other investments	2,496	2,818
	<u>\$ 349,943</u>	<u>\$ 368,019</u>

The aggregate market value of marketable securities at December 31, 2005 is \$96.8 million (2004 - \$105.7 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*

	<u>2005</u>	<u>2004</u>
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 98,666	\$ 157,752
Winnipeg Police Pension Plan	23,572	26,822
The Sinking Fund Trustees of The City of Winnipeg	11,639	64,702
Civic Employees' Group Life Insurance Plan	3,693	1,499
Council Members' (Pre-1972) Pension Plan	-	2
	<u>\$ 137,570</u>	<u>\$ 250,777</u>

The City finances short-term borrowing requirements from various entities at market rates of interest, which have an effective average interest rate of 2.6% (2004 - 2.2%). These notes are callable by the issuers.

6. *Accounts Payable and Accrued Liabilities*

	<u>2005</u>	<u>2004</u>
Accrued liabilities	\$ 73,365	\$ 76,397
Trade accounts payable	53,620	39,332
Accrued interest payable	11,745	14,210
	<u>\$ 138,730</u>	<u>\$ 129,939</u>

7. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2005</u>	<u>2004</u>
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 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>428,500</u>	494,924
Equity in Sinking Fund					<u>(198,965)</u>	(239,831)
Net sinking fund debentures outstanding					<u>229,535</u>	255,093
Other debt outstanding						
Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.82% (2004 - 4.79%)					152,726	173,594
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 8.63% (2004 - 8.59%)					41,976	41,451
Capital lease obligations (Note 7c)					<u>23,620</u>	24,702
					<u>\$ 447,857</u>	<u>\$ 494,840</u>

Debt to be retired over the next five years:

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011+</u>
Sinking fund debentures \$	-	-	-	135,500	-	293,000
Other debt	29,072	34,913	16,078	17,039	17,964	103,256
	<u>\$ 29,072</u>	<u>\$ 34,913</u>	<u>\$ 16,078</u>	<u>\$ 152,539</u>	<u>\$ 17,964</u>	<u>\$ 396,256</u>

7. *Debt (continued)*

- a) Sinking fund assets have a market value of \$216.7 million (2004 - \$262.2 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 \$17.4 million (2004 - \$116.7 million) and a market value of \$18.9 million (2004 - \$120.4 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>
2006	\$ 3,299
2007	3,707
2008	3,275
2009	3,378
2010	3,378
Thereafter	<u>30,301</u>
Total future minimum lease payments	47,338
Amount representing interest at a weighted average rate of 9.40%	<u>(23,718)</u>
Capital lease liability	<u>\$ 23,620</u>

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

	<u>2005</u>	<u>2004</u>
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ -	\$ 19,000
Winnipeg Police Pension Plan	-	<u>4,000</u>
	<u>\$ -</u>	<u>\$ 23,000</u>

- e) Interest on debt recorded in the Statement of Operations in 2005 is \$53.7 million (2004 - \$60.2 million).
- f) Cash paid for interest during the year is \$56.1 million (2004 - \$60.9 million).

8. *Other Liabilities*

	<u>2005</u>	<u>2004</u> (Restated Note 21)
Other liabilities	\$ 22,554	\$ 28,446
Developer deposits	<u>5,259</u>	<u>5,133</u>
	27,813	33,579
Environmental liabilities (Note 18)	<u>14,000</u>	<u>11,000</u>
	<u>\$ 41,813</u>	<u>\$ 44,579</u>

Included in environmental liabilities is \$13.3 million (2004 - \$10.1 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 5.3% (2004 - 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 capacity of the City's one remaining landfill, the Brady Landfill Site, is 97% of its total capacity and its remaining life is approximately 100 years, after which perpetual post closure maintenance is required.

The Brady Landfill Site Rehabilitation Reserve was established for the purpose of providing funding for the future development of the Brady 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, 2005, the reserve had a balance of \$2.1 million (2004 - \$1.8 million).

9. *Retirement Allowance, Compensated Absences and Other Liabilities*

	<u>2005</u>	<u>2004</u> (Restated Note 21)
Retirement allowance - accrued obligation	\$ 80,580	\$ 75,328
Unamortized net actuarial loss	<u>(9,344)</u>	<u>(5,545)</u>
Retirement allowance - accrued liability	71,236	69,783
Compensated absences	47,808	45,193
Other	<u>10,563</u>	<u>8,993</u>
Retirement allowance, compensated absences and other liabilities	129,607	123,969
Accrued liabilities recorded in the Funds' financial statements	<u>(5,262)</u>	<u>(5,479)</u>
Unfunded retirement allowance, compensated absences and other liabilities (Note 12)	<u>\$ 124,345</u>	<u>\$ 118,490</u>

9. Retirement Allowance, Compensated Absences 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). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 11.1 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The City measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

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

	<u>2005</u>	<u>2004</u>
Retirement allowance - accrued liability		
Balance, beginning of year	\$ 69,783	\$ 67,983
Current service cost	3,649	3,636
Interest cost	3,877	3,927
Amortization of net actuarial loss	574	457
Benefit payments	<u>(6,647)</u>	<u>(6,220)</u>
Balance, end of year	<u>\$ 71,236</u>	<u>\$ 69,783</u>

Retirement allowance expense consist of the following:

	<u>2005</u>	<u>2004</u>
Current service cost	\$ 3,649	\$ 3,636
Interest cost	3,877	3,927
Amortization of net actuarial loss	<u>574</u>	<u>457</u>
	<u>\$ 8,100</u>	<u>\$ 8,020</u>

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

	<u>2005</u>	<u>2004</u>
Valuation interest rate	4.50%	5.25%
General increases in pay	3.00%	3.00%

10. Tangible Capital Assets

	2005	2004
Tax-supported municipal structures, facilities and initiatives		
Streets and bridges	\$ 331,045	\$ 332,408
Core area initiative and other special projects	141,923	147,114
Civic accommodations, equipment and other property	128,539	113,496
Land drainage sewers	52,453	53,861
Culture and recreation facilities	52,443	53,453
Public transportation vehicles and facilities	34,141	28,493
Protection facilities	25,229	26,631
Local improvements	9,390	3,973
Health and social development facilities	3,817	4,549
	778,980	763,978
Self-supporting entities		
Sewage collection, treatment and disposal facilities	87,463	82,766
Water supply and distribution facilities	69,869	50,679
Solid waste collection and disposal facilities	6,096	6,291
	163,428	139,736
	\$ 942,408	\$ 903,714

Capital assets are stated at cost less accumulated amortization. Accumulated amortization at December 31, 2005 is \$1,235.3 million (2004 - \$1,167.9 million).

Gross tangible capital acquisitions during the year were \$182.9 million (2004 - \$143.3 million), which was reduced by \$44.2 million (2004 - \$46.4 million) of internal financing from Reserves and Surpluses.

11. Commitments and Contingencies

The following significant commitments and contingencies existed at December 31, 2005:

- 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 are as follows:

	Operating Leases
2006	\$ 4,354
2007	3,685
2008	2,829
2009	1,251
2010	1,051
Thereafter	2,487
	\$ 15,657

- b) The City is a defendant in three significant lawsuits as at December 31, 2005. 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, 2005 is \$7.3 million (2004 - \$7.8 million).

12. Surplus

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

	<u>2005</u>	<u>2004</u> (Restated Note 21)
Appropriated		
Equity in Capital Assets	\$ 365,166	\$ 335,267
Sewage Disposal System	69,236	40,181
Waterworks System	14,735	9,967
General Capital Fund	5,255	4,474
Transit System	4,897	-
	<u>459,289</u>	<u>389,889</u>
Unappropriated		
Unamortized gain on Winnipeg Hydro sale	253,539	262,772
Waterworks System	63,324	28,502
Fleet Management - Special Operating Agency	24,199	25,320
Solid Waste Disposal	12,130	12,462
CentreVenture Development Corporation	10,980	9,869
General Revenue Enterprises Fund	5,028	5,445
Destination Winnipeg Inc.	1,001	989
The Sinking Fund Trustees of The City of Winnipeg	152	2,135
Other	(223)	(114)
Golf Services - Special Operating Agency	(1,127)	(104)
Glacial Sand and Gravel - Special Operating Agency	(1,415)	(604)
Winnipeg Parking Authority - Special Operating Agency	(1,533)	-
Sewage Disposal System	(5,958)	6,528
	<u>360,097</u>	<u>353,200</u>
Unfunded		
Environmental liabilities (Note 8)	(14,000)	(11,000)
Retirement allowance, compensated absences, and other liabilities (Note 9)	(124,345)	(118,490)
	<u>(138,345)</u>	<u>(129,490)</u>
	<u>\$ 681,041</u>	<u>\$ 613,599</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:

	<u>2005</u>	<u>2004</u> (Restated Note 21)
Non-financial assets	\$ 959,861	\$ 921,322
Debt (Note 7)	(447,857)	(494,840)
	<u>512,004</u>	<u>426,482</u>
Other surplus and reserve balances	<u>462,721</u>	<u>503,585</u>
Net Assets	<u>\$ 974,725</u>	<u>\$ 930,067</u>

13. Reserves

Consolidated reserves consist of the following restricted reserves:

	<u>2005</u>	<u>2004</u>
Capital Reserves		
Water Treatment Reserve	\$ 73,680	\$ 93,191
Environmental Projects Reserve	52,336	51,230
Combined Sewer Renewal Reserve	23,488	25,132
Brady Landfill Site Rehabilitation Reserve	2,114	1,845
Other	1,781	1,649
Golf Course Reserve	1,773	1,714
Watermain Renewal Reserve	1,710	2,005
Library Reserve	1,477	1,821
Computer Replacement Reserve	1,413	1,092
	<u>159,772</u>	<u>179,679</u>
Special Purpose Reserves		
General Purpose Reserve	13,244	14,060
Perpetual Maintenance Fund - Brookside Cemetery	9,891	9,523
Heritage Investment Reserve	8,744	8,888
Insurance Reserve	7,340	6,721
Workers Compensation Reserve	6,887	6,146
Land Operating Reserve	5,975	5,920
Commitment Reserve	4,310	4,174
Contributions in Lieu of Land Dedication Reserve	4,130	2,914
Economic Development Investment Reserve	3,225	5,474
Other	1,842	1,494
Housing Rehabilitation Investment Reserve	1,304	1,138
Assiniboine Park Enterprise Reserve	1,226	1,164
Idea Bank Reserve	907	1,336
Snow Clearing Reserve	-	3,272
	<u>69,025</u>	<u>72,224</u>
Stabilization Reserves		
Fiscal Stabilization Reserve	35,350	34,712
Mill Rate Stabilization Reserve	28,654	27,613
	<u>64,004</u>	<u>62,325</u>
Other Reserves	<u>883</u>	<u>2,240</u>
	<u>\$ 293,684</u>	<u>\$ 316,468</u>

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

	<u>2005</u>	<u>2004</u>
Taxation revenue	\$ 28,552	\$ 27,728
Interest revenue	9,406	8,992
Other revenue	8,661	8,576
Expended from the Reserves	(15,394)	(12,236)
Net transfer to the operating and capital funds	(54,009)	(14,493)
	<u>\$ (22,784)</u>	<u>\$ 18,567</u>

14. Taxation

	<u>2005</u>	<u>2004</u>
Municipal and school property taxes	\$ 784,395	\$ 779,677
Payments-in-lieu of property (municipal and school) and business taxes	<u>42,086</u>	<u>44,117</u>
	826,481	823,794
Payments to Province and school divisions	<u>(435,205)</u>	<u>(439,062)</u>
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	391,276	384,732
Business tax and license-in-lieu of business tax	61,243	60,891
Local improvement and frontage levies	28,136	27,479
Electricity and gas sales taxes	16,826	15,402
Amusement tax and mobile home license	<u>5,916</u>	<u>3,194</u>
	<u>\$ 503,397</u>	<u>\$ 491,698</u>

The property tax roll includes school taxes of \$411.0 million (2004 - \$413.5 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2005 totalled \$24.2 million (2004 - \$25.6 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

	<u>2005</u>	<u>2004</u>
Water sales and sewage services	\$ 157,764	\$ 145,926
Other sales of goods and services	93,226	93,150
Transit fares	55,358	52,529
Regulatory fees	<u>37,859</u>	<u>36,601</u>
	<u>\$ 344,207</u>	<u>\$ 328,206</u>

16. Government Grants and Transfers

	<u>2005</u>	<u>2004</u>
Province of Manitoba grants		
Tax sharing	\$ 49,368	\$ 47,343
Ambulance, libraries and other	28,651	24,896
Unconditional	19,488	19,888
Transit	19,355	16,854
Support	9,061	8,496
Support for Provincial programs	<u>(23,650)</u>	<u>(23,650)</u>
	<u>102,273</u>	<u>93,827</u>
Government of Canada grants		
Canada Mortgage and Housing Corporation	147	174
Dutch elm disease program, job training and other	<u>89</u>	<u>99</u>
	<u>236</u>	<u>273</u>
	<u>\$ 102,509</u>	<u>\$ 94,100</u>

17. Expenses by Object

	<u>2005</u>	<u>2004</u>
		(Restated Note 21)
Salaries and benefits	\$ 511,312	\$ 496,048
Goods and services	300,889	285,594
Debt repayment and interest	121,970	129,042
Grants and other expenses	24,662	19,234
	<u>\$ 958,833</u>	<u>\$ 929,918</u>

18. Environmental Liabilities

In 2005, the City has accrued an overall liability for environmental matters in the amount of \$14.0 million (2004 - \$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

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, 2004, which indicated an excess of actuarial value of Program assets over actuarial liabilities of \$429.3 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, 2005 is \$125.2 million (2004 - \$123.8 million). Total contributions by the City to the Program in 2005 were \$11.9 million (2004 - \$10.9 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, 2004 and the results were extrapolated to December 31, 2005. 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:

	<u>2005</u>	<u>2004</u>
Pension fund assets, at actuarial value	<u>\$ 786,585</u>	<u>\$ 742,112</u>
Accrued pension obligations	<u>\$ 720,810</u>	<u>\$ 685,847</u>
Contribution stabilization reserve	<u>55,361</u>	<u>54,036</u>
	<u>\$ 776,171</u>	<u>\$ 739,883</u>

The market value of the pension fund assets as at December 31, 2005, is \$826.9 million (2004 - \$751.2 million).

Total contributions made by the City to the Plan in 2005 were \$6.8 million (2004 - \$6.9 million). Total employee contributions to the Plan in 2005 were \$6.8 million (2004 - \$6.9 million). Benefits paid from the Plan in 2005 were \$28.8 million (2004 - \$25.9 million).

The expected rate of return on Plan assets in 2005 was 6.25% (2004 - 6.25%). The actual rate of return net of investment expenses, on Plan assets in 2005 was 12.1% (2004 - 10.3%).

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 2005, the City paid out \$0.3 million (2004 - \$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, 2005 is \$7.3 million (2004 - \$6.7 million).

21. Comparative Figures

For 2005, included in the consolidated financial statements is a retroactive restatement for compensated absences resulting from retirement allowance plans as an actuarial valuation was not available until the current year. The 2005 opening surplus has decreased by \$6.9 million (2004 - \$6.5 million).

In addition, included in the consolidated financial statements is a retroactive restatement for developer deposits that should have been recognized in prior years' revenue when the related expenses were incurred. The 2005 opening surplus has increased by \$3.2 million (2004 - \$3.4 million).

The effect of the restatements on the statement of operations and net assets for 2005 and 2004 was nominal.

Certain other 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)

	2005	2004	2003	2002	2001
1. Population (as restated per Statistics Canada)	650,100	646,800	642,800	639,800	637,000
Unemployment rate (per Statistics Canada)					
- Winnipeg	4.8%	5.5%	5.2%	5.3%	5.1%
- National average	6.8%	7.2%	7.6%	7.7%	7.2%
2. Average total employees	8,749	8,788	8,385	8,333	8,870
3. Number of taxable properties	201,262	200,193	199,118	198,827	198,252
Payments-in-lieu					
Number of properties	813	783	872	825	859
4. Assessment					
- Residential	\$ 18,460,471	18,277,925	18,069,819	17,803,696	16,950,454
- Commercial and industrial	7,209,121	7,132,230	7,099,635	7,046,756	6,242,499
- Farm and golf	102,742	101,769	104,099	106,062	106,799
	\$ 25,772,334	25,511,924	25,273,553	24,956,514	23,299,752
Assessment per capita (in dollars)	\$ 39,644	39,443	39,318	39,007	36,577
Commercial and industrial as a percentage of assessment	27.97%	27.96%	28.09%	28.24%	26.79%
5. Tax arrears	\$ 37,698	40,436	42,761	47,978	45,283
6. Tax arrears - per capita (in dollars)	\$ 57.99	62.52	66.52	74.99	71.09
7. Municipal mill rate	29.686	29.686	29.686	29.686	32.140
- Percentage change adjusted for portioning and reassessment	0.00%	0.00%	0.00%	-2.00%	-2.42%
8. Winnipeg consumer price index (annual average)					
- 1992 base year 100	131.20	127.90	125.50	123.30	121.50
- Percentage increase	2.58%	1.91%	1.78%	1.48%	2.88%
9. Consolidated revenue					
- Taxation	\$ 503,397	491,698	489,996	484,220	480,974
- User charges	344,207	328,206	318,605	295,893	416,408
- Government transfers	102,509	94,100	97,082	94,026	93,741
- Interest and other revenue	53,378	54,879	55,746	56,769	50,078
- Gain on sale of Hydro	-	-	-	227,476	-
	\$ 1,003,491	968,883	961,429	1,158,384	1,041,201
10. Consolidated expenses by function					
- Municipal operations	\$ 711,334	681,533	662,902	640,692	627,964
- Public utilities	218,855	217,171	218,246	223,814	324,858
- Civic corporations	28,644	31,214	29,855	30,307	27,758
	\$ 958,833	929,918	911,003	894,813	980,580
11. Growth in Surplus for the year (Decline) Growth in Reserves for the year	\$ 67,442	20,398	46,196	275,655	33,830
	\$ (22,784)	18,567	4,230	(12,084)	26,791

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

(Note: For 2003 - 2001, the revenue, expenses, change in surplus, and net financial assets (liabilities) figures have not been restated for compensated absences and developer deposits.)

(Note: The 2001 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)

	2005	2004	2003	2002	2001
12. Consolidated expenses by object					
Salaries and benefits	\$ 511,312	496,048	465,442	433,185	437,557
Goods and services	300,889	285,594	290,573	283,703	340,983
Debt interest and repayment	121,970	129,042	133,537	143,856	176,253
Grants and other expenses	24,662	19,234	21,451	34,069	25,787
	\$ 958,833	929,918	911,003	894,813	980,580
13. Payments to school authorities	\$ 435,205	439,062	425,053	414,140	395,404
14. Debt					
Tax-supported	\$ 429,287	486,790	489,974	576,659	631,332
Transit	27,520	35,092	33,606	38,007	42,607
City-owned utilities	151,700	175,050	177,429	204,833	419,957
Other	38,315	37,739	39,372	39,890	40,892
Total gross debt	646,822	734,671	740,381	859,389	1,134,788
Less: Sinking Fund	198,965	239,831	245,709	363,097	405,865
Total net long-term debt	\$ 447,857	494,840	494,672	496,292	728,923
Percentage of total assessment	1.74%	1.94%	1.96%	1.99%	3.13%
15. Acquisition of tangible capital assets					
Gross purchase	\$ 182,872	143,286	164,384	157,511	135,693
Less: internally financed					
Combined Sewer Renewal	21,163	16,290	15,398	18,074	16,957
Watermain Renewal	7,299	6,281	6,541	8,964	7,940
Sewage Disposal System	6,815	5,019	4,514	3,412	3,749
Other	6,377	6,553	3,837	2,681	1,709
Waterworks System	1,335	3,115	1,080	1,635	1,601
General Revenue	718	347	5,072	3,900	4,645
Aqueduct Rehabilitation	416	1,120	3,458	8,242	5,659
Transit Bus Replacement	-	5,499	9,237	4,865	3,686
General Purpose	-	1,192	4,170	-	-
Environmental Projects	-	950	1,187	935	453
Frontage levies	-	-	-	10,000	-
Equipment and Material Services	-	-	-	301	6,727
	44,123	46,366	54,494	63,009	53,126
	\$ 138,749	96,920	109,890	94,502	82,567
16. Net financial assets (liabilities)	\$ 14,864	8,745	(46,874)	(98,690)	(576,326)
17. Reserves and Surplus					
Reserves	\$ 293,684	316,468	297,901	293,671	305,755
Surplus	\$ 681,041	613,599	596,284	550,088	270,076
18. Area in acres at the end of the year	116,000	116,000	116,000	116,000	116,000
19. Construction					
- Permits issued	8,931	8,977	8,344	8,719	7,938
- Value	\$ 656,350	674,619	649,071	427,028	372,969
Housing starts	2,177	2,335	2,208	1,451	1,290

Funds 2005 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, 2005, the General Revenue Fund was balanced. Factors that contributed to the General Revenue Fund's position were as follows:

- The Public Works department's expenses were \$14.5 million over budget primarily due to snow clearing costs. This was partially offset by a \$3.4 million transfer from the Snow Clearing Reserve;
- Council approved several deficit reduction initiatives to avoid a deficit in the General Revenue Fund. This included an additional \$4.9 million in net taxes added and tax roll adjustments, \$2.5 million from the Waterworks System, Solid Waste Disposal System and Sewer Disposal System Funds, transfers of \$0.5 million each from the Idea Bank Reserve and Fleet Management - Special Operating Agency, and \$0.2 million from the Commitment Reserve;
- Deficit reduction initiatives undertaken during the year to avoid a forecasted General Revenue Fund deficit and improved revenues contributed \$7.7 million to the Fund;
- The contribution to the Transit System Fund exceeded budget by \$3.9 million, which was gross of the \$2.5 million additional Provincial grant. The budget variance was due to higher fuel prices, salaries, employee benefits and acting pay resulting from overtime caused by sick time usage and retirements, increased dental costs, and Handi-Transit costs;
- There was a \$3.7 million adjustment of revenue estimates and accruals;
- Revenue from the photo enforcement program was \$3.1 million below budget due to positive driving practices noted to date;
- Police Service department's expenses were \$2.5 million over budget after the transfer of costs associated with the Parking Services - Special Operating Agency. This was mainly because of overtime costs as a result of increased operational challenges and calls for services;
- The Property Assessment department's expenses were \$1.6 million under budget mainly because of unfilled positions; and
- The Water and Waste department's costs exceeded budget by \$1.0 million due to additional costs related to flood protection and garbage collection.

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

FIVE-YEAR REVIEW

As at December 31

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

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<i>Planning, Property and Development</i>					
Construction					
-Permits issued	8,931	8,977	8,344	8,719	7,938
-Value	\$ 656,350	\$ 674,619	\$ 649,071	\$ 427,028	\$ 372,969
Housing starts	2,177	2,335	2,208	1,451	1,290
<hr/>					
<i>Community Services</i>					
Libraries Provincial					
Grant	\$ 1,910	\$ 1,910	\$ 1,963	\$ 1,780	\$ 1,758
Library circulation	5,228,670	5,518,469	5,730,808	5,695,355	5,461,166
<hr/>					
<i>Taxes Receivable</i>					
Property, payments-in-lieu					
and business taxes	\$ 37,698	\$ 40,436	\$ 42,761	\$ 47,978	\$ 45,283
Allowance for tax arrears	(6,364)	(6,394)	(5,056)	(4,023)	(3,263)
	\$ 31,334	\$ 34,042	\$ 37,705	\$ 43,955	\$ 42,020
<hr/>					
<i>Tax Revenues</i>					
Municipal realty					
taxes(1)	\$ 373,187	\$ 365,486	\$ 360,248	\$ 364,045	\$ 351,008
Payments-in-lieu of taxes	\$ 32,040	\$ 30,334	\$ 29,918	\$ 29,802	\$ 32,521
Business and licenses-in-					
lieu of business taxes	\$ 61,243	\$ 60,891	\$ 60,853	\$ 62,564	\$ 56,095
<hr/>					
<i>Statement of Operations</i>					
Revenues	\$ 711,529	\$ 697,668	\$ 681,512	\$ 666,011	\$ 643,572
Expenses	711,529	697,668	681,512	665,161	643,007
	-	-	-	850	565
Contribution to the Mill					
Rate Stabilization Reserve	-	-	-	(850)	(565)
Surplus	\$ -	\$ -	\$ -	\$ -	\$ -
<hr/>					
Debt and finance					
charges	\$ 108,887	\$ 112,265	\$ 116,983	\$ 122,918	\$ 123,403
% of total					
expenses	15.30%	16.09%	17.17%	18.46%	19.17%

(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)
(unaudited)*

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash and short-term investments	\$ 416,093	\$ 538,644
Accounts receivable (Note 3)	68,682	68,444
Materials and supplies	6,500	6,213
Prepaid expenses	2,052	1,939
	<u>493,327</u>	615,240
Contributed surplus and other assets (Note 4)	<u>44,071</u>	<u>31,925</u>
	<u>\$ 537,398</u>	<u>\$ 647,165</u>
LIABILITIES		
Current		
Notes payable (Note 5)	\$ 144,027	\$ 259,516
Due to other funds (Note 6)	240,259	252,401
Accounts payable and accrued liabilities (Note 7)	109,303	105,321
Deferred revenue (Note 8)	37,307	25,378
Performance and other deposits	6,502	4,549
	<u>\$ 537,398</u>	<u>\$ 647,165</u>
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)
(unaudited)*

	2005 Budget	2005 Actual	2004 Actual
REVENUES (Schedule 1)			
Taxation (Note 10)	\$ 451,783	\$ 458,632	\$ 447,978
Government grants	77,617	74,249	68,409
Contributions and transfers	35,551	48,433	45,134
Sale of goods and services (Note 11)	44,880	40,759	44,379
Payments-in-lieu of taxes (Note 10)	32,763	32,040	30,334
Regulation fees	36,535	28,923	32,262
Sale of Winnipeg Hydro and other	25,826	26,068	26,651
Interest	2,044	2,425	2,521
Total Revenues	706,999	711,529	697,668
EXPENSES (Schedules 2 and 3)			
Protection and community services	337,013	339,599	334,699
Public works	192,753	208,916	199,638
Finance and administration	72,274	68,377	71,880
Property and development	38,730	35,380	37,681
Contributions and appropriations	33,831	35,217	32,854
Debt and finance charges	10,473	10,400	11,150
Employee benefits and payroll tax	9,506	9,936	9,974
Grants and payments to other authorities	7,077	7,530	7,094
Other	5,342	(3,826)	(7,302)
Total Expenses	706,999	711,529	697,668
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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, retirement allowance, 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 30, 2006, and have an effective average interest rate of 3.3% (2004 - 2.6%).

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 specific costs of the project to a maximum of \$0.1 million on any individual project. In addition, financing charges of 2% 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 Special Operating Agencies

Golf Services - Special Operating Agency and Winnipeg Parking Authority - Special Operating Agency commenced operations on January 1, 2002 and January 1, 2005, respectively. The City of Winnipeg sold assets, including land, to these Agencies. The gain on the sale of these assets is being realized over the same time period as the assets are being amortized by the Agencies.

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*

	<u>2005</u>	<u>2004</u>
Property, payments-in-lieu and business taxes	\$ 37,698	\$ 40,436
Allowance for tax arrears	<u>(6,364)</u>	<u>(6,394)</u>
	<u>31,334</u>	<u>34,042</u>
Trade accounts and other receivables	18,526	16,118
Province of Manitoba	9,959	6,272
Government of Canada	5,453	5,421
The Sinking Fund Trustees of The City of Winnipeg	3,802	7,002
Accrued interest receivable	1,857	1,445
The Convention Centre Corporation	<u>258</u>	<u>302</u>
	39,855	36,560
Allowance for doubtful accounts	<u>(2,507)</u>	<u>(2,158)</u>
	<u>37,348</u>	<u>34,402</u>
	<u>\$ 68,682</u>	<u>\$ 68,444</u>

4. *Contributed Surplus and Other Assets*

	<u>2005</u>	<u>2004</u>
Contributed surpluses:		
Golf Services - Special Operating Agency	\$ 20,090	\$ 20,090
Land Operating Reserve	8,425	8,425
Winnipeg Parking Authority - Special Operating Agency	172	-
Loan receivables:		
Winnipeg Parking Authority - Special Operating Agency, start-up loan, interest at 6%, with no specific terms of repayment	12,218	-
Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of \$264 thousand, commencing in 2007	3,133	3,020
Deferred charges, other	33	4
Deferred election costs	<u>-</u>	<u>386</u>
	<u>\$ 44,071</u>	<u>\$ 31,925</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 2.6% (2004 - 2.2%). These notes are callable by the issuers.

	<u>2005</u>	<u>2004</u>
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 98,666	\$ 157,752
Winnipeg Police Pension Plan	23,572	26,822
The Sinking Fund Trustees of The City of Winnipeg	11,639	64,702
The Civic Employees' Group Life Insurance Plan	3,693	1,499
Water Treatment Reserve	2,987	3,317
Workers Compensation Reserve	2,072	3,765
Insurance Reserve	811	1,252
Brady Landfill Site Rehabilitation Reserve	452	222
Perpetual Maintenance Funds:		
- Brookside Cemetery	89	119
- Transcona Cemetery	46	49
- St. Vital Cemetery	-	15
Council Members' (Pre-1972) Pension Plan	-	2
	<u>\$ 144,027</u>	<u>\$ 259,516</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. Bank transactions are credited or charged to the "Due (from)/to" account in each fund when they are processed through the bank. 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.

	<u>2005</u>	<u>2004</u>
Capital Reserves	\$ 82,892	\$ 84,575
Stabilization Reserves	64,004	62,325
Special Purpose Reserves	39,959	44,444
Waterworks System	24,946	16,868
Sewage Disposal System	23,336	16,521
Equity in Capital Assets	14,913	31,113
Solid Waste Disposal	6,556	7,156
General Revenue Enterprises	6,201	6,951
Fleet Management - Special Operating Agency	991	7,868
Building Services	426	307
Trusts	256	255
Civic Accommodations	98	3
Equipment and Material Services	77	12
Animal Services - Special Operating Agency	(197)	(108)
Golf Services - Special Operating Agency	(1,160)	(244)
Winnipeg Enterprises Corporation	(1,244)	-
Glacial Sand and Gravel - Special Operating Agency	(2,095)	(1,157)
Winnipeg Parking Authority - Special Operating Agency	(2,606)	-
Transit System	(7,844)	(13,135)
General Capital	(9,250)	(11,353)
	<u>\$ 240,259</u>	<u>\$ 252,401</u>

7. Accounts Payable and Accrued Liabilities

	<u>2005</u>	<u>2004</u>
Trade accounts payable	\$ 40,314	\$ 30,850
Provincial education support and school division special levies payable	22,346	27,090
Wages and employee benefits payable	20,412	20,150
Provision for assessment appeals	12,401	11,789
Other accrued liabilities	7,575	7,861
Accrued interest on long-term debt	6,255	7,581
	<u>\$ 109,303</u>	<u>\$ 105,321</u>

8. Deferred Revenue

	<u>2005</u>	<u>2004</u>
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	\$ 22,855	\$ 22,919
Winnipeg Parking Authority - Special Operating Agency	12,025	-
Province of Manitoba, Federal Government and other	1,540	1,583
Registration fees	813	821
Rentals	74	55
	<u>\$ 37,307</u>	<u>\$ 25,378</u>

9. Commitments and Contingent Liabilities

The following significant commitments and contingencies existed at December 31, 2005:

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:

2006	\$ 105
2007	60
2008	14
	<u>179</u>
	<u>\$ 179</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:

	<u>2005</u>	<u>2004</u>
Winnipeg Enterprises Corporation	\$ 5,894	\$ 6,953
Dakota Community Centre Inc.	2,462	2,538
Gateway Recreation Centre Inc.	1,965	2,133
Garden City Community Centre Inc.	709	764
Winnipeg Housing Rehabilitation Corporation	598	-
St. Norbert Community Club	440	483
Transcona East End Community Club Inc.	384	416
Maples Recreation Association Inc.	333	359
Glenwood Community Centre Inc.	274	300
Manitoba Opera Association Inc.	193	230
Kirkfield-Westwood Community Centre Inc.	134	172
Springer's Gymnastics Club Inc.	104	120
St. Norbert Children's Centre Inc.	94	111
Granite Curling Club	85	90
Richmond Kings Community Centre Inc.	76	103
East Side Eagles Football Club	16	22
Melrose Park Community Centre Inc.	-	2
	<u>\$ 13,761</u>	<u>\$ 14,796</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, 2005, an accrual has not been made to the financial statements.

c) **Lawsuits**

The City is defendant in three significant lawsuits as at December 31, 2005. 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 \$784.2 million (2004 - \$778.9 million). This included school taxes of \$411.0 million (2004 - \$413.5 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were \$56.2 million (2004 - \$55.9 million). Included were payments-in-lieu of school taxes assessed in 2005 of \$24.2 million (2004 - \$25.6 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.

10. Taxation (continued)

Included in payments-in-lieu of taxes is amounts levied against other funds for realty and business taxes. Taxes are assessed on these properties as if they were privately owned. The amounts levied are as follows:

	<u>2005</u>	<u>2004</u>
Sewage Disposal System	\$ 8,501	\$ 6,803
Waterworks System	3,216	2,524
Transit System	1,203	1,191
Winnipeg Parking Authority - Special Operating Agency	758	-
Golf Services - Special Operating Agency	213	215
Solid Waste Disposal	32	32
Equipment and Material Services	-	45
	<u>\$ 13,923</u>	<u>\$ 10,810</u>

11. General Government Charges from Related Parties

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

	<u>2005</u>	<u>2004</u>
Transit System	\$ 792	\$ 807
Waterworks System	615	787
Sewage Disposal System	467	467
Fleet Management - Special Operating Agency (Note 12)	421	421
Civic Accommodations	306	306
Building Services	252	252
Solid Waste Disposal	79	79
Animal Services - Special Operating Agency	70	-
Golf Services - Special Operating Agency	62	63
Winnipeg Parking Authority - Special Operating Agency	29	-
Glacial Sand and Gravel - Special Operating Agency	26	26
	<u>\$ 3,119</u>	<u>\$ 3,208</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 \$230 thousand (2004 - \$44 thousand), a net transfer of \$816 thousand (2004 - \$820 thousand) to Animal Services - Special Operating Agency, a transfer to Assiniboine Park Enterprises Reserve of \$6 thousand (2004 - \$4 thousand) and a transfer from Fleet Management - Special Operating Agency of \$37 thousand (2004 - \$nil).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Funds in the amount of \$225 thousand (2004 - \$305 thousand), and a transfer of \$nil thousand (2004 - \$700 thousand) to the Heritage Investment Reserve.

Included in Public Works department's expenses is a recovery from Fleet Management - Special Operating Agency in 2005 of \$406 thousand (2004 - \$691 thousand) relating to the Autopac rebate.

Included in Corporate Information Technology department's expenses is a transfer to the Idea Bank Reserve of \$nil thousand (2004 - \$8 thousand).

12. Contributions and Appropriations from Related Parties (continued)

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes \$126 thousand (2004 - \$122 thousand) from the Stabilization Reserves, \$103 thousand (2004 - \$124 thousand) from the Special Purpose Reserves, \$292 thousand (2004 - \$277 thousand) from the Capital Reserves, and \$63 thousand (2004 - \$43 thousand) from the Equity in Capital Assets Fund.

Included in various department expense categories are a transfer to the Civic Accommodations Fund of \$28.1 million (2004 - \$27.4 million) for facilities costs, a transfer to the Computer Replacement Reserve of \$540 thousand (2004 - \$179 thousand), a transfer to the Building Services Fund of \$16.7 million (2004 - \$16.0 million), a transfer to the Concession Equipment Replacement Reserve of \$12 thousand (2004 - \$11 thousand) and a transfer to the General Capital Fund of \$798 thousand (2004 - \$347 thousand).

Included in various expense categories are a contribution to the Commitment Reserve of \$2.4 million (2004 - \$2.2 million), and a transfer to the Insurance Reserve of \$191 thousand (from 2004 - \$1,214 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, \$29.1 million (2004 - \$20.9 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, 2005 has been estimated to be \$4.5 million (2004 - \$4.1 million). In 2005, the City paid out \$0.3 million (2004 - \$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 2005, the City paid out \$0.1 million (2004 - \$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, 2005 at \$62.8 million (2004 - \$57.9 million).
- b) Employees accrue compensated absences that are not recorded as a liability on the Statement of Financial Position. The amount of this unrecorded liability at December 31, 2005 is estimated at \$38.2 million (2004 - \$36.5 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, 2005 is estimated at \$2.5 million (2004 - \$1.9 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.

16. Comparative Figures

Commencing in 2005, activities related to parking services are recorded in Winnipeg Parking Authority - Special Operating Agency Fund. In prior years these activities were recorded in the General Revenue Fund. The 2004 comparative figures have not been restated.

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

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 1

REVENUES

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

	2005 Budget	2005 Actual	2004 Actual
Taxation			
Municipal realty taxes	\$ 367,765	\$ 373,187	\$ 365,486
Business and licenses-in-lieu of business taxes	61,252	61,243	60,891
Electricity and gas sales taxes	16,518	16,826	15,402
Amusement taxes	4,506	5,566	4,428
Local improvement taxes	1,334	1,366	1,364
Licenses-in-lieu of realty taxes	344	350	346
Local improvement taxes commuted	15	48	13
Billboard taxes	49	46	48
	451,783	458,632	447,978
Government grants			
Provincial			
Municipal tax sharing	47,343	49,368	47,343
Unconditional	19,887	19,488	19,888
Video lottery terminal	7,000	8,820	6,600
Support	6,343	6,819	6,355
Ambulance	5,762	4,973	5,126
Other grants	11,811	3,448	3,838
Casino	-	2,084	-
Libraries	2,163	1,910	1,910
Dutch elm disease control	900	900	900
Services transferred to the Province	(23,650)	(23,650)	(23,650)
	77,559	74,160	68,310
Federal government grants	58	89	99
	77,617	74,249	68,409

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 1

REVENUES

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

	2005 Budget	2005 Actual	2004 Actual
Contributions and transfers			
Waterworks System	11,958	13,458	11,487
Sewage Disposal System	10,593	10,355	9,878
Winnipeg Parking Authority - Special Operating Agency	-	5,606	-
The Sinking Fund Trustees of the City of Winnipeg	4,100	3,800	7,000
Fleet Management - Special Operating Agency (Note 12)	2,919	3,419	328
Snow Clearing Reserve	-	3,351	6,075
Solid Waste Disposal	2,099	3,309	2,230
Civic Accommodations	3,215	3,243	2,903
Glacial Sand and Gravel - Special Operating Agency	298	573	247
Idea Bank Reserve	-	500	-
Golf Services - Special Operating Agency	237	318	217
General Revenue Enterprises	-	222	-
Commitment Reserve	-	184	869
General Capital (Note 12)	-	80	-
Building Services	15	15	-
Economic Development Investment Reserve	-	-	300
Assiniboine Park Enterprises Reserve	117	-	-
General Purpose Reserve	-	-	2,000
Equipment and Material Services	-	-	1,600
	35,551	48,433	45,134
Sale of goods and services	44,880	40,759	44,379
Payments-in-lieu of taxes	32,763	32,040	30,334
Regulation fees			
Fines	19,722	11,825	15,753
Permits and fees	8,565	8,698	8,150
Tax penalties	5,200	5,371	5,007
Licenses	3,048	3,029	3,352
	36,535	28,923	32,262
Sale of Winnipeg Hydro and other			
Manitoba Hydro	25,000	25,000	25,000
Accounts payable write-offs, commissions, etc.	826	1,068	1,651
	25,826	26,068	26,651

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 1

REVENUES

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

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Interest			
Interest earned	542	1,135	1,034
Interest capitalized	914	790	899
Debt charges recovered	588	500	588
	<u>2,044</u>	<u>2,425</u>	<u>2,521</u>
Total Revenues	<u>\$ 706,999</u>	<u>\$ 711,529</u>	<u>\$ 697,668</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 2

EXPENSES

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

	2005 Budget	2005 Actual	2004 Actual
Protection and community services			
Police services	\$ 146,695	\$ 146,646	\$ 147,431
Fire paramedic service	103,785	106,115	103,086
Community services	85,814	86,119	83,471
Museums	719	719	711
	337,013	339,599	334,699
Public works			
Public works	149,798	164,319	156,355
Water and waste	33,433	34,452	33,469
Street lighting	9,522	10,145	9,814
	192,753	208,916	199,638
Finance and administration			
Corporate information technology	16,519	18,875	17,035
City clerks	11,356	10,873	11,319
Property assessment	12,418	10,791	11,621
Corporate services	10,421	10,138	10,187
Corporate finance	12,883	9,662	13,748
Council	2,639	2,583	2,577
CAO secretariat	2,942	2,519	2,552
EPC secretariat	1,558	1,409	1,462
Audit	1,032	1,028	951
Mayor's office	506	499	428
	72,274	68,377	71,880
Property and development			
Planning, property and development	38,730	35,380	37,681
Contributions and appropriations			
Transit System	33,831	35,217	32,854

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 2

EXPENSES

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

	<u>2005 Budget</u>	<u>2005 Actual</u>	2004 Actual
Debt and finance charges			
Transfer to General Capital	106,888	99,949	102,420
Transfer to Equity in Capital Assets	-	6,852	7,769
Other interest and finance charges	2,120	2,086	2,076
Transfer to departments	(98,535)	(98,487)	(101,115)
	<u>10,473</u>	<u>10,400</u>	11,150
Employee benefits and payroll tax			
Provincial payroll tax	6,278	6,963	6,764
Employee benefits	3,228	2,973	3,210
	<u>9,506</u>	<u>9,936</u>	9,974
Grants and payments to other authorities			
Grants	2,782	3,897	1,881
The Convention Centre Corporation	2,200	2,200	2,200
Destination Winnipeg	1,228	1,228	1,228
Children's Museum and other payments	132	130	130
Winnipeg Enterprises Corporation	735	75	1,655
	<u>7,077</u>	<u>7,530</u>	7,094
Other			
Insurance and damage claims	3,672	3,392	3,553
Government affairs, pension contribution and other	1,670	(7,218)	(10,855)
	<u>5,342</u>	<u>(3,826)</u>	(7,302)
Total Expenses	<u>\$ 706,999</u>	<u>\$ 711,529</u>	<u>\$ 697,668</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 3

EXPENSES BY OBJECT

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

	2005 Budget	2005 Actual	2004 Actual
Salaries and employee benefits	\$ 358,596	\$ 358,880	\$ 350,635
Services	101,545	109,657	107,473
Debt and finance charges - departmental and corporate	109,444	109,079	114,737
Transfers	79,630	84,206	78,676
Materials, parts and supplies	22,099	24,415	13,796
Grants	12,339	12,669	12,058
Municipal tax, amortization, and other expenses	14,601	10,188	10,411
Assets - purchases and renovations	7,700	7,863	9,137
Provincial payroll tax	6,278	6,962	6,764
Payments to other authorities	6,541	6,629	5,824
Assessment appeals	5,250	2,500	5,250
Recoveries	(17,024)	(21,519)	(17,093)
	\$ 706,999	\$ 711,529	\$ 697,668

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 4

SCHOOL TAXES LEVIED

*For the years ended December 31
(unaudited)*

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 2005 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 2005 with 2004 comparative figures are as follows:

	<u>2005</u>	<u>2004</u>
Provincial education support program levy		
Other property	\$ 68,550,644	\$ 69,593,887
Farm and residential	20,032,611	37,412,672
	<u>88,583,255</u>	<u>107,006,559</u>
 Special levies (by school division)		
Winnipeg No. 1	121,561,671	117,828,292
Pembina Trails No. 7	60,531,950	57,877,263
Louis Riel No. 51	57,485,571	54,011,674
River East - Transcona No. 72	46,653,468	44,486,192
St. James - Assiniboia No. 2	33,158,488	31,710,342
Seven Oaks No. 10	24,783,202	23,696,020
Seine River No. 14	2,436,288	2,435,334
Interlake No. 21	10,670	10,159
	<u>346,621,308</u>	<u>332,055,276</u>
	<u>\$ 435,204,563</u>	<u>\$ 439,061,835</u>
 Allocated as follows:		
Realty taxes	\$ 411,006,754	\$ 413,494,931
Payments-in-lieu of taxes	24,197,809	25,566,904
	<u>\$ 435,204,563</u>	<u>\$ 439,061,835</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 5

PROJECTED 2005 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

*As at April 15, 2005
(unaudited)*

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	\$ 6,991,774,100	\$ 27,363,370	\$ 21,322,642	\$ 7,040,460,112
Residential 2	45.0%	737,215,810	91,642,328	2,084,746	830,942,884
Residential 3	45.0%	459,221,529	-	69,593	459,291,122
Farm	26.0%	16,047,636	1,213,745	7,821,812	25,083,193
Institutional	65.0%	320,622,525	62,809,695	915,782,260	1,299,214,480
Designated higher education	13.0%	-	41,167,117	967,783	42,134,900
Pipelines	50.0%	6,034,000	-	-	6,034,000
Railways	25.0%	21,152,348	-	-	21,152,348
19 Designated recreational facilities	10.0%	3,503,755	131,450	1,042,560	4,677,765
Other	65.0%	3,684,794,064	344,350,836	743,331,040	4,772,475,940
Legislative buildings	65.0%	-	4,675,740	-	4,675,740
		<u>\$ 12,240,365,767</u>	<u>\$ 573,354,281</u>	<u>\$ 1,692,422,436</u>	<u>\$ 14,506,142,484</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, Historical Buildings and Riverbanks Administration.

FIVE-YEAR REVIEW

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Internal service operations and other programs:					
Revenues	\$ 4,228	\$ 5,649	\$ 3,081	\$ 3,299	\$ 3,355
Expenditures	<u>4,645</u>	<u>4,651</u>	<u>2,881</u>	<u>2,886</u>	<u>2,815</u>
 (Deficit)/Surplus	 <u>\$ (417)</u>	 <u>\$ 998</u>	 <u>\$ 200</u>	 <u>\$ 413</u>	 <u>\$ 540</u>

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 6,201	\$ 6,951
Inventories	15	23
	<u>6,216</u>	<u>6,974</u>
Deferred charges	-	8
	<u>\$ 6,216</u>	<u>\$ 6,982</u>
LIABILITIES		
Current		
Interest payable - Idea Bank Reserve	\$ 6	\$ 7
Due to Idea Bank Reserve (Note 4)	163	200
Deferred revenue	1,019	1,330
	<u>1,188</u>	<u>1,537</u>
RETAINED EQUITY	<u>5,028</u>	<u>5,445</u>
	<u>\$ 6,216</u>	<u>\$ 6,982</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)
(unaudited)*

	<u>2005</u>	<u>2004</u>
REVENUES		
Permits and fees	\$ 3,039	\$ 3,109
Transfer from Land Operating Reserve	815	1,912
Sales of goods and services	374	428
Transfer from Idea Bank Reserve	-	200
	<u>4,228</u>	<u>5,649</u>
EXPENDITURES		
Street cuts operations	2,957	2,752
Transfer to General Capital Fund	853	-
Transfer to Contributions in Lieu of Land Dedication Reserve	300	-
Printing and duplicating operations (Note 5)	289	839
Transfer to General Revenue Fund (Note 5)	180	-
Riverbank management operations	36	87
Real estate enterprises	19	398
Libraries programs	11	7
Transfer to Transit System	-	568
	<u>4,645</u>	<u>4,651</u>
Total Expenditures (Note 5)		
	<u>4,645</u>	<u>4,651</u>
(DEFICIT)/SURPLUS FROM OPERATIONS	(417)	998
RETAINED EQUITY, BEGINNING OF YEAR	5,445	4,447
	<u>5,445</u>	<u>4,447</u>
RETAINED EQUITY, END OF YEAR	\$ 5,028	\$ 5,445
	<u>\$ 5,028</u>	<u>\$ 5,445</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, 2005
(in thousands of dollars)
(unaudited)*

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, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

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>2005</u>	<u>2004</u>
Goods and services	\$ 3,218	\$ 3,759
Transfer to General Capital Fund	853	-
Transfer to Contributions in Lieu of Land Dedication Reserve	300	-
Transfer to General Revenue Fund	222	-
Transfer to Idea Bank Reserve	44	7
Grants	8	317
Transfer to Transit System	-	568
	<u>\$ 4,645</u>	<u>\$ 4,651</u>

Included in printing and duplicating operations expenditures is a transfer to the General Revenue Fund of \$42 thousand (2004 - \$nil thousand). Also included is a transfer to the Idea Bank Reserve of \$44 thousand (2004 - \$7 thousand) representing interest and principal payments on the loan.

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 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 2005 budget for the General Capital Fund of \$105.4 million was a 2.42% increase from the 2004 budget of \$102.9 million. Capital expenditures in 2005 relating to 2005 and previous years capital budgets, increased from \$91.4 million in 2004 to \$104.7 million in 2005.

Of the \$104.7 million of total 2005 capital expenditures, \$12.5 million were for costs relating to the Residential Street Renewal program which is partially funded by the Province of Manitoba (\$6.1 million). Other significant projects contributing to 2005 expenditures were: \$18.2 million for the Kenaston Underpass, \$8.4 million for the Public Works/Water and Waste Facility Consolidation, \$4.4 million for the Millennium Library, \$3.3 million for the Maryland Twin Bridges Rehabilitation and \$3.0 million for the Connexus project.

No debenture (external) tax-supported borrowing authority was approved by Council for 2005 and none has been projected to 2009. Internal financing from the Equity in Capital Assets Fund increased in 2005 by 13.30%. Financing from the Equity in Capital Assets Fund is forecasted to increase by about 13.99% in 2006 to \$54.8 million with interest charges on capital financing and investment income contributing to the growth of the fund.

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Capital Assets					
Property, plant and equipment					
Streets and bridges	\$ 331,045	\$ 332,408	\$ 332,544	\$ 321,596	\$ 305,672
Special projects	117,340	116,477	126,098	119,822	114,661
Land drainage sewers	52,453	53,861	57,593	63,484	68,213
Civic accommodations	49,943	43,393	44,297	47,382	49,336
Culture and recreation	47,418	48,310	51,822	50,774	52,191
Protection	25,229	26,631	28,346	28,003	32,673
Winnipeg Development					
Agreement/Core area initiative	24,583	30,637	38,154	42,776	46,832
Local improvements	9,390	3,973	3,734	4,614	4,534
Health and social development	3,817	4,549	5,167	5,718	6,488
Convention centre	2,332	2,545	2,748	2,966	3,207
	<u>\$ 663,550</u>	<u>\$ 662,784</u>	<u>\$ 690,503</u>	<u>\$ 687,135</u>	<u>\$ 683,807</u>
% change in capital assets	0.12%	-4.01%	0.49%	0.49%	-2.31%
Internal Financing					
Equity in Capital Assets Fund	<u>\$ 338,188</u>	<u>\$ 298,481</u>	<u>\$ 278,546</u>	<u>\$ 233,599</u>	<u>\$ 208,633</u>
% change in internal financing	13.30%	7.16%	19.24%	11.97%	9.39%
Debenture Debt					
Outstanding debenture debt	\$ 405,667	\$ 462,089	\$ 464,055	\$ 549,310	\$ 604,547
Sinking fund reserve	<u>(123,699)</u>	<u>(146,566)</u>	<u>(157,064)</u>	<u>(251,824)</u>	<u>(246,765)</u>
Net debenture debt	<u>\$ 281,968</u>	<u>\$ 315,523</u>	<u>\$ 306,991</u>	<u>\$ 297,486</u>	<u>\$ 357,782</u>
% change in net debenture debt	-10.63%	2.78%	3.20%	-16.85%	-9.61%
Capital lease obligation	\$ 23,620	\$ 24,702	\$ 25,919	\$ 27,348	\$ 26,785
Other long-term debt	<u>19,800</u>	<u>20,600</u>	<u>22,800</u>	<u>21,900</u>	<u>23,900</u>
Other long-term debt	<u>\$ 43,420</u>	<u>\$ 45,302</u>	<u>\$ 48,719</u>	<u>\$ 49,248</u>	<u>\$ 50,685</u>
Total long-term debt (including other long-term debt)	<u>\$ 663,576</u>	<u>\$ 659,306</u>	<u>\$ 634,256</u>	<u>\$ 580,333</u>	<u>\$ 617,100</u>
Internal Debt as a % of Total Debt	50.96%	45.27%	43.92%	40.25%	33.81%

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	2005	2004	2003	2002	2001
Contributions and Transfers					
Combined Sewer					
Renewal Reserve	\$ 21,163	\$ 16,290	\$ 15,398	\$ 18,074	\$ 16,957
Province of Manitoba	11,131	30,274	17,085	12,327	16,372
Government of Canada	6,713	6,089	5,435	9,427	1,343
Other contributions	3,888	4,741	2,140	754	2,407
General Revenue Enterprises	853	-	-	-	-
Economic Development					
Investment Reserve	800	-	-	-	-
General Revenue Fund	718	347	5,072	3,900	3,192
Library Reserve	300	1,300	-	-	-
Commitment Reserve	250	-	-	-	-
General Purpose Reserve	-	1,192	2,470	-	-
Frontage levies	-	-	-	10,000	-
	<u>\$ 45,816</u>	<u>\$ 60,233</u>	<u>\$ 47,600</u>	<u>\$ 54,482</u>	<u>\$ 40,271</u>

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

Equity in Capital					
Assets Fund	<u>\$ 48,121</u>	<u>\$ 52,830</u>	<u>\$ 50,992</u>	<u>\$ 52,000</u>	<u>\$ 48,200</u>
% change in borrowing authority	-8.91%	3.60%	-1.94%	7.88%	8.84%

Total Tax-supported Capital Budget

Tax-supported (excluding Transit)	<u>\$ 105,454</u>	<u>\$ 102,962</u>	<u>\$ 116,233</u>	<u>\$ 123,905</u>	<u>\$ 81,453</u>
% change in tax-supported program	2.42%	-11.42%	-6.19%	52.12%	12.46%

Total Tax-supported Capital Expenditures

Tax-supported capital expenditures (excluding Transit)	<u>\$ 104,751</u>	<u>\$ 91,433</u>	<u>\$ 110,075</u>	<u>\$ 120,345</u>	<u>\$ 87,196</u>
% change in tax-supported program	14.57%	-16.94%	-8.53%	38.02%	7.25%

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

	2006	2007	2008	2009	2010
Equity in Capital					
Assets Fund	<u>\$ 54,854</u>	<u>\$ 52,783</u>	<u>\$ 55,007</u>	<u>\$ 57,907</u>	<u>\$ 55,875</u>
% change in borrowing authority	13.99%	-3.78%	4.21%	5.27%	-3.51%

**THE CITY OF WINNIPEG
GENERAL CAPITAL FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u> (Restated Note 9)
ASSETS		
Current		
Accounts receivable (Note 3)	\$ 22,549	\$ 25,431
Capital assets (Note 4)	<u>663,550</u>	<u>662,784</u>
	<u>\$ 686,099</u>	<u>\$ 688,215</u>
LIABILITIES		
Current		
Due to General Revenue Fund (Note 5)	\$ 9,250	\$ 11,353
Accounts payable and accrued liabilities (Note 6)	1,298	1,436
Current portion of long-term debt (Note 7)	<u>54,293</u>	<u>52,230</u>
	64,841	65,019
Long-term debt (Note 7)	609,283	607,076
Deferred liabilities	1,461	6,513
Developer deposits	<u>5,259</u>	<u>5,133</u>
	680,844	683,741
EQUITY		
Other deposits (Note 8)	<u>5,255</u>	<u>4,474</u>
	<u>\$ 686,099</u>	<u>\$ 688,215</u>

See accompanying notes and schedule to the financial statements

**THE CITY OF WINNIPEG
GENERAL CAPITAL FUND**

STATEMENT OF OPERATIONS

For the years ended December 31

(in thousands of dollars)

(unaudited)

	<u>2005</u>	<u>2004</u>
REVENUES		
Transfer from General Revenue Fund	\$ 99,949	\$ 102,420
Interest income	7,081	7,871
Transfer from Civic Accommodations Fund	5,666	5,944
	<u>112,696</u>	<u>116,235</u>
EXPENSES		
Amortization	58,169	58,919
Interest	54,527	57,316
	<u>112,696</u>	<u>116,235</u>
Surplus for the year	<u>\$ -</u>	<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)
(unaudited)*

	<u>2005</u>	<u>2004</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Non-cash charges to operations		
Amortization	\$ 58,169	\$ 58,919
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	<u>(7,081)</u>	<u>(7,871)</u>
Working capital from operations	51,088	51,048
Net change in working capital	2,744	(12,468)
Net change in deferred liabilities and deposits	<u>(4,145)</u>	<u>2,779</u>
	<u>49,687</u>	<u>41,359</u>
FINANCING		
Debt issues	-	40,634
Debenture debt retired	(56,422)	(42,600)
Payments from The Sinking Fund Trustees for long-term debt retired	40,078	30,206
Payments to The Sinking Fund Trustees for outstanding long-term debt	(10,130)	(11,837)
Net increase in Equity in Capital Assets Fund debt	39,707	19,935
Due to General Revenue Fund	(2,103)	(43,080)
Other	<u>(1,882)</u>	<u>(3,417)</u>
	<u>9,248</u>	<u>(10,159)</u>
INVESTING		
Purchase of capital assets (Schedule 1)	(104,751)	(91,433)
Government of Canada capital grants	6,713	6,089
Province of Manitoba capital grants	11,131	30,274
Transfer from Combined Sewer Renewal Reserve	21,163	16,290
Transfer from General Revenue Enterprises Fund	853	-
Transfer from Economic Development Investment Reserve	800	-
Transfer from General Revenue Fund	718	347
Transfer from Library Reserve	300	1,300
Transfer from Commitment Reserve	250	-
Transfer from General Purpose Reserve	-	1,192
Other	<u>3,888</u>	<u>4,741</u>
	<u>(58,935)</u>	<u>(31,200)</u>
Cash, end of year	<u>\$ -</u>	<u>\$ -</u>

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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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 reimbursed by 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 reimbursed by 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 specific costs of the project to a maximum of \$100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost.

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

	<u>2005</u>	<u>2004</u>
Province of Manitoba	\$ 17,049	\$ 25,431
Government of Canada	5,500	-
	<u>\$ 22,549</u>	<u>\$ 25,431</u>

4. Capital Assets

	<u>2005</u>	<u>2004</u>
Property, plant and equipment		
Streets and bridges	\$ 331,045	\$ 332,408
Special projects	117,340	116,477
Land drainage sewers	52,453	53,861
Civic accommodations	49,943	43,393
Culture and recreation	47,418	48,310
Protection	25,229	26,631
Winnipeg Development Agreement/Core area initiative	24,583	30,637
Local improvements	9,390	3,973
Health and social development	3,817	4,549
Convention centre	2,332	2,545
	<u>\$ 663,550</u>	<u>\$ 662,784</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. Consequently, this fund does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. 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

	<u>2005</u>	<u>2004</u>
Contractors' holdbacks	\$ 1,182	\$ 1,228
Trade accounts payable	116	208
	<u>\$ 1,298</u>	<u>\$ 1,436</u>

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2005	2004
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 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
					273,565	313,643
Equity in Sinking Fund (Note 7c)					(123,699)	(146,566)
Net sinking fund debentures outstanding					149,866	167,077
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 4.39% (2004 - 4.45%)					132,102	148,446
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2024 and a weighted average interest rate of 5.88% (2004 - 5.90%)					338,188	298,481
Capital lease obligations with varying maturities up to 2028 and a weighted average interest rate of 9.40% (2004 - 9.40%) (Note 7d)					23,620	24,702
Other long-term debt					19,800	20,600
					663,576	659,306
Current portion of debenture debt					(28,857)	(27,909)
Current portion of Equity in Capital Assets Fund debt					(24,292)	(23,240)
Current portion of capital lease obligation					(1,144)	(1,081)
					(54,293)	(52,230)
					\$ 609,283	\$ 607,076

7. *Long-term Debt (continued)*

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
Sinking fund debentures	\$ -	\$ -	\$ -	\$ 118,065	\$ -	\$ 155,500
Serial, other and installment debt	16,804	29,413	11,524	12,088	12,673	69,400
Equity in Capital Assets Fund	24,292	23,054	22,319	21,058	18,223	229,242
Capital lease obligations	<u>1,144</u>	<u>1,643</u>	<u>1,342</u>	<u>1,565</u>	<u>1,702</u>	<u>16,224</u>
	<u>\$ 42,240</u>	<u>\$ 54,110</u>	<u>\$ 35,185</u>	<u>\$ 152,776</u>	<u>\$ 32,598</u>	<u>\$ 470,366</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.

<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

- 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:

	2006	\$ 3,299
	2007	3,707
	2008	3,275
	2009	3,378
	2010	3,378
	thereafter	<u>30,301</u>
Total future minimum lease payments		47,338
Amount representing interest at a weighted average interest rate of 9.40%		<u>(23,718)</u>
Balance of the capital lease obligations		<u>\$ 23,620</u>

8. *Other Deposits*

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 4,474	\$ 4,696
Net deposits received (paid) during the year	<u>781</u>	<u>(222)</u>
Balance, end of year	<u>\$ 5,255</u>	<u>\$ 4,474</u>

9. *Accounting Presentation*

Certain prior year's "Developers Deposits" have been reclassified to "Other Deposits" and segregated as "Equity" to conform with the current year's presentation.

**THE CITY OF WINNIPEG
GENERAL CAPITAL FUND**

Schedule 1

CAPITAL EXPENDITURES

*For the year ended December 31, 2005
(in thousands of dollars)
(unaudited)*

	<u>Capital Expenditures</u>	<u>Amount Not Financed</u>
General Municipal Purposes		
Streets and bridges	\$ 42,319	\$ 215
Land drainage sewers	23,214	(1,403)
Special projects	12,841	(4,090)
Civic accommodations	11,137	(557)
Culture and recreation	6,584	(1,785)
Local improvements	6,324	5,601
Protection	2,332	-
	<u>\$ 104,751</u>	<u>\$ (2,019)</u>

Administration fees and interim financing charges capitalized during 2005 were \$1.4 million (2004 - \$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)
(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Fiscal Stabilization Reserve Fund					
Net realty taxes added to					
the assessment roll	\$ 167	\$ 511	\$ 604	\$ 69	\$ 5,888
New home tax credit	\$ -	\$ -	\$ -	\$ -	\$ 320
Interest earned net of investment					
management fee	\$ 843	\$ 694	\$ 970	\$ 789	\$ 1,249
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ -	\$ -	\$ 7,035
Transfer to Mill Rate					
Stabilization Reserve	\$ 372	\$ 739	\$ 456	\$ 268	\$ 6,075
Mill Rate Stabilization Reserve Fund					
Transfer from Pension					
Surplus Reserve	\$ -	\$ -	\$ -	\$ -	\$ 9,664
Transfer from Fiscal					
Stabilization Reserve	\$ 372	\$ 739	\$ 456	\$ 268	\$ 6,075
Transfer from					
General Revenue Fund	\$ -	\$ -	\$ -	\$ 850	\$ 565
Transfer from Commitment					
Reserve	\$ -	\$ -	\$ -	\$ 107	\$ 156
Interest earned net of investment					
management fee	\$ 669	\$ 532	\$ 735	\$ 567	\$ 456

**THE CITY OF WINNIPEG
STABILIZATION RESERVES**

STATEMENT OF FINANCIAL POSITION

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

	<u>Fiscal Stabilization Reserve</u>	<u>Mill Rate Stabilization Reserve</u>	<u>Totals 2005</u>	<u>Totals 2004</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	<u>\$ 35,350</u>	<u>\$ 28,654</u>	<u>\$ 64,004</u>	<u>\$ 62,325</u>
EQUITY				
Unallocated	<u>\$ 35,350</u>	<u>\$ 28,654</u>	<u>\$ 64,004</u>	<u>\$ 62,325</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)

(unaudited)

	Fiscal Stabilization Reserve	Mill Rate Stabilization Reserve	Totals 2005	Totals 2004
Balance, beginning of year	\$ 34,712	\$ 27,613	\$ 62,325	\$ 60,588
Add:				
Interest earned	913	725	1,638	1,348
Transfer from Fiscal Stabilization Reserve	-	372	372	739
Net realty taxes added to the assessment roll	167	-	167	511
	1,080	1,097	2,177	2,598
Deduct:				
Transfer to Mill Rate Stabilization Reserve	372	-	372	739
Transfer to General Revenue Fund - investment management fee	70	56	126	122
	442	56	498	861
Balance, end of year	\$ 35,350	\$ 28,654	\$ 64,004	\$ 62,325

See accompanying notes to the financial statements

THE CITY OF WINNIPEG STABILIZATION RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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 watermains. 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 watermains 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 watermains.

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 50% of the funding for the cost of building a water treatment plant estimated at \$214 million. The Reserve is financed through a monthly transfer from the Waterworks System Fund based on the amount of water consumption billed.

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 2006. On March 23, 2005, Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation. On November 23, 2005, Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of \$2.8 million. The current water treatment plant capital cost estimate is now \$230.1 million. Design of the water treatment plant is ongoing and construction did commence in 2005. The target in-service date for full water treatment is late 2007.

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 provided for the plan as directed by the Minister of Conservation. Certain provisions of this license were appealed by the City. Revised License No. 2669 E R and No. 2684 R, for the North End Water Pollution Control Center, were issued August 17, 2005, incorporating the City's requested changes. It is anticipated that a license with similar conditions will be issued for the South End in 2006. 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 2006.

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)

(unaudited)

	2005	2004	2003	2002	2001
Watermain Renewal Reserve Fund					
Frontage levy revenue	\$ 6,871	\$ 6,805	\$ 6,753	\$ 2,713	\$ 6,702
Watermain renewals funded	\$ 7,299	\$ 6,281	\$ 6,541	\$ 8,964	\$ 7,940
Kilometres of watermains	2,436	2,427	2,420	2,418	2,427
Watermain repairs	484	511	1,009	589	724
Combined Sewer Renewal Reserve Fund					
Frontage levy revenue	\$ 18,740	\$ 18,829	\$ 19,999	\$ 13,427	\$ 19,400
Sewer renewals funded	\$ 21,163	\$ 16,290	\$ 15,398	\$ 18,074	\$ 16,957
Kilometres of sewers	1,098	1,095	1,092	1,091	1,075
Kilometres of sewer renewed	4.89	6.68	6.00	7.27	7.51
Wastewater Sewer Renewal Reserve Fund					
Frontage levy revenue	\$ 1,065	\$ 420	\$ -	\$ -	\$ -
Sewer renewals funded	\$ 823	\$ 292	\$ 547	\$ 73	\$ -
Kilometres of sewers	1,415	1,410	1,398	1,390	1,331
Kilometres of sewer renewed	0.72	0.10	0.05	0.15	-
Water Treatment Reserve Fund					
Transfer from					
Waterworks System	\$ 10,098	\$ 11,174	\$ 10,114	\$ 9,651	\$ 11,243
Transfer to Waterworks					
System - capital projects	\$ 32,231	\$ -	\$ -	\$ 301	\$ 301
Environmental Projects Reserve Fund					
Transfer from Sewage					
Disposal System	\$ 13,533	\$ 12,109	\$ 7,047	\$ 6,810	\$ 7,006
Transfer to Sewage Disposal					
System - capital projects	\$ 13,755	\$ 950	\$ 1,187	\$ 935	\$ 453
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid					
Waste Disposal	\$ 192	\$ 196	\$ 168	\$ 169	\$ 176
Golf Course Reserve Fund					
Transfer from General					
Revenue Fund	\$ -	\$ -	\$ -	\$ -	\$ 18
Library Reserve Fund					
Library fines	\$ 230	\$ 44	\$ 392	\$ 520	\$ 563
Transit Bus Replacement Reserve Fund					
Transfer from/(to)					
Transit System, net	\$ 217	\$ (1,123)	\$ (3,708)	\$ (2,788)	\$ 660
Number of buses financed	40	40	50	32	20

THE CITY OF WINNIPEG CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Concession Equipment Replacement Reserve Fund					
Contributions	\$ 12	\$ 11	\$ 13	\$ 13	\$ 23
Purchases of equipment	\$ 20	\$ 2	\$ 13	\$ 4	\$ 4
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Finance	\$ 776	\$ 724	\$ 617	\$ 507	\$ 394
Community Services	271	190	413	279	62
Public Works	249	156	84	-	-
Planning, Property and Development	101	-	-	-	-
EPC Secretariat	7	7	9	4	-
Mayor's Office	6	-	-	-	-
CAO Secretariat	3	15	20	14	11
	<u>\$ 1,413</u>	<u>\$ 1,092</u>	<u>\$ 1,143</u>	<u>\$ 804</u>	<u>\$ 467</u>
Aqueduct Rehabilitation Reserve Fund					
Transfer from					
Waterworks System	\$ -	\$ -	\$ 2,639	\$ 5,812	\$ 4,982
Transfer to Waterworks					
System - capital projects	\$ 416	\$ 1,120	\$ 3,458	\$ 8,242	\$ 5,659

**THE CITY OF WINNIPEG
CAPITAL RESERVES**

STATEMENT OF FINANCIAL POSITION

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

	<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)	\$ 1,710	\$ 23,488	\$ 861	\$ 26,059
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	<u>1,710</u>	<u>23,488</u>	<u>861</u>	<u>26,059</u>
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
Capital assets (Note 6)	-	-	-	-
	<u>\$ 1,710</u>	<u>\$ 23,488</u>	<u>\$ 861</u>	<u>\$ 26,059</u>
EQUITY				
Allocated	\$ 1,146	\$ 19,298	\$ 846	\$ 21,290
Unallocated	564	4,190	15	4,769
	<u>\$ 1,710</u>	<u>\$ 23,488</u>	<u>\$ 861</u>	<u>\$ 26,059</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)
(unaudited)*

	<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)	\$ 26,059	\$ 25	\$ 52,336	\$ 18
Call loans - General Revenue Fund	-	2,987	-	452
Accounts receivable	-	350	-	3
	<u>26,059</u>	<u>3,362</u>	<u>52,336</u>	<u>473</u>
Investments (Note 4)	-	70,318	-	1,641
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
Capital assets (Note 6)	-	-	-	-
	<u>\$ 26,059</u>	<u>\$ 73,680</u>	<u>\$ 52,336</u>	<u>\$ 2,114</u>
EQUITY				
Allocated	\$ 21,290	\$ 73,680	\$ 52,336	\$ 2,114
Unallocated	4,769	-	-	-
	<u>\$ 26,059</u>	<u>\$ 73,680</u>	<u>\$ 52,336</u>	<u>\$ 2,114</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>
\$ 1,280	\$ 841	\$ 359	\$ 104	\$ 1,413	\$ 457	\$ 82,892
-	-	-	-	-	-	3,439
-	-	-	-	-	-	353
<u>1,280</u>	<u>841</u>	<u>359</u>	<u>104</u>	<u>1,413</u>	<u>457</u>	<u>86,684</u>
-	-	-	-	-	-	71,959
493	-	-	-	-	-	493
-	<u>636</u>	-	-	-	-	<u>636</u>
<u>\$ 1,773</u>	<u>\$ 1,477</u>	<u>\$ 359</u>	<u>\$ 104</u>	<u>\$ 1,413</u>	<u>\$ 457</u>	<u>\$ 159,772</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,413	\$ 457	\$ 151,290
<u>1,773</u>	<u>1,477</u>	<u>359</u>	<u>104</u>	-	-	<u>8,482</u>
<u>\$ 1,773</u>	<u>\$ 1,477</u>	<u>\$ 359</u>	<u>\$ 104</u>	<u>\$ 1,413</u>	<u>\$ 457</u>	<u>\$ 159,772</u>

**THE CITY OF WINNIPEG
CAPITAL RESERVES**

STATEMENT OF FINANCIAL POSITION

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

	<u>Totals 2005</u>	<u>Totals 2004</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 82,892	\$ 84,575
Call loans - General Revenue Fund	3,439	3,539
Accounts receivable	<u>353</u>	<u>150</u>
	86,684	88,264
Investments (Note 4)	71,959	81,371
Due from Golf Services - Special Operating Agency (Note 5)	493	259
Capital assets (Note 6)	<u>636</u>	<u>9,785</u>
	<u>\$ 159,772</u>	<u>\$ 179,679</u>
EQUITY		
Allocated	\$ 151,290	\$ 169,339
Unallocated	<u>8,482</u>	<u>10,340</u>
	<u>\$ 159,772</u>	<u>\$ 179,679</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)
(unaudited)*

	Watermain Renewal Reserve	Combined Sewer Reserve	Wastewater Sewer Reserve	Sub-total
Balance, beginning of year	\$ 2,005	\$ 25,132	\$ 593	\$ 27,730
Add:				
Frontage levies	6,871	18,740	1,065	26,676
Transfer from Sewage Disposal System	-	-	-	-
Transfer from Waterworks System	-	-	-	-
Interest earned	144	844	28	1,016
Transfer from Transit System	-	-	-	-
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
Other	-	-	-	-
	9,020	44,716	1,686	55,422
Deduct:				
Transfer to Waterworks System	7,299	-	-	7,299
Transfer to General Capital Fund	-	21,163	-	21,163
Transfer to Sewage Disposal System	-	-	823	823
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	11	65	2	78
Other	-	-	-	-
	7,310	21,228	825	29,363
Balance, end of year	\$ 1,710	\$ 23,488	\$ 861	\$ 26,059

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)

(unaudited)

	Sub-total Brought Forward	Water Treatment Reserve	Environmental Projects Reserve	Brady Landfill Reserve
Balance, beginning of year	\$ 27,730	\$ 93,191	\$ 51,230	\$ 1,845
Add:				
Frontage levies	26,676	-	-	-
Transfer from Sewage Disposal System	-	-	13,533	-
Transfer from Waterworks System	-	10,098	-	-
Interest earned	1,016	2,712	1,438	79
Transfer from Transit System	-	-	-	-
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	192
Transfer from Building Services Fund	-	-	-	-
Other	-	-	-	-
	55,422	106,001	66,201	2,116
Deduct:				
Transfer to Waterworks System	7,299	32,231	-	-
Transfer to General Capital Fund	21,163	-	-	-
Transfer to Sewage Disposal System	823	-	13,755	-
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	78	88	110	2
Other	-	2	-	-
	29,363	32,321	13,865	2
Balance, end of year	\$ 26,059	\$ 73,680	\$ 52,336	\$ 2,114

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>
\$ 1,714	\$ 1,821	\$ 89	\$ 110	\$ 1,092	\$ 857	\$ 179,679
-	-	-	-	-	-	26,676
-	-	-	-	-	-	13,533
-	-	-	-	-	-	10,098
62	42	58	2	32	17	5,458
-	-	5,232	-	-	-	5,232
-	230	-	12	540	-	782
-	-	-	-	-	-	192
-	-	-	-	15	-	15
-	-	-	-	-	-	-
<u>1,776</u>	<u>2,093</u>	<u>5,379</u>	<u>124</u>	<u>1,679</u>	<u>874</u>	<u>241,665</u>
-	-	-	-	-	416	39,946
-	300	-	-	-	-	21,463
-	-	-	-	-	-	14,578
-	-	5,015	-	-	-	5,015
-	311	-	20	264	-	595
3	3	5	-	2	1	292
-	2	-	-	-	-	4
<u>3</u>	<u>616</u>	<u>5,020</u>	<u>20</u>	<u>266</u>	<u>417</u>	<u>81,893</u>
<u>\$ 1,773</u>	<u>\$ 1,477</u>	<u>\$ 359</u>	<u>\$ 104</u>	<u>\$ 1,413</u>	<u>\$ 457</u>	<u>\$ 159,772</u>

THE CITY OF WINNIPEG CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

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

	<u>Totals 2005</u>	<u>Totals 2004</u>
Balance, beginning of year	\$ 179,679	\$ 152,804
Add:		
Frontage levies	26,676	26,054
Transfer from Sewage Disposal System	13,533	12,109
Transfer from Waterworks System	10,098	11,174
Interest earned	5,458	5,196
Transfer from Transit System	5,232	4,376
Transfer from General Revenue Fund	782	234
Transfer from Solid Waste Disposal	192	196
Transfer from Building Services Fund	15	15
Other	-	3
	<u>241,665</u>	<u>212,161</u>
Deduct:		
Transfer to Waterworks System	39,946	7,401
Transfer to General Capital Fund	21,463	17,590
Transfer to Sewage Disposal System	14,578	1,242
Transfer to Transit System	5,015	5,499
Purchase of equipment	595	295
Transfer to General Revenue Fund - investment management fee	292	277
Other	4	178
	<u>81,893</u>	<u>32,482</u>
Balance, end of year	<u>\$ 159,772</u>	<u>\$ 179,679</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG CAPITAL RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

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 2005 water rates include a provision of 39.40 cents (2004 - 47.25 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 2005 sewer rate include a provision of 55.0 cents (2004 - 55.0 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 2006.

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. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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>2005</u>	<u>2004</u>
Marketable securities		
Provincial bonds, bond residues and coupons	\$ 46,246	\$ 55,607
Government of Canada bonds, bond residues, coupons and treasury bills	<u>25,713</u>	<u>25,764</u>
	<u>\$ 71,959</u>	<u>\$ 81,371</u>

The aggregate market value of marketable securities at December 31, 2005 is \$72,687 thousand (2004 - \$82,358 thousand).

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

	<u>2005</u>	<u>2004</u>
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 63	\$ 69
- 2005	69	75
- 2006	115	115
- 2007	246	-
	<u>\$ 493</u>	<u>\$ 259</u>

6. *Capital Assets*

Commencing in 2005, water treatment projects are recorded as capital assets in the Waterworks System Fund. Prior to 2005, these projects were recorded in the Water Treatment Reserve. Also commencing in 2005, combined sewer overflow and disinfection projects are recorded as capital assets in the Sewage Disposal System Fund. Prior to 2005, these projects were recorded in the Environmental Projects Reserve.

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 at 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 Enterprise 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)

(unaudited)

	2005	2004	2003	2002	2001
Workers Compensation Reserve Fund					
Call loans - General					
Revenue Fund	\$ 2,072	\$ 3,765	\$ 2,712	\$ 1,350	\$ 1,392
Investments	\$ 4,733	\$ 2,360	\$ 2,866	\$ 3,272	\$ 3,005
Interest earned	\$ 229	\$ 236	\$ 251	\$ 232	\$ 249
Brookside Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 89	\$ 119	\$ 236	\$ 132	\$ 122
Investments	\$ 9,787	\$ 9,389	\$ 9,032	\$ 8,914	\$ 8,348
Interest earned	\$ 584	\$ 540	\$ 707	\$ 1,023	\$ 962
St. Vital Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ -	\$ 15	\$ 26	\$ 35	\$ 44
Investments	\$ 588	\$ 532	\$ 481	\$ 436	\$ 394
Interest earned	\$ 56	\$ 52	\$ 47	\$ 43	\$ 40
Transcona Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 46	\$ 49	\$ 53	\$ 56	\$ 59
Investments	\$ 365	\$ 332	\$ 302	\$ 274	\$ 249
Interest earned	\$ 35	\$ 30	\$ 30	\$ 27	\$ 26
Insurance Reserve Fund					
Call loans - General					
Revenue Fund	\$ 811	\$ 1,252	\$ 697	\$ 2,611	\$ 523
Investments	\$ 6,476	\$ 5,445	\$ 6,416	\$ 7,599	\$ 9,683
Interest earned	\$ 378	\$ 415	\$ 460	\$ 567	\$ 596
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	\$ 1,784	\$ 953	\$ 628	\$ 1,162	\$ 286
Interest earned	\$ 94	\$ 60	\$ 74	\$ 56	\$ 86
Park improvements expenses	\$ 955	\$ 499	\$ 906	\$ 619	\$ 505
Land Operating Reserve Fund					
Number of properties sold	174	89	88	65	66
Number acquired - tax sale	32	82	78	133	59
Number exchanged	1	1	2	4	1

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	2005	2004	2003	2002	2001
Recreation Programming Reserve Fund					
Transfer from					
General Revenue Fund	\$ -	\$ -	\$ -	\$ 100	\$ 100
Total approved					
projects/programs	\$ 28	\$ 22	\$ 75	\$ 68	\$ 160
Number approved	7	6	18	21	37
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	\$ (3,351)	\$ (6,075)	\$ 58	\$ 1,933	\$ 1,951
Idea Bank Reserve Fund					
Approved loans	\$ 500	\$ 200	\$ 108	\$ 240	\$ 171
Loan repayments	\$ 44	\$ 15	\$ 18	\$ 2	\$ 2
Commitment Reserve Fund					
Allocation of equity:					
Corporate and other	\$ 1,387	\$ 1,044	\$ 737	\$ 2,810	\$ 1,770
Public Works	1,182	998	933	1,679	605
Planning, Property and Development	601	520	880	1,321	501
Winnipeg Fire Paramedic Service	536	353	394	91	963
Corporate Services	504	586	698	646	710
Community Services	100	343	413	244	319
Property Assessment	-	330	-	28	113
Winnipeg Police Service	-	-	960	1,112	242
Corporate Finance	-	-	232	255	98
Winnipeg Hydro	-	-	-	-	278
	\$ 4,310	\$ 4,174	\$ 5,247	\$ 8,186	\$ 5,599
Heritage Investment Reserve Fund					
Transfer from General Revenue Fund	\$ -	\$ 700	\$ 1,300	\$ 1,700	\$ 2,056
Housing Rehabilitation Investment Reserve Fund					
Transfer from General Revenue Fund	\$ -	\$ -	\$ 705	\$ 1,000	\$ 1,000
Economic Development Investment Reserve Fund					
Transfer (to) from General Revenue Fund	\$ -	\$ (300)	\$ (265)	\$ 4,975	\$ 1,000
Transfer to General Capital Fund	\$ 800	\$ -	\$ -	\$ -	\$ -

**THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES**

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Assiniboine Park Enterprise Reserve Fund					
Animals sold	77	55	58	74	91
Animals purchased	68	56	43	9	138
Exhibits	106	106	106	106	106
Total animal collection					
species	330	310	360	330	330
specimens	2,149	1,920	2,525	1,800	1,805
Zoo attendance (persons)	415,533	381,699	321,385	324,352	334,481
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	\$ -	\$ -
Transfer to Housing Rehabilitation					
Investment Reserve	\$ 940	\$ -	\$ -	\$ -	\$ -
Grants	\$ 200	\$ -	\$ 3,500	\$ 3,500	\$ -
Interest earned	\$ 351	\$ 362	\$ 669	\$ 647	\$ 1,507
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal tax	\$ 274	\$ 247	\$ -	\$ -	\$ -
Interest earned	\$ 7	\$ 3	\$ -	\$ -	\$ -

**THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES**

STATEMENT OF FINANCIAL POSITION

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

	<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	2,072	89	-	46
Accounts receivable	82	15	-	-
Loans receivable (Note 4)	-	-	-	-
Prepaid expenses	-	-	-	-
	<u>2,154</u>	<u>104</u>	<u>-</u>	<u>46</u>
Investments (Note 5)	4,733	9,787	588	365
Deferred charges	-	-	-	-
Inventory	-	-	-	-
	<u>\$ 6,887</u>	<u>\$ 9,891</u>	<u>\$ 588</u>	<u>\$ 411</u>
LIABILITIES				
Current				
Accounts payable	\$ -	\$ -	\$ -	\$ -
EQUITY				
Contributed surplus (Note 6)	-	-	-	-
Allocated	-	-	-	-
Unallocated	<u>6,887</u>	<u>9,891</u>	<u>588</u>	<u>411</u>
	<u>6,887</u>	<u>9,891</u>	<u>588</u>	<u>411</u>
	<u>\$ 6,887</u>	<u>\$ 9,891</u>	<u>\$ 588</u>	<u>\$ 411</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>
\$ -	\$ 4,130	\$ 3,289	\$ 121	\$ -	\$ 7,540
811	-	-	-	-	3,018
53	-	1,479	-	-	1,629
-	-	-	-	-	-
-	-	-	-	-	-
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
864	4,130	4,768	121	-	12,187
6,476	-	1,754	-	-	23,703
-	-	27	-	-	27
-	-	11,104	192	-	11,296
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 7,340</u>	<u>\$ 4,130</u>	<u>\$ 17,653</u>	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ 47,213</u>
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ -	\$ -	\$ 3,253	\$ -	\$ -	\$ 3,253
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	8,425	-	-	8,425
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
-	-	1,789	313	-	2,102
7,340	4,130	4,186	-	-	33,433
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
7,340	4,130	5,975	313	-	35,535
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>\$ 7,340</u>	<u>\$ 4,130</u>	<u>\$ 17,653</u>	<u>\$ 313</u>	<u>\$ -</u>	<u>\$ 47,213</u>

**THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES**

STATEMENT OF FINANCIAL POSITION

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

	Sub-Total Brought Forward	Idea Bank Reserve	Commitment Reserve	Heritage Investment Reserve
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	\$ 7,540	\$ 238	\$ 4,310	\$ 8,744
Call loans - General Revenue Fund	3,018	-	-	-
Accounts receivable	1,629	6	-	-
Loans receivable (Note 4)	-	663	-	-
Prepaid expenses	-	-	-	-
	12,187	907	4,310	8,744
Investments (Note 5)	23,703	-	-	-
Deferred charges	27	-	-	-
Inventory	11,296	-	-	-
	\$ 47,213	\$ 907	\$ 4,310	\$ 8,744
LIABILITIES				
Current				
Accounts payable	\$ 3,253	\$ -	\$ -	\$ -
EQUITY				
Contributed surplus (Note 6)	8,425	-	-	-
Allocated	2,102	-	-	-
Unallocated	33,433	907	4,310	8,744
	35,535	907	4,310	8,744
	\$ 47,213	\$ 907	\$ 4,310	\$ 8,744

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 2005</u>	<u>Totals 2004</u>
\$ 1,302	\$ 3,225	\$ 826	\$ 13,244	\$ 530	\$ 39,959	\$ 44,444
-	-	-	-	-	3,018	5,200
-	-	-	-	-	1,635	2,062
-	-	-	-	-	663	200
2	-	-	-	-	2	-
<u>1,304</u>	<u>3,225</u>	<u>826</u>	<u>13,244</u>	<u>530</u>	<u>45,277</u>	51,906
-	-	-	-	-	23,703	19,812
-	-	-	-	-	27	627
-	-	400	-	-	11,696	12,248
<u>\$ 1,304</u>	<u>\$ 3,225</u>	<u>\$ 1,226</u>	<u>\$ 13,244</u>	<u>\$ 530</u>	<u>\$ 80,703</u>	<u>\$ 84,593</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,253	\$ 3,944
-	-	-	-	-	8,425	8,425
-	-	-	-	-	2,102	5,377
<u>1,304</u>	<u>3,225</u>	<u>1,226</u>	<u>13,244</u>	<u>530</u>	<u>66,923</u>	66,847
<u>1,304</u>	<u>3,225</u>	<u>1,226</u>	<u>13,244</u>	<u>530</u>	<u>69,025</u>	72,224
<u>\$ 1,304</u>	<u>\$ 3,225</u>	<u>\$ 1,226</u>	<u>\$ 13,244</u>	<u>\$ 530</u>	<u>\$ 80,703</u>	<u>\$ 84,593</u>

**THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES**

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in thousands of dollars)

(unaudited)

	Workers Compensation Reserve	Brookside Cemetery Reserve	St. Vital Cemetery Reserve	Transcona Cemetery Reserve
Balance, beginning of year	<u>\$ 6,146</u>	<u>\$ 9,523</u>	<u>\$ 547</u>	<u>\$ 381</u>
Add:				
Land sales	-	-	-	-
Transfer from General Revenue Fund	-	59	11	11
Interest earned	229	584	56	35
Cash payments in lieu of land dedication	-	-	-	-
Municipal realty tax	-	-	-	-
Transfer from General Purpose Reserve	-	-	-	-
Other	518	-	-	-
Transfer from Civic Accommodations Fund	-	-	-	-
Transfer from General Revenue Enterprises 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 Capital Fund	-	-	-	-
	<u>747</u>	<u>643</u>	<u>67</u>	<u>46</u>
Deduct:				
Other	-	-	-	-
Transfer to General Revenue Fund	-	265	25	16
Cost of sales	-	-	-	-
Transfer to General Capital Fund	-	-	-	-
Grants	-	-	-	-
Park land and improvements	-	-	-	-
Transfer to Housing Rehabilitation Investment Reserve	-	-	-	-
Transfer to General Revenue Enterprises Fund	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to Fleet Management - Special Operating Agency	-	-	-	-
Transfer to General Revenue Fund - investment management fee	6	10	1	-
Transfer to Golf Services - Special Operating Agency	-	-	-	-
Transfer to Winnipeg Parking Authority - Special Operating Agency	-	-	-	-
Transfer to Building Services Fund	-	-	-	-
Transfer to Glacial Sand and Gravel - Special Operating Agency	-	-	-	-
Transfer to Civic Accommodations Fund	-	-	-	-
	<u>6</u>	<u>275</u>	<u>26</u>	<u>16</u>
Balance, end of year	<u>\$ 6,887</u>	<u>\$ 9,891</u>	<u>\$ 588</u>	<u>\$ 411</u>

See accompanying notes to the financial statements

Insurance Reserve	Land Dedication Reserve	Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Sub-Total
\$ 6,721	\$ 2,914	\$ 5,920	\$ 316	\$ 3,272	\$ 35,740
-	-	5,810	-	-	5,810
191	-	-	-	-	272
378	94	107	3	86	1,572
-	1,784	-	-	-	1,784
-	-	-	-	-	-
-	-	-	-	-	-
-	-	160	-	-	678
-	-	-	-	-	-
-	300	-	-	-	300
167	-	-	-	-	167
143	-	-	-	-	143
28	-	-	-	-	28
20	-	-	-	-	20
-	-	-	-	-	-
927	2,178	6,077	3	86	10,774
-	-	3,336	6	-	3,342
-	-	-	-	3,351	3,657
-	-	1,863	-	-	1,863
-	-	-	-	-	-
-	-	-	-	-	-
-	955	-	-	-	955
-	-	-	-	-	-
-	-	815	-	-	815
-	-	-	-	-	-
264	-	-	-	-	264
7	7	8	-	7	46
27	-	-	-	-	27
5	-	-	-	-	5
5	-	-	-	-	5
-	-	-	-	-	-
-	-	-	-	-	-
308	962	6,022	6	3,358	10,979
\$ 7,340	\$ 4,130	\$ 5,975	\$ 313	\$ -	\$ 35,535

**THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES**

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in thousands of dollars)

(unaudited)

	Sub-Total Brought Forward	Idea Bank Reserve	Commitment Reserve	Heritage Investment Reserve
Balance, beginning of year	<u>\$ 35,740</u>	<u>\$ 1,336</u>	<u>\$ 4,174</u>	<u>\$ 8,888</u>
Add:				
Land sales	5,810	-	-	-
Transfer from General Revenue Fund	272	-	2,373	-
Interest earned	1,572	29	-	203
Cash payments in lieu of land dedication	1,784	-	-	-
Municipal realty tax	-	-	-	1,270
Transfer from General Purpose Reserve	-	-	-	-
Other	678	-	-	-
Transfer from Civic Accommodations Fund	-	-	566	-
Transfer from General Revenue Enterprises Fund	300	44	-	-
Transfer from Transit System Fund	167	-	-	-
Transfer from Waterworks System Fund	143	-	-	-
Transfer from Sewage Disposal Fund	28	-	-	-
Transfer from Solid Waste Disposal Fund	20	-	-	-
Transfer from General Capital Fund	-	-	-	-
	<u>10,774</u>	<u>73</u>	<u>2,939</u>	<u>1,473</u>
Deduct:				
Other	3,342	-	2,064	1,551
Transfer to General Revenue Fund	3,657	500	184	-
Cost of sales	1,863	-	-	-
Transfer to General Capital Fund	-	-	250	-
Grants	-	-	-	50
Park land and improvements	955	-	-	-
Transfer to Housing Rehabilitation Investment Reserve	-	-	-	-
Transfer to General Revenue Enterprises Fund	815	-	-	-
Purchase of equipment	-	-	305	-
Transfer to Fleet Management - Special Operating Agency	264	-	-	-
Transfer to General Revenue Fund - investment management fee	46	2	-	16
Transfer to Golf Services - Special Operating Agency	27	-	-	-
Transfer to Winnipeg Parking Authority - Special Operating Agency	5	-	-	-
Transfer to Building Services Fund	5	-	-	-
Transfer to Glacial Sand and Gravel - Special Operating Agency	-	-	-	-
Transfer to Civic Accommodations Fund	-	-	-	-
	<u>10,979</u>	<u>502</u>	<u>2,803</u>	<u>1,617</u>
Balance, end of year	<u>\$ 35,535</u>	<u>\$ 907</u>	<u>\$ 4,310</u>	<u>\$ 8,744</u>

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 2005	Totals 2004
\$ 1,138	\$ 5,474	\$ 1,164	\$ 14,060	\$ 250	\$ 72,224	\$ 82,364
-	-	-	-	-	5,810	6,719
-	-	6	-	-	2,651	3,037
38	92	18	351	7	2,310	2,394
-	-	-	-	-	1,784	953
-	165	-	-	274	1,709	1,163
940	-	-	-	-	940	-
-	-	256	-	-	934	626
-	-	-	-	-	566	420
-	-	-	-	-	344	7
-	-	-	-	-	167	186
-	-	-	-	-	143	185
-	-	-	-	-	28	31
-	-	-	-	-	20	19
-	-	-	-	-	-	208
978	257	280	351	281	17,406	15,948
63	1,654	-	-	-	8,674	6,514
-	-	-	-	-	4,341	10,848
-	-	217	-	-	2,080	2,990
-	800	-	-	-	1,050	1,435
746	45	-	200	-	1,041	782
-	-	-	-	-	955	499
-	-	-	940	-	940	-
-	-	-	-	-	815	2,112
-	-	-	-	-	305	744
-	-	-	-	-	264	35
3	7	1	27	1	103	124
-	-	-	-	-	27	3
-	-	-	-	-	5	-
-	-	-	-	-	5	-
-	-	-	-	-	-	1
-	-	-	-	-	-	1
812	2,506	218	1,167	1	20,605	26,088
\$ 1,304	\$ 3,225	\$ 1,226	\$ 13,244	\$ 530	\$ 69,025	\$ 72,224

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

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. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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>2005</u>	<u>2004</u>
Winnipeg Parking Authority - Special Operating Agency Interest at 6.0%, due December 2006	\$ 500	\$ -
General Revenue Enterprises Fund Interest at 4.5%, payments of \$45 thousand annually, due March 2009	<u>163</u>	<u>200</u>
	<u>\$ 663</u>	<u>\$ 200</u>

Included in the Idea Bank Reserve's account receivable is \$6 thousand (2004 - \$7 thousand) for interest receivable from the General Revenue Enterprises Fund.

5. Investments

	<u>2005</u>	<u>2004</u>
Marketable securities		
Government of Canada bonds, bond residues, coupons and treasury bills	\$ 18,441	\$ 14,788
Provincial bonds, bond residues and coupons	<u>3,508</u>	<u>3,270</u>
	<u>21,949</u>	18,058
Property held for resale	<u>1,754</u>	<u>1,754</u>
	<u>\$ 23,703</u>	<u>\$ 19,812</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, 2005 is \$24,151 thousand (2004 - \$20,372 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 \$365.2 million as at December 31, 2005 (2004 - \$335.3 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 2005, \$69.8 million (2004 - \$45.2 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)

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Total Assets	\$ 365,166	\$ 335,267	\$ 305,951	\$ 274,317	\$ 246,239
Capital Construction Financed	\$ 69,822	\$ 45,248	\$ 69,862	\$ 49,181	\$ 43,101
Interest Earned	\$ 29,962	\$ 29,359	\$ 31,634	\$ 28,078	\$ 25,200
Principal Retirals	\$ 23,563	\$ 25,791	\$ 25,078	\$ 25,073	\$ 26,209

**THE CITY OF WINNIPEG
EQUITY IN CAPITAL ASSETS FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 14,913	\$ 31,113
Current portion of long-term investments (Note 4)	<u>24,817</u>	<u>23,724</u>
	39,730	54,837
Long-term investments (Note 4)	<u>325,436</u>	<u>280,430</u>
	<u>\$ 365,166</u>	<u>\$ 335,267</u>
EQUITY		
Allocated	\$ 346,594	\$ 300,333
Unallocated	<u>18,572</u>	<u>34,934</u>
	<u>\$ 365,166</u>	<u>\$ 335,267</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)

(unaudited)

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 335,267	\$ 305,951
Add:		
Interest	<u>29,962</u>	<u>29,359</u>
	365,229	335,310
Deduct:		
Transfer to General Revenue Fund - investment management fee	<u>63</u>	<u>43</u>
Balance, end of year	<u>\$ 365,166</u>	<u>\$ 335,267</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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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 2025 and with a weighted average interest rate for the year 2005 of 7.28% (2004 - 7.32%) due from the following:

	<u>2005</u>	<u>2004</u>
General Capital	\$ 338,188	\$ 298,481
Transit System	8,265	1,551
Civic Accommodations Fund	3,659	3,820
Sewage Disposal System	83	88
Waterworks System	48	116
Solid Waste Disposal	10	98
	<u>350,253</u>	<u>304,154</u>
Current portion of long-term investments:		
General Capital	(24,292)	(23,240)
Transit System	(303)	(162)
Civic Accommodations Fund	(172)	(161)
Waterworks System	(35)	(68)
Solid Waste Disposal	(10)	(88)
Sewage Disposal System	(5)	(5)
	<u>(24,817)</u>	<u>(23,724)</u>
	<u>\$ 325,436</u>	<u>\$ 280,430</u>

**THE CITY OF WINNIPEG
TRUST FUNDS**

STATEMENT OF FINANCIAL POSITION

*As at December 31
(unaudited)*

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2005 Totals	2004 Totals
ASSETS						
Current						
Due from General Revenue Fund (Note 3)	<u>\$ 50,815</u>	<u>\$ 165,542</u>	<u>\$ 36,372</u>	<u>\$ 3,463</u>	<u>\$ 256,192</u>	<u>\$ 255,133</u>
EQUITY						
Unallocated	<u>\$ 50,815</u>	<u>\$ 165,542</u>	<u>\$ 36,372</u>	<u>\$ 3,463</u>	<u>\$ 256,192</u>	<u>\$ 255,133</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
(unaudited)*

	St. Boniface Museum Board Trust	Library Trust	Portage and Main Concourse Trust	Winnipeg Evergreen Committee Trust	2005 Totals	2004 Totals
Opening balance	<u>\$ 72,930</u>	<u>\$ 143,738</u>	<u>\$ 35,440</u>	<u>\$ 3,025</u>	<u>\$ 255,133</u>	<u>\$ 232,585</u>
Add:						
Contributions	47,195	55,143	-	350	102,688	210,464
Interest earned	1,611	3,855	932	88	6,486	6,229
	<u>48,806</u>	<u>58,998</u>	<u>932</u>	<u>438</u>	<u>109,174</u>	<u>216,693</u>
Deduct:						
Disbursements	<u>70,921</u>	<u>37,194</u>	<u>-</u>	<u>-</u>	<u>108,115</u>	<u>194,145</u>
Closing balance	<u>\$ 50,815</u>	<u>\$ 165,542</u>	<u>\$ 36,372</u>	<u>\$ 3,463</u>	<u>\$ 256,192</u>	<u>\$ 255,133</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005
(unaudited)

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, these funds do not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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
EQUIPMENT AND MATERIAL SERVICES**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 2)	\$ 77	\$ 12
Loans receivable (Note 3)	<u>5,030</u>	<u>5,092</u>
	<u>\$ 5,107</u>	<u>\$ 5,104</u>
 LIABILITIES		
Deferred gain (Note 4)	\$ 3,530	\$ 3,627
Provision for land rehabilitation	<u>671</u>	<u>671</u>
	4,201	4,298
 RETAINED EARNINGS	<u>906</u>	<u>806</u>
	<u>\$ 5,107</u>	<u>\$ 5,104</u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
EQUIPMENT AND MATERIAL SERVICES**

STATEMENT OF INCOME (LOSS) AND RETAINED EARNINGS

For the years ended December 31

(in thousands of dollars)

(unaudited)

	<u>2005</u>	<u>2004</u>
REVENUES		
Gain on sale of assets	\$ 97	\$ 107
Interest and other revenue	3	12
	<u>100</u>	<u>119</u>
EXPENSES		
Transfer to General Revenue Fund	-	1,600
Other	-	356
	<u>-</u>	<u>1,956</u>
NET INCOME (LOSS)	100	(1,837)
RETAINED EARNINGS, BEGINNING OF YEAR	<u>806</u>	<u>2,643</u>
RETAINED EARNINGS, END OF YEAR	<u><u>\$ 906</u></u>	<u><u>\$ 806</u></u>

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)

(unaudited)

	<u>2005</u>	<u>2004</u>
<i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i>		
<i>OPERATING</i>		
Net income (loss)	\$ 100	\$ (1,837)
Non-cash items related to operations		
Gain realized on sale of Pine Ridge Gravel Pit and related capital assets	<u>(97)</u>	<u>(151)</u>
Working capital from operations	3	(1,988)
Net change in working capital	<u>-</u>	<u>1,438</u>
	3	(550)
<i>FINANCING</i>		
Due from General Revenue Fund	(65)	136
<i>INVESTING</i>		
Loans receivable	<u>62</u>	<u>414</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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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.

2. 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 funds does not have a bank account. Bank transactions are credited or charged to the due from account when they are processed through the bank. 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>2005</u>	<u>2004</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
Equipment loan, interest at 6.5%, payment of \$5 thousand monthly, due December 2005	-	56
Gravel pit loan, interest at 6.5%, no repayment schedule	<u>3,800</u>	<u>3,800</u>
	3,800	3,862
Fleet Management - Special Operating Agency		
Net operating assets loan, non-interest bearing, no repayment schedule	<u>1,230</u>	<u>1,230</u>
	5,030	5,092
Current portion	<u>(5,030)</u>	<u>(5,092)</u>
	<u>\$ -</u>	<u>\$ -</u>

4. *Deferred Gain*

	<u>2005</u>	<u>2004</u>
Pine Ridge Gravel Pit	\$ 3,800	\$ 3,800
Accumulated depletion	<u>(372)</u>	<u>(320)</u>
	<u>3,428</u>	<u>3,480</u>
Capital assets	233	233
Accumulated amortization	<u>(131)</u>	<u>(86)</u>
	<u>102</u>	<u>147</u>
	<u><u>\$ 3,530</u></u>	<u><u>\$ 3,627</u></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.

THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND

The year 2005 was the ninth 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 equalled 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 Building Services Fund. The Public Works Department serves as an internal contractor to Civic Accommodations providing facility maintenance, security, environmental monitoring and cleaning services. The costs of these facility services are continually tracked and monitored in the Building Services 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 that 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

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Number of facilities (1)	138	139	138	138	138
Total area square footage	2,441,923	2,443,334	2,463,860	2,463,860	2,493,000

(1) The reduction of the portfolio in 2005, is due to the sale of 289 1/2 Garry Street, the demolition of the facility at 215 Planet Road and the closing of the temporary library at City Place. These reductions were partly offset by the new facility leases at 414 Osborne and 491 Portage Avenue.

**THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 2	\$ 17
Due from General Revenue Fund (Note 3)	98	3
Accounts receivable	91	64
Prepaid expenses	<u>473</u>	<u>459</u>
	664	543
Capital assets (Note 4)	<u>3,659</u>	<u>3,820</u>
	<u>\$ 4,323</u>	<u>\$ 4,363</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 664	\$ 543
Current portion of long-term debt (Note 6)	<u>172</u>	<u>161</u>
	836	704
Long-term debt (Note 6)	<u>3,487</u>	<u>3,659</u>
	<u>\$ 4,323</u>	<u>\$ 4,363</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)
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
REVENUES			
Contributions from City of Winnipeg departments (Note 9b)	\$ 30,434	\$ 29,952	\$ 29,034
Other rental	550	452	692
Investment and other	-	19	18
Miscellaneous	-	3	8
Total Revenues	<u>30,984</u>	<u>30,426</u>	<u>29,752</u>
EXPENSES			
Civic accommodations	10,377	11,608	11,140
Transfer to Building Services Fund	9,689	9,909	9,765
Transfer to General Capital Fund	7,703	5,666	5,944
Transfer to General Revenue Fund	3,215	3,243	2,903
Total Expenses (Note 10)	<u>30,984</u>	<u>30,426</u>	<u>29,752</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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, retirement allowance, 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, and 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 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. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Capital Assets

	<u>2005</u>	<u>2004</u>
Cost	\$ 4,864	\$ 4,864
Accumulated depreciation	(1,205)	(1,044)
	<u>\$ 3,659</u>	<u>\$ 3,820</u>

5. Accounts Payable and Accrued Liabilities

	<u>2005</u>	<u>2004</u>
Accrued interest on long-term debt	\$ 624	\$ 481
Accounts payable and accrued liabilities	40	31
Holdbacks and other payables	-	31
	<u>\$ 664</u>	<u>\$ 543</u>

6. Long-Term Debt

	<u>2005</u>	<u>2004</u>
Debt issued by the Equity in Capital Assets Fund which matures in the year 2019 with an interest rate of 6.50% (2004 - 6.35%)	\$ 3,659	\$ 3,820
Current portion of long-term debt	(172)	(161)
	<u>\$ 3,487</u>	<u>\$ 3,659</u>

7. Commitments

Lease commitments

The Civic Accommodations Division has entered into a number of rental lease agreements mainly for the lease of accommodations for civic offices and operating lease for the Utility's lease of office equipment. Future minimum lease payments are as follows:

2006	\$ 3,606
2007	3,024
2008	2,227
2009	803
2010	603
Subsequent	1,973
	<u>\$ 12,236</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, 2005 at \$353 thousand (2004 - \$302 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, 2005 is estimated at \$223 thousand (2004 - \$253 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 at December 31, 2005 is estimated at \$nil thousand (2004 - \$nil thousand).
- 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, \$116 thousand (2004 - \$109 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, 2004 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 (2004 - \$6 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
 - General government charges in the amount of \$306 thousand (2004 - \$306 thousand) to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to civic accommodations;
 - A transfer of \$9.9 million (2004 - \$9.8 million) to the Building Services Fund for the provision of facility maintenance services; and
 - Interest and principal payments of \$405 thousand (2004 - \$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:

	2005	2004
General Revenue Fund	\$ 28,134	\$ 27,364
Sewage Disposal System	348	334
Waterworks System	348	334
Building Services Fund	320	313
Fleet Management - Special Operating Agency	175	156
Transit System	172	75
Animal Services - Special Operating Agency	170	168
Civic Accommodations Fund	152	164
Solid Waste Disposal Fund	65	65
Winnipeg Parking Authority - Special Operating Agency	53	-
Golf Services - Special Operating Agency	15	17
General Capital Fund	-	44
	\$ 29,952	\$ 29,034

9. Contributions and Appropriations from Related Parties (continued)

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

10. Expenses by Object

	2005 Budget	2005 Actual	2004 Actual
Transfer to Building Services Fund	\$ 9,689	\$ 9,909	\$ 9,765
Materials and supplies	8,408	8,745	8,705
Transfer to General Capital Fund	7,703	5,666	5,944
Transfer to General Revenue Fund	3,215	3,243	2,903
Salaries and employee benefits	1,923	1,928	1,837
Transfer to Commitment Reserve	-	566	420
Other expenses	(89)	271	87
Civic Accommodations Fund - rental costs	166	152	164
Recoveries	(31)	(54)	(73)
	\$ 30,984	\$ 30,426	\$ 29,752

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.

12. Comparative Figures

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

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 City'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)
(unaudited)*

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 426	\$ 307
Accounts receivable	6	52
Prepaid expenses	3	3
	<u>\$ 435</u>	<u>\$ 362</u>
 LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 380	\$ 303
Deferred revenue	<u>55</u>	<u>59</u>
	<u>\$ 435</u>	<u>\$ 362</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)
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
REVENUES			
Contributions from City of Winnipeg departments (Note 6b)	\$ 26,315	\$ 26,568	\$ 25,800
Investment and other	315	283	272
Total Revenues	<u>26,630</u>	<u>26,851</u>	<u>26,072</u>
EXPENSES (Note 7)			
Building services	<u>26,630</u>	<u>26,851</u>	<u>26,072</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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, retirement allowance, 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 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, this fund does not have a bank account. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

4. Accounts Payable and Accrued Liabilities

	<u>2005</u>	<u>2004</u>
Wages and employee benefits	\$ 332	\$ 275
Performance deposits	48	28
	<u>\$ 380</u>	<u>\$ 303</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.
- d) Building Services' 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, \$676 thousand (2004 - \$653 thousand) of pension costs were allocated to Building Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2004 and has disclosed an actuarial surplus.

6. Contributions and Appropriations from Related Parties

- a) Included in Building Services Fund's expenses are:
 - Rental payments in the amount of \$590 thousand (2004 - \$691 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
 - General government charges transferred to the General Revenue Fund in the amount of \$252 thousand (2004 - \$252 thousand), which represents the estimated share of The City of Winnipeg's general expenses applicable to Building Services;
 - Rental payments in the amount of \$320 thousand (2004 - \$313 thousand) which represent facility costs paid to the Civic Accommodations Fund for space occupied by Building Services staff; and
 - Transfer to the Computer Replacement Reserve of \$15 thousand (2004 - \$15 thousand).

- b) The following funds transferred revenue to the Building Services Fund.

	<u>2005</u>	<u>2004</u>
General Revenue Fund	\$ 16,659	\$ 16,035
Civic Accommodations Fund	9,909	9,765
	<u>\$ 26,568</u>	<u>\$ 25,800</u>

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

7. *Expenses by Object*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Services, materials and supplies	\$ 14,728	\$ 15,709	\$ 15,068
Salaries and employee benefits	12,793	12,494	12,000
Other grants and transfers	585	587	630
Recoveries	(1,476)	(1,939)	(1,626)
	<u>\$ 26,630</u>	<u>\$ 26,851</u>	<u>\$ 26,072</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 2005 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 nearly \$3.0 million over 2004, a 5.3% increase. Although a small increase in fares contributed to this, the primary reason for the increased revenue is higher ridership. Revenue passengers for 2005 numbered 40.0 million, a 3% increase from 2004. This is the third consecutive annual increase and is the highest ridership since 1997. It reflects the positive influences of growing university enrolment, a healthy local economy and transit improvements implemented over the past few years. It also reflects the high costs of fuel noted this past year.

The Province of Manitoba significantly increased its operating funding of the public transit system. Through the Province's Building Manitoba Fund, an operating grant of nearly \$19.4 million was provided to Winnipeg's transit system. This same fund also provided an additional \$0.8 million for capital purposes.

The City's General Revenue Fund (property tax-support) provided \$1.4 million greater than budgeted.

All of these revenue increases were necessary to meet pressures in operations. First and foremost, while high fuel prices encouraged increased ridership this past year, it also had a tremendous impact on the cost of the system's operations. Diesel fuel costs were \$2.5 million higher than the previous year, nearly a 30% increase. Prices peaked in November at 95 cents per litre with the cost of crude oil exceeding \$70 per barrel. Both are nearly double the prices noted early in 2004.

Salary and wages expenses increased by \$1.8 million over 2004. This increase is due primarily to contractual agreement obligations.

Handi-transit demand continues to increase. The amount of service offered increased by 5% over 2004, exceeding budget expectations by over \$0.6 million.

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

- Ordering and taking delivery of 30 new 40' New Flyer low floor buses;
- After significant public consultation, the Rapid Transit Task Force released its report. Chaired by Councillor Russ Wyatt, the Task Force made a number of recommendations that, if adopted by Council, would result in many significant improvements to the City's public transit system;
- A new fare category was introduced in July. Senior's tickets, monthly passes and weekly passes (Superpasses) provide seniors with a 50% discount from adult fares;
- New agreements and commitments for funding of transit infrastructure were made during the year; and
- In June, the Department welcomed Mr. David Wardrop as its new director. His predecessor, Mr. Rick Borland, retired after 37 years working with the City, the past 25 as the Transit director.

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)
(unaudited)

	2005	2004	2003	2002	2001
Financial Position					
Current assets	\$ 6,017	\$ 9,373	\$ 8,602	\$ 8,489	\$ 5,053
Capital assets	\$ 39,433	\$ 33,993	\$ 24,974	\$ 27,527	\$ 29,170
Total assets	\$ 45,450	\$ 43,366	\$ 33,576	\$ 36,016	\$ 34,223
Current liabilities	\$ 11,473	\$ 18,452	\$ 14,037	\$ 16,483	\$ 10,109
Long-term debt	\$ 23,788	\$ 19,291	\$ 19,539	\$ 19,533	\$ 24,092
Operations					
Passenger revenue	\$ 55,358	\$ 52,529	\$ 49,491	\$ 47,620	\$ 48,000
- in relation to total revenue	48.40%	48.94%	48.07%	48.68%	48.97%
Appropriation from General Revenue Fund	\$ 35,217	\$ 32,854	\$ 31,882	\$ 29,081	\$ 29,065
- in relation to total revenue	30.79%	30.61%	30.97%	29.73%	29.65%
Provincial operating grants	\$ 19,355	\$ 16,854	\$ 17,459	\$ 16,854	\$ 16,854
Operations expenses	\$ 48,425	\$ 45,045	\$ 42,769	\$ 41,695	\$ 40,611
Plant and equipment expenses	\$ 33,770	\$ 29,806	\$ 28,004	\$ 27,504	\$ 27,258
Total expenses	\$ 109,256	\$ 102,845	\$ 97,419	\$ 95,761	\$ 93,863
Cash Flows					
Operating activities	\$ 8,668	\$ 6,363	\$ 4,313	\$ 1,149	\$ 5,276
Long-term debt issued, net	\$ (858)	\$ 1,333	\$ (3,873)	\$ (4,693)	\$ (260)
Payments to The Sinking Fund Trustees, net	\$ (970)	\$ (970)	\$ (1,316)	\$ (1,515)	\$ (1,515)
Capital expenses	\$ (12,134)	\$ (17,050)	\$ (20,952)	\$ (13,204)	\$ (8,071)
Financial Statistics and Selected Ratios					
Regular cash fare, end of year	\$ 1.85	\$ 1.80	\$ 1.75	\$ 1.70	\$ 1.65
Handi-transit - Annual ridership (in thousands)	572.8	545.6	513.4	497.0	449.4
Regular transit - Annual passenger boardings (in millions)	56.8	54.7	53.5	52.2	54.5
Bus hours operated (in thousands)	1,361	1,355	1,335	1,324	1,326
Direct operating cost per passenger	\$ 2.36	\$ 2.29	\$ 2.23	\$ 2.17	\$ 2.07
Direct operating cost per vehicle hour	\$ 69.24	\$ 64.98	\$ 63.24	\$ 61.70	\$ 60.20
Revenue to cost ratio	59%	59%	62%	59%	61%
Municipal operating cost per capita	\$ 46.71	\$ 44.69	\$ 41.67	\$ 39.40	\$ 39.29

**THE CITY OF WINNIPEG
TRANSIT SYSTEM**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 158	\$ 225
Accounts receivable (Note 3)	2,161	5,438
Inventory (Note 4)	3,687	3,695
Prepaid expenses	11	15
	<u>6,017</u>	<u>9,373</u>
Capital assets (Note 5)	<u>39,433</u>	<u>33,993</u>
	<u>\$ 45,450</u>	<u>\$ 43,366</u>
LIABILITIES		
Current		
Due to General Revenue Fund (Note 6)	\$ 7,844	\$ 13,135
Accounts payable and accrued liabilities	1,969	3,509
Current portion of long-term debt (Note 7)	1,660	1,808
	<u>11,473</u>	<u>18,452</u>
Deferred capital contributions	10,189	5,500
Long-term debt (Note 7)	<u>23,788</u>	<u>19,291</u>
	<u>45,450</u>	<u>43,243</u>
NET ASSETS	<u>-</u>	<u>123</u>
	<u>\$ 45,450</u>	<u>\$ 43,366</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)
(unaudited)*

	2005 Budget	2005 Actual	2004 Actual
REVENUES			
System generated (Note 8)	\$ 55,471	\$ 58,013	\$ 55,593
Appropriation from General Revenue Fund	33,831	35,217	32,854
Provincial Government grants (Note 9)	18,033	20,569	17,998
Interest and other	594	566	899
	<hr/>	<hr/>	<hr/>
Total Revenues	107,929	114,365	107,344
EXPENSES			
Operations (Note 10)	45,622	48,425	45,045
Plant and equipment (Note 11)	30,814	33,770	29,806
Corporate (Note 12)	11,218	11,642	13,337
Handi-transit	7,441	8,084	7,733
Finance and administration	2,821	2,627	2,977
Marketing and customer services	2,225	2,072	2,063
Information systems	1,099	1,064	956
Planning and schedules	1,025	1,046	928
Human resources	504	526	-
	<hr/>	<hr/>	<hr/>
Total Expenses (Note 13)	102,769	109,256	102,845
	<hr/>	<hr/>	<hr/>
Surplus from operations	\$ 5,160	\$ 5,109	\$ 4,499

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)
(unaudited)*

	<u>Unrestricted Equity</u>	<u>Investment in Capital Assets</u>	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ (5,141)	\$ 5,264	\$ 123	\$ -
Surplus from operations	5,109	-	5,109	4,499
Transfer to Transit Bus Replacement Reserve Fund (Note 14)	(5,232)	-	(5,232)	(4,376)
Net change in investment in capital assets (Note 15)	<u>(2,780)</u>	<u>2,780</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ (8,044)</u>	<u>\$ 8,044</u>	<u>\$ -</u>	<u>\$ 123</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)
(unaudited)

	<u>2005</u>	<u>2004</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Surplus from operations and before transfer	\$ 5,109	\$ 4,499
Non-cash items related to operations		
Amortization of capital assets	2,527	2,332
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(717)	(719)
Working capital from operations	6,919	6,112
Net change in other working capital	1,749	251
	<u>8,668</u>	<u>6,363</u>
FINANCING		
Long-term debt issued	6,875	1,976
Long-term debt retired	(6,894)	-
Payments on other long-term debt	(839)	(643)
Proceeds from The Sinking Fund Trustees applied to long-term debt retired	6,894	-
Payments to The Sinking Fund Trustees for outstanding long-term debt	(970)	(970)
Transfer to Transit Bus Replacement Reserve Fund	(5,232)	(4,376)
Due to General Revenue Fund	(5,291)	3,514
	<u>(5,457)</u>	<u>(499)</u>
INVESTING		
Purchase of capital assets	(12,134)	(17,050)
Contributions from the Province of Manitoba for purchase of capital assets	3,740	5,700
Contributions from Transit Bus Replacement Reserve for purchase of capital assets	5,015	5,499
Contributions from the Government of Canada for purchase of capital assets	101	-
	<u>(3,278)</u>	<u>(5,851)</u>
(Decrease) increase in cash	(67)	13
Cash, beginning of year	225	212
Cash, end of year	<u>\$ 158</u>	<u>\$ 225</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRANSIT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, retirement allowance, workers compensation claims, 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*

	<u>2005</u>	<u>2004</u>
Advertising rights, charter and other	\$ 2,007	\$ 1,181
Province of Manitoba	154	4,257
	<u>\$ 2,161</u>	<u>\$ 5,438</u>

4. *Inventory*

	<u>2005</u>	<u>2004</u>
Stores	\$ 3,591	\$ 3,591
Tickets, passes and other	96	104
	<u>\$ 3,687</u>	<u>\$ 3,695</u>

5. *Capital Assets*

	<u>2005</u>	<u>2004</u>
Buses	\$ 147,629	\$ 141,339
Work in progress	15,054	17,212
Buildings	14,699	14,592
Other equipment	10,778	9,119
Land and bus ways	5,801	5,179
	<u>193,961</u>	187,441
Accumulated amortization	(33,562)	(35,777)
Contributions in aid of construction and acquisition	(120,966)	(117,671)
	<u>\$ 39,433</u>	<u>\$ 33,993</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. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank.

7. *Long-term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2005</u>	<u>2004</u>
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 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>21,500</u>	28,394
Funds on deposit with The Sinking Fund Trustees (Note 7b)					<u>(10,337)</u>	<u>(15,544)</u>
Net sinking fund debentures outstanding					11,163	12,850
Other long-term debt outstanding						
Serial debentures issued by the City with varying maturities up to 2013 and a weighted average interest rate of 4.69% (2004 - 5.01%)					6,020	6,698
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2024 and a weighted average interest rate of 6.79% (2004 - 6.82%)					<u>8,265</u>	<u>1,551</u>
					25,448	21,099
Current portion of long-term debt					<u>(1,660)</u>	<u>(1,808)</u>
					<u>\$ 23,788</u>	<u>\$ 19,291</u>

7. Long-term Debt (continued)

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

	2006	2007	2008	2009	2010	Thereafter
Sinking fund debentures	\$ -	\$ -	\$ -	\$ 3,000	\$ -	\$ 18,500
Serial debentures	707	1,349	550	384	-	3,030
Equity in Capital Assets						
Fund debt	124	133	142	151	-	7,715
	<u>\$ 831</u>	<u>\$ 1,482</u>	<u>\$ 692</u>	<u>\$ 3,535</u>	<u>\$ -</u>	<u>\$ 29,245</u>

- a) 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.
- 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.

8. System Generated

	2005 Budget	2005 Actual	2004 Actual
Passenger	\$ 52,879	\$ 55,358	\$ 52,529
Advertising rights	1,505	1,560	1,447
Charter and other	1,087	1,095	1,617
	<u>\$ 55,471</u>	<u>\$ 58,013</u>	<u>\$ 55,593</u>

9. Provincial Government Grants

The Provincial Government provided grants of \$19.4 million (2004 - \$16.9 million) towards the operation of the Transit System and \$1.2 million (2004 - \$1.1 million) as a Local Government Support Grant.

10. Operations

	2005 Budget	2005 Actual	2004 Actual
Bus operators	\$ 41,934	\$ 44,457	\$ 41,377
Inspectors	1,811	1,783	1,828
Operations administration	1,219	1,385	1,167
Instruction	658	800	673
	<u>\$ 45,622</u>	<u>\$ 48,425</u>	<u>\$ 45,045</u>

11. Plant and Equipment

	2005 Budget	2005 Actual	2004 Actual
Vehicle maintenance and overhaul	\$ 14,778	\$ 14,248	\$ 13,286
Bus servicing	9,933	13,663	10,991
Building services	2,920	2,863	2,693
Maintenance administration	2,473	2,247	2,144
Loop and bus stop	710	749	692
	\$ 30,814	\$ 33,770	\$ 29,806

12. Corporate

	2005 Budget	2005 Actual	2004 Actual
Debt and finance charges	\$ 5,685	\$ 5,518	\$ 5,552
Taxes	2,379	2,505	2,398
Insurance and claims	1,182	1,320	1,299
Employee benefits	850	1,190	2,786
General government charges and other	1,122	1,109	1,302
	\$ 11,218	\$ 11,642	\$ 13,337

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, 2005 is estimated at \$4.9 million (2004 - \$4.4 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, 2005 at \$8.2 million (2004 - \$7.8 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 \$307 thousand (2004 - \$233 thousand).

Transit System'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, \$3.9 million (2004 - \$3.6 million) of pension costs were allocated to the department. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2004 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is \$0.8 million (2004 - \$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.

12. Corporate (continued)

c) Civic accommodation charges

Included in expenses is \$172 thousand (2004 - \$75 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

d) Property and business taxes

Realty and business taxes represent full taxes paid to The City of Winnipeg. Taxes are assessed on property as if it were privately owned. During 2005, realty and business taxes paid to the General Revenue Fund was \$1.2 million (2004 - \$1.2 million).

13. Expenses by Object

	2005 Budget	2005 Actual	2004 Actual <small>(Restated Note 17)</small>
Salaries and wages	\$ 56,744	\$ 58,058	\$ 56,212
Materials and supplies	13,372	18,107	15,645
Services	11,914	12,702	11,613
Employee benefits	9,220	10,702	9,849
Interest on long-term debt	3,098	2,989	3,206
Amortization of capital assets	2,570	2,527	2,332
Taxes - municipal and payroll	4,225	2,505	2,397
Insurance and transfer to Insurance Reserve Fund	1,318	1,640	1,535
Other	868	659	642
Recoveries	(560)	(633)	(586)
	\$ 102,769	\$ 109,256	\$ 102,845

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, \$5.0 million (2004 - \$5.5 million) was transferred from the Reserve to finance buses acquired.

15. Net Change in Investment in Capital Assets

	2005 Actual	2004 Actual
Balance, beginning of year	\$ 5,264	\$ -
Capital assets acquired	12,134	17,050
Contributions from the Transit Bus Replacement Reserve Fund	(5,015)	(5,541)
Contributions from the Province of Manitoba	(3,740)	(5,700)
Amortization	(824)	(745)
Contributions from the Government of Canada	(101)	-
Amortization of deferred capital contributions	326	200
	\$ 8,044	\$ 5,264

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 \$214 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 2006. On March 23, 2005, Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation. On November 23, 2005, Council approved the consolidation of maintenance staff and system control operations at the water treatment plant for an estimated cost of \$2.8 million. The current water treatment plant capital cost estimate is now \$230.1 million. Design of the water treatment plant is ongoing and construction did 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
(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
Annual water pumped (million litres)	80,713	81,045	84,577	81,916	79,783
Water pumped in litres per capita per day	339	343	366	359	346
Average daily water pumped (million litres per day)	221	222	232	224	219
Maximum day water pumping rates (million litres per day)	267	285	336	308	276
Maximum hour water pumping rates (million litres per day)	391	411	517	450	432
Kilometres of aqueduct	174.5	174.5	174.5	174.5	174.5
Kilometres of feeder mains	150.3	156.8	156.8	156.8	116.8
Kilometres of water mains	2,435.5	2,434.2	2,420.6	2,417.8	2,426.8
Number of hydrants	19,930	20,661	20,348	20,228	19,464
Number of billed services	187,619	186,160	184,854	183,656	182,804

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 259	\$ 318
Accounts receivable (Note 3)	15,207	13,897
Due from General Revenue Fund (Note 4)	24,946	16,868
Inventories	1,001	792
	<u>41,413</u>	<u>31,875</u>
Capital assets (Note 5)	<u>69,869</u>	<u>42,294</u>
	<u>\$ 111,282</u>	<u>\$ 74,169</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 5,535	\$ 3,357
Current portion of long-term debt (Note 7)	3,772	3,721
	<u>9,307</u>	<u>7,078</u>
Long-term debt (Note 7)	<u>23,916</u>	<u>28,622</u>
	<u>33,223</u>	<u>35,700</u>
RETAINED EARNINGS	<u>78,059</u>	<u>38,469</u>
	<u>\$ 111,282</u>	<u>\$ 74,169</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)
(unaudited)

	2005 Budget	2005 Actual	2004 Actual
REVENUES (Schedule 1)			
Sale of goods and services (Note 8)	\$ 73,639	\$ 74,008	\$ 71,345
Interest	1,134	1,551	1,343
Government grants, permits and other	903	1,127	736
Total Revenues	<u>75,676</u>	<u>76,686</u>	<u>73,424</u>
EXPENSES (Schedules 2 and 3)			
Water distribution	25,762	22,253	22,379
Debt and finance	8,997	10,330	12,327
Taxes, employee benefits and other (Note 9)	5,760	6,250	6,009
Engineering services	2,803	2,566	2,554
Finance and administration	2,575	2,349	2,171
Information systems and technology	801	645	620
Customer services	593	511	526
Laboratory services	491	474	477
Human resources	507	393	369
Total Expenses from Operations	<u>48,289</u>	<u>45,771</u>	<u>47,432</u>
Surplus for the year from operations	27,387	30,915	25,992
Transfers to other funds (Note 10)	22,307	23,556	22,661
Net surplus for the year	5,080	7,359	3,331
Unappropriated retained earnings			
Beginning of year	28,502	28,502	27,779
Transfer from Water Treatment Reserve (Note 5)	-	32,231	-
Transfer from appropriated retained earnings	-	1,275	3,097
Appropriation for Waterworks System Fund Capital	-	(6,043)	(5,705)
End of year	<u>33,582</u>	<u>63,324</u>	<u>28,502</u>
Appropriated retained earnings			
Beginning of year	9,967	9,967	7,359
Appropriation for Waterworks System Fund Capital	-	6,043	5,705
Transfer to unappropriated retained earnings	-	(1,275)	(3,097)
End of year	<u>9,967</u>	<u>14,735</u>	<u>9,967</u>
Total retained earnings	<u>\$ 43,549</u>	<u>\$ 78,059</u>	<u>\$ 38,469</u>

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)

(unaudited)

	<u>2005</u>	<u>2004</u>
<i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i>		
<i>OPERATING</i>		
Net surplus for the year	\$ 7,359	\$ 3,331
Non-cash items related to operations		
Amortization	4,655	4,613
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(934)	(869)
Contributions in aid of construction	1,335	3,115
	<u>12,415</u>	<u>10,190</u>
Working capital from operations		
Change in net working capital other than cash	659	2,178
	<u>13,074</u>	<u>12,368</u>
<i>FINANCING</i>		
Debt retired	(3,336)	(3,217)
Due from General Revenue Fund	(8,078)	(5,542)
Proceeds from The Sinking Fund Trustees	1,008	918
Payments to The Sinking Fund Trustees for outstanding long-term debt	(1,393)	(1,444)
Contributions from Reserves	31,561	14,661
	<u>19,762</u>	<u>5,376</u>
<i>INVESTING</i>		
Purchase of capital assets	(32,895)	(17,776)
	<u>(59)</u>	<u>(32)</u>
Decrease in cash		
Cash, beginning of year	318	350
	<u>\$ 259</u>	<u>\$ 318</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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, retirement allowance, 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 to fund the renewal of watermains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Watermain Renewal Reserve Fund. On January 30, 2002, City Council approved By-law No. 7958/2002 to include that frontage levies also fund 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 2005 water rates include a provision of 0 cents (2004 - 0 cents) per 100 cubic feet of water consumption billed for aqueduct rehabilitation. In 2005 and 2004, funds were not 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 2005 water rates include a provision of 39.4 cents (2004 - 47.25 cents) per 100 cubic feet of water consumption billed for water treatment. In 2005, \$10.1 million (2004 - \$11.2 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>2005</u>	<u>2004</u>
Water billings and other	\$ 15,392	\$ 14,097
Allowance for doubtful accounts	<u>(185)</u>	<u>(200)</u>
	<u>\$ 15,207</u>	<u>\$ 13,897</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. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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*

	<u>2005</u>	<u>2004</u>
Plant and equipment	\$ 434,241	\$ 408,960
Work in progress	71,647	56,773
Undistributed capital assets	16,565	16,565
Land	613	613
	<u>523,066</u>	482,911
Work in progress funding	(37,084)	(54,440)
Accumulated amortization	(156,602)	(151,947)
Contributions in aid of construction	(259,511)	(234,230)
	<u>\$ 69,869</u>	<u>\$ 42,294</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 \$0.4 million (2004 - \$1.1 million);
Waterworks System Fund \$1.3 million (2004 - \$3.1 million); and
Watermain Renewal Reserve \$7.3 million (2004 - \$6.3 million).

Commencing in 2005, Water Treatment projects are recorded as work in progress in the Waterworks System Fund. 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 capital assets in the Waterworks System Fund and will be amortized over their expected useful life. Prior to this change, these projects were recorded in the Water Treatment Reserve. In 2005, \$32.2 million of assets were transferred from the Water Treatment Reserve to the Waterworks System Fund.

6. *Accounts Payable and Accrued Liabilities*

	<u>2005</u>	<u>2004</u>
Trade accounts payable	\$ 3,706	\$ 1,568
Accrued debenture interest	990	1,046
Other accrued liabilities	612	529
Deferred revenue and other	227	214
	<u>\$ 5,535</u>	<u>\$ 3,357</u>

7. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2005</u>	<u>2004</u>
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 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>44,500</u>	45,508

7. **Long-Term Debt (continued)**

Equity in Sinking Fund (Note 7b)	<u>(19,252)</u>	<u>(17,933)</u>
Net sinking fund debentures outstanding	25,248	27,575
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% (2004 - 6.75%)	2,392	4,652
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 6.25% (2004 - 6.91%)	<u>48</u>	<u>116</u>
	<u>27,688</u>	<u>32,343</u>
Current portion of long-term debt	<u>(3,737)</u>	<u>(3,653)</u>
Current portion of Equity in Capital Assets Fund debt	<u>(35)</u>	<u>(68)</u>
Current portion of long-term debt	<u>(3,772)</u>	<u>(3,721)</u>
	<u>\$ 23,916</u>	<u>\$ 28,622</u>

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
Sinking fund debentures \$	-	\$ -	\$ -	\$ 1,500	\$ -	\$ 43,000
Serial and installment	2,392	-	-	-	-	-
Equity in Capital Assets Fund	<u>35</u>	<u>6</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 2,427</u>	<u>\$ 6</u>	<u>\$ 7</u>	<u>\$ 1,500</u>	<u>\$ -</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 \$4.4 million (2004 - \$4.6 million).

8. **Revenue**

The 2005 Water Treatment reserve contribution was 39.4 cents per hundred cubic feet (2004 - 47.25 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. Taxes are assessed on property as if it were privately owned. 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. During 2005, realty and business taxes paid to the General Revenue Fund was \$3.2 million (2004 - \$2.5 million).

Included in expenses is \$0.7 million (2004 - \$0.8 million) in general government and computer services charges which represents the estimated share of The City of Winnipeg's General Revenue Fund's general expenditure and actual computer services charges applicable to the Waterworks System.

Included in expenses is \$348 thousand (2004 - \$334 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

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, 2005 is \$2.4 million (2004 - \$2.3 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, 2005 is estimated at \$137 thousand (2004 - \$130 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, 2005 at \$3.4 million (2004 - \$2.8 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, \$1.4 million (2004 - \$1.3 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, 2004 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 \$7.1 million in 2005 (2004 - \$5.6 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	2005	2004
Transfer to General Revenue Fund	\$ 13,458	\$ 11,487
Transfer to Water Treatment Reserve	10,098	11,174
	\$ 23,556	\$ 22,661

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.

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 1

REVENUES

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

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Sale of goods and services			
Water sales	\$ 70,341	\$ 70,641	\$ 67,998
Fire hydrant and other rentals	3,262	3,339	3,312
Sale of scrap material	36	28	35
	<u>73,639</u>	<u>74,008</u>	<u>71,345</u>
Interest			
Sinking Fund earnings	934	934	869
Interest	150	607	427
Interest capitalized	50	10	47
	<u>1,134</u>	<u>1,551</u>	<u>1,343</u>
Government grants, permits and other			
Provincial support grant	450	497	465
Permits and fees	118	354	126
Other	335	276	145
	<u>903</u>	<u>1,127</u>	<u>736</u>
Total Revenues	<u>\$ 75,676</u>	<u>\$ 76,686</u>	<u>\$ 73,424</u>

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 2

EXPENSES

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

	2005 Budget	2005 Actual	2004 Actual
Water distribution			
Watermain maintenance	\$ 4,651	\$ 6,295	\$ 6,002
Pumping stations	3,346	3,103	2,977
General administration	2,110	2,576	2,429
Mechanical/civil/electrical maintenance allocation	2,661	2,397	2,321
Service pipe maintenance	4,020	2,070	2,679
Emergency services	1,276	1,264	1,372
Railway maintenance and operations	1,320	1,152	1,143
Hydrant maintenance	1,954	1,061	1,013
Water meter maintenance	1,153	573	571
Valve maintenance	1,082	496	633
Water supply administration	558	404	377
Intake operation	390	380	328
Stores - 552 Plinguet	163	159	180
Backflow prevention	141	151	222
Meter shop	216	104	67
Staff house	91	68	65
Water treatment plant	630	-	-
	25,762	22,253	22,379
Debt and finance			
Long-term debt			
Amortization	4,655	4,655	4,613
Interest	4,324	4,325	4,585
Contributions in aid of construction	-	1,335	3,115
Finance charges	18	15	14
	8,997	10,330	12,327
Taxes, employee benefits and other			
Property taxes	3,104	3,532	2,833
Employee benefits	750	986	1,303
General government charges	615	615	615
Provincial payroll tax	420	558	494
Insurance and damage claims	576	428	489
Rent	339	348	334
Other services	296	192	322
Recoveries	(340)	(409)	(381)
	5,760	6,250	6,009

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 2

EXPENSES

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

	2005 Budget	2005 Actual	2004 Actual
Engineering services division			
Design and construction	580	567	459
Project management	608	542	388
Drafting and graphics	429	375	519
Administration	128	297	334
Water planning	427	294	314
Customer technical services	320	284	268
Services development	148	133	125
Resource centre	70	72	48
Land drainage/flood planning	-	2	52
Asset management	93	-	47
	2,803	2,566	2,554
Finance and administration division			
Customer billing	2,049	1,820	1,698
Administrative services	146	205	179
Accounting services	144	136	121
Financial planning	134	109	93
Process improvement	102	79	80
	2,575	2,349	2,171
Information systems and technology division			
Major systems	441	363	310
Support services	360	282	310
	801	645	620
Customer services division			
Customer relations	437	399	423
Administration	90	60	62
Communications	45	41	41
Public consultation	21	11	-
	593	511	526
Laboratory services division			
Analytical services	294	301	297
Research	134	126	130
Administration	63	47	50
	491	474	477

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 2

EXPENSES

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

	2005 Budget	2005 Actual	2004 Actual
Human resources division			
Human resources	185	190	190
Timekeeping and payroll	104	91	77
Human resources training	162	79	70
Work place health and safety	56	33	32
	507	393	369
Total Expenses from Operations	48,289	45,771	47,432
Transfers to other funds			
Transfer to General Revenue Fund	11,958	13,458	11,487
Transfer to Water Treatment Reserve	10,349	10,098	11,174
Total transfer to other funds	22,307	23,556	22,661
Total Expenses	\$ 70,596	\$ 69,327	\$ 70,093

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 3

EXPENSES BY OBJECT

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

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Transfers	\$ 22,307	\$ 23,556	\$ 22,661
Salaries	23,908	22,414	20,799
Goods and services	20,368	16,547	17,714
Other expenses	4,195	4,908	4,193
Amortization	4,655	4,655	4,613
Interest on long-term debt	4,324	4,325	4,585
Employee benefits	4,296	3,955	4,109
Contributions in aid of construction	-	1,335	3,115
Finance charges	282	122	153
Grants	45	95	41
Recoveries	(13,784)	(12,585)	(11,890)
Total Expenses	<u><u>\$ 70,596</u></u>	<u><u>\$ 69,327</u></u>	<u><u>\$ 70,093</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, the environment, 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.

An Environmental Projects Reserve was authorized by City Council on December 17, 1993. It was established to fund environmental projects that would improve river quality. 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 environmental programs and 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 combined sewer overflow 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 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, with some initiatives to be completed sooner than recommended by the CEC.

In 2005 Manitoba Conservation issued Environment Act Licenses to the City for the North End and West End Water Pollution Control Centers (NEWPCC and WWPCC). A License has not yet been finalized for the South End Water Pollution Control Center (SEWPCC), but is expected to be similar to the other Licences and issued early in 2006. The Licences place specific compliance conditions that have been contemplated in the wastewater improvement current plan but may need to be adjusted as the programs move forward to address site specific design and implementation challenges.

The 25 year wastewater improvement program, which includes effluent ultraviolet (UV) 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 NEWPCC and WWPCC are currently underway and are expected to be completed by the end of 2006 or early 2007. The upgrades include year-round UV disinfection of the final effluent, and nutrient removal upgrades to achieve an interim reduction of 13% nitrogen and 10% phosphorus on a citywide basis. Engineering design efforts on biological nutrient removal at the SEWPCC will be initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC will be initiated after a Master Plan study has been substantially completed in order to have full biological nutrient removal at the NEWPCC completed by the end of 2014.

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

*As at December 31
(unaudited)*

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Rate in dollars (per 100 cu. ft.)	\$ 3.39	\$ 3.11	\$ 2.73	\$ 2.73	\$ 2.73
Annual sewage received (million litres)	123,584	127,534	96,199	103,659	117,165
Daily sewage received (million litres)	339.6	349.4	263.6	284.0	321.0
Kilometres of interceptor sewers	109.7	109.7	109.8	108.9	107.7
Kilometres of combined sewers	1,338.2	1,334.1	1,327.8	1,320.0	1,320.0
Kilometres of wastewater sewers	1,427.1	1,422.3	1,408.5	1,389.1	1,296.0
Kilometres of storm sewers	2,260.7	2,241.9	2,217.8	2,173.9	2,165.0
Number of lift stations	85	85	85	85	84
Number of billed sewer services	187,398	185,939	184,637	183,406	182,334

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 1	\$ 1
Due from General Revenue Fund (Note 3)	23,336	16,521
Accounts receivable (Note 4)	17,745	19,658
	<u>41,082</u>	36,180
Capital assets (Note 5)	<u>87,463</u>	81,366
	<u>\$ 128,545</u>	<u>\$ 117,546</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 6,899	\$ 4,892
Performance and other deposits	250	168
Current portion of long-term debt (Note 7)	4,239	4,989
	<u>11,388</u>	10,049
Long-term debt (Note 7)	<u>53,879</u>	60,788
	<u>65,267</u>	70,837
RETAINED EARNINGS	<u>63,278</u>	46,709
	<u>\$ 128,545</u>	<u>\$ 117,546</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)

(unaudited)

	2005 Budget	2005 Actual	2004 Actual
REVENUES (Schedule 1)			
Sewer services (Note 8)	\$ 89,958	\$ 85,651	\$ 76,495
Interest	2,931	3,383	3,209
Government grants, permits and other	2,195	2,482	2,154
Total revenues	95,084	91,516	81,858
EXPENSES (Schedules 2 and 3)			
Debt and finance	19,118	24,530	23,193
Collection, interception and treatment	21,756	21,764	21,428
Taxes, employee benefits and other (Note 9)	9,673	9,750	8,399
Engineering services	3,182	3,113	2,640
Finance and administration	2,701	2,521	2,383
Laboratory services	1,455	1,360	1,281
Information systems and technology	966	736	705
Customer services	675	595	609
Human resources	406	445	423
Total expenses from operations	59,932	64,814	61,061
Surplus for the year from operations	35,152	26,702	20,797
Transfers to other funds (Note 10)	25,136	23,888	21,987
Net surplus (deficit) for the year	10,016	2,814	(1,190)
Unappropriated retained earnings			
Beginning of year	6,528	6,528	24,029
Transfer from Environmental Projects Reserve (Note 5)	-	13,755	-
Transfer from appropriated retained earnings	-	6,815	5,019
Appropriation for Sewage Disposal System Fund			
Capital	-	(35,870)	(21,330)
End of year	16,544	(5,958)	6,528
Appropriated retained earnings			
Beginning of year	40,181	40,181	23,870
Appropriation for Sewage Disposal System Fund			
Capital	-	35,870	21,330
Transfer to unappropriated retained earnings	-	(6,815)	(5,019)
End of year	40,181	69,236	40,181
Total retained earnings	\$ 56,725	\$ 63,278	\$ 46,709

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)
(unaudited)*

	<u>2005</u>	<u>2004</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus (deficit) for the year	\$ 2,814	\$ (1,190)
Non-cash items related to operations		
Amortization	7,659	7,391
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,670)	(2,661)
Contributions in aid of construction from retained earnings	<u>6,815</u>	<u>5,019</u>
Working capital from operations	14,618	8,559
Change in net working capital other than cash	<u>4,002</u>	<u>(5,184)</u>
	<u>18,620</u>	<u>3,375</u>
FINANCING		
Debt retired	(19,433)	813
Due from General Revenue Fund	(6,815)	2,565
Payments from The Sinking Fund Trustees for long-term debt retired	17,927	1,837
Payments to The Sinking Fund Trustees for outstanding long-term debt	(3,432)	(3,535)
Decrease in other long-term debt	(51)	(36)
Contributions from Reserves	<u>13,177</u>	<u>2,642</u>
	<u>1,373</u>	<u>4,286</u>
INVESTING		
Purchase of capital assets	<u>(19,993)</u>	<u>(7,661)</u>
Increase in cash	-	-
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u><u>\$ 1</u></u>	<u><u>\$ 1</u></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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, retirement allowance, 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 2005, \$1.0 million (2004 - \$0.4 million) 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 2005 sewer rate includes a provision of 55 cents (2004 - 55 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2005, \$13.5 million (2004 - \$12.1 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. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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>2005</u>	<u>2004</u>
Sewer billings and other	\$ 17,894	\$ 16,072
Province of Manitoba	-	3,800
Allowance for doubtful accounts	<u>(149)</u>	<u>(214)</u>
	<u>\$ 17,745</u>	<u>\$ 19,658</u>

5. Capital Assets

	<u>2005</u>	<u>2004</u>
Buildings and plants	\$ 259,876	\$ 255,703
Other structures	48,366	45,533
Work in progress	38,830	27,243
Equipment	4,979	3,580
Undistributed capital assets	1,367	1,367
Land	<u>564</u>	<u>564</u>
	353,982	333,990
Work in progress funding	(25,075)	(27,243)
Contributions in aid of construction	(71,998)	(63,593)
Accumulated amortization	<u>(169,446)</u>	<u>(161,788)</u>
	<u>\$ 87,463</u>	<u>\$ 81,366</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 \$823 thousand (2004 - \$292 thousand);
 Environmental Projects Reserve \$nil (2004 - \$1.0 million); and
 Sewage Disposal System Fund \$6.8 million (2004 - \$5.0 million).

Commencing in 2005, major environmental projects are recorded as work in progress in the Sewage Disposal System Fund. These assets will continue to build in value until the new facilities are completed. At that time, the completed assets will be transferred to capital assets in the Sewage Disposal System Fund and will be amortized over their expected useful life. Prior to this change, these projects were recorded as assets in the Environmental Projects Reserve. In 2005, \$13.8 million of assets were transferred from the Environmental Projects Reserve to the Sewer Disposal System Fund.

6. *Accounts Payable and Accrued Liabilities*

	<u>2005</u>	<u>2004</u>
Trade accounts payable	\$ 3,621	\$ 1,097
Accrued debenture interest	2,990	3,531
Other accrued liabilities	288	264
	<u>\$ 6,899</u>	<u>\$ 4,892</u>

7. *Long-term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2005</u>	<u>2004</u>
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 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>86,000</u>	103,927
Equity in Sinking Fund (Note 7b)					<u>(43,744)</u>	<u>(55,569)</u>
Net sinking fund debentures outstanding					42,256	48,358

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 4.56% (2004 - 4.50%)

12,118 13,619

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% (2004 - 6.92%)

83 88

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

3,661 3,712

58,118 65,777

Current portion of long-term debt

(4,178) (4,932)

Current portion of Equity in Capital Assets Fund debt

(5) (5)

Current portion of Pointe West Properties debt

(56) (52)

Current portion of long-term debt

(4,239) (4,989)

\$ 53,879 \$ 60,788

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Thereafter</u>
Sinking fund debentures \$	-	\$ -	\$ -	\$ 11,000	\$ -	\$ 75,000
Serial and installment	1,578	1,241	1,302	1,367	1,435	5,195
Equity in Capital Assets Fund	5	6	7	7	-	58
Pointe West debt	56	79	125	134	143	3,124
	<u>\$ 1,639</u>	<u>\$ 1,326</u>	<u>\$ 1,434</u>	<u>\$ 12,508</u>	<u>\$ 1,578</u>	<u>\$ 83,377</u>

- a) 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.
- 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.

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 6.65% (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 \$10.6 million (2004 - \$10.8 million).

8. Revenue

The 2005 sewer rate increased to 3.39 cents per hundred cubic feet (2004 - 3.11 cents). The 2005 Environmental Projects Reserve contribution remained at 55 cents per hundred cubic feet (2004 - 55 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. Taxes are assessed on property as if it were privately owned. During 2005, realty and business taxes paid to the General Revenue Fund was \$8.5 million (2004 - \$6.8 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2005, this amounted to \$0.5 million (2004 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$348 thousand (2004 - \$334 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

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, 2005 is \$1.0 million (2004 - \$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, 2005 is estimated at \$160 thousand (2004 - \$176 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, 2005 at \$1.3 million (2004 - \$1.4 million).

9. Taxes, Employee Benefits and Other (continued)

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, \$711 thousand (2004 - \$688 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, 2004 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 2005, the Utility contributed \$3.9 million (2004 - \$3.8 million) to the General Revenue Fund to support the land drainage program.

	<u>2005</u>	<u>2004</u>
Transfer to Environmental Projects Reserve	\$ 13,533	\$ 12,109
Transfer to General Revenue Fund	<u>10,355</u>	<u>9,878</u>
	<u>\$ 23,888</u>	<u>\$ 21,987</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)
(unaudited)*

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Sewer services	\$ 89,958	\$ 85,651	\$ 76,495
Interest			
Sinking Fund earnings	2,681	2,670	2,661
Interest	200	584	477
Capitalized	50	129	71
	<u>2,931</u>	<u>3,383</u>	<u>3,209</u>
Government grants, permits and other			
Industrial waste surcharges	1,850	1,472	1,433
Other	35	710	396
Provincial support grant	220	170	186
Permits and fees	90	130	139
	<u>2,195</u>	<u>2,482</u>	<u>2,154</u>
Total Revenues	<u>\$ 95,084</u>	<u>\$ 91,516</u>	<u>\$ 81,858</u>

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 2

EXPENSES

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

	2005 Budget	2005 Actual	2004 Actual
Debt and finance			
Long-term debt			
Interest	\$ 11,369	\$ 10,051	\$ 10,754
Amortization	7,659	7,659	7,391
Contribution in aid of construction from retained earnings	-	6,815	5,019
Finance charges	90	5	29
	19,118	24,530	23,193
Collection, interception and treatment			
North end water pollution control centre	7,410	7,508	6,660
Administration	4,737	4,992	5,300
South end water pollution control centre	2,196	2,362	2,335
Sludge disposal	1,767	1,579	1,763
Interception system	1,567	1,518	1,564
West end water pollution control centre	1,421	1,372	1,446
Mechanical maintenance	1,281	1,176	1,115
Electrical maintenance/instrumentation	863	777	778
Civil maintenance	514	480	467
	21,756	21,764	21,428
Taxes, employee benefits and other			
Property taxes	8,001	8,524	6,825
Miscellaneous	375	758	582
General government charges	467	467	467
Employee benefits	407	463	453
Rent	339	348	334
Insurance and claims	389	294	280
Provincial payroll tax	215	181	169
Recoveries	(520)	(1,285)	(711)
	9,673	9,750	8,399

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 2

EXPENSES

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

	2005 Budget	2005 Actual	2004 Actual
Engineering services			
Sewer connections	600	604	490
Design and construction	580	559	456
Project management	608	541	387
Drafting and graphic	429	375	513
Administrative services	151	291	333
Customer technical services	320	284	267
Wastewater planning	133	205	14
Engineering services development	148	132	125
Resource centre	70	72	47
Land drainage and flood planning	50	50	50
Asset management	93	-	(42)
	3,182	3,113	2,640
Finance and administration			
Customer accounts	2,028	1,918	1,842
Administrative services	238	234	204
Financial services	165	155	138
Financial planning	153	124	106
Process improvement	117	90	93
	2,701	2,521	2,383
Laboratory services			
Analysis	636	651	592
Industrial waste	363	336	302
Research	290	273	280
Administration	166	100	107
	1,455	1,360	1,281
Information systems and technology			
Major systems	504	414	354
Support services	462	322	351
	966	736	705
Customer services			
Customer relations	510	465	492
Administration	81	70	71
Communications	52	48	46
Public consultation	32	12	-
	675	595	609

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 2

EXPENSES

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

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Human resources			
Human resources	222	215	219
Timekeeping and payroll	119	104	89
Human resources training	-	90	79
Work place health and safety	65	36	36
	<u>406</u>	<u>445</u>	<u>423</u>
Total Expenses from Operations	<u>59,932</u>	<u>64,814</u>	<u>61,061</u>
Transfers to other funds			
Transfer to Environmental Projects Reserve	13,944	13,533	12,109
Transfer to General Revenue Fund	11,192	10,355	9,878
	<u>25,136</u>	<u>23,888</u>	<u>21,987</u>
Total Expenses	<u><u>\$ 85,068</u></u>	<u><u>\$ 88,702</u></u>	<u><u>\$ 83,048</u></u>

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 3

EXPENSES BY OBJECT

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

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Goods and services	\$ 27,600	\$ 26,064	\$ 25,464
Transfers	25,136	23,888	21,987
Salaries	10,891	10,564	10,272
Interest on long-term debt	11,369	10,051	10,754
Other expenses	8,044	9,880	8,061
Amortization	7,659	7,659	7,391
Contribution in aid of construction from retained earnings	-	6,815	5,019
Employee benefits	1,935	1,940	1,823
Finance charges	279	6	127
Recoveries	<u>(7,845)</u>	<u>(8,165)</u>	<u>(7,850)</u>
Total Expenses	<u>\$ 85,068</u>	<u>\$ 88,702</u>	<u>\$ 83,048</u>

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 180,000 single-family and 94,000 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 decreased from 2004. 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 30% to 35% of market share.

The internal tipping fee and other municipalities' tipping fee remained at \$22.50 per tonne. In 2005, waste was accepted from the City of Kenora, Whiteshell Provincial Park, R.M. of MacDonald and the R.M. of Springfield.

The landfill environmental program is responsible for the collection and removal of leachate from the Brady Road Landfill and three closed landfills in the City. In 2005, 43,600 kilolitres of leachate was pumped from these landfills and hauled to the North End Water Pollution Control Centre for treatment.

In 2005, this program was also responsible for overseeing completion of a landfill gas utilization study for the Brady Road Landfill and for managing the ongoing application of final soil cover at the former Summit Road Landfill site.

Blue Box recycling tonnage in 2005 was 33,355 tonnes, an increase of 3% over 2004. Recycling Service Requests declined from 6,141 in 2004 to 5,557 in 2005, a 10% decrease, which is attributable to the dedication toward improved customer service taken by the three contractors working for the City. Single family collection is done by International Paper Inc., who are also responsible for all 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 performed under two contracts; one with Waste Management Canada and the other with BFI Canada Ltd. In total, these programs recycled 42,168 tonnes in 2005, an increase of 3% over 2004.

The revenues from the recycling programs are made up of support payments from the Manitoba Product Stewardship Corporation (\$110 per tonne until April 2005, \$102 thereafter) and from the sale of the recyclables. In 2005, the City realized \$8.6 million in revenue (2004 - \$8.8 million). Increased recycling tonnages and increased sales of recycled materials were offset by the decrease in the support payments per tonne from the Manitoba Product Stewardship Corporation.

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

FIVE-YEAR REVIEW

*As at December 31
(unaudited)*

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Solid Waste (tonnes)					
Single family residential	210,378	200,295	190,122	181,635	185,901
Multi-family and small commercial	45,308	42,869	38,442	36,999	39,921
Large commercial / industrial	111,768	112,000	101,930	92,939	100,888
Other	62,477	68,132	58,931	48,895	52,623
Charitable organization	1,068	1,040	-	749	604
Total landfill tonnage	<u>430,999</u>	<u>424,336</u>	<u>389,425</u>	<u>361,217</u>	<u>379,937</u>
Clean fill, concrete, automotive shredder residue and sawdust	<u>157,385</u>	<u>135,379</u>	<u>86,489</u>	<u>60,269</u>	<u>63,520</u>
Residential small loads					
Number of loads	<u>92,244</u>	<u>93,128</u>	<u>80,091</u>	<u>72,522</u>	<u>79,197</u>
Recyclables (tonnes)					
Blue box	33,355	32,503	28,529	25,937	25,327
Depots/apartments	8,813	8,374	7,194	7,044	3,186
Other	-	-	-	-	93
Total	<u>42,168</u>	<u>40,877</u>	<u>35,723</u>	<u>32,981</u>	<u>28,606</u>

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 55	\$ 77
Due from General Revenue Fund (Note 3)	6,556	7,156
Accounts receivable (Note 4)	2,084	1,273
	<u>8,695</u>	<u>8,506</u>
Capital assets (Note 5)	<u>6,096</u>	<u>6,291</u>
	<u>\$ 14,791</u>	<u>\$ 14,797</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 1,403	\$ 690
Current portion of long-term debt (Note 7)	192	288
	<u>1,595</u>	<u>978</u>
Long-term debt (Note 7)	<u>1,066</u>	<u>1,357</u>
	<u>2,661</u>	<u>2,335</u>
RETAINED EARNINGS	<u>12,130</u>	<u>12,462</u>
	<u>\$ 14,791</u>	<u>\$ 14,797</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)
(unaudited)*

	2005 Budget	2005 Actual	2004 Actual
REVENUES (Schedule 1)			
Sales of services and regulatory fees	\$ 17,210	\$ 18,042	\$ 17,753
Interest	304	323	276
Government grants	100	119	110
Sale of surplus equipment and other	10	-	46
	<hr/>	<hr/>	<hr/>
Total Revenues	17,624	18,484	18,185
EXPENSES (Schedules 2 and 3)			
Solid waste disposal	14,588	14,282	14,562
Debt and finance	738	775	1,062
Taxes, employee benefits and other (Note 8)	340	258	299
	<hr/>	<hr/>	<hr/>
Total expenses from operations	15,666	15,315	15,923
Surplus for the year from operations	1,958	3,169	2,262
Transfers to other funds (Note 9)	3,570	3,501	2,426
	<hr/>	<hr/>	<hr/>
Net deficit for the year	(1,612)	(332)	(164)
Retained earnings			
Beginning of year	12,462	12,462	12,626
	<hr/>	<hr/>	<hr/>
End of year	\$ 10,850	\$ 12,130	\$ 12,462
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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)
(unaudited)*

	<u>2005</u>	<u>2004</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net deficit for the year	\$ (332)	\$ (164)
Non-cash items related to operations		
Amortization	387	451
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(99)	(96)
Contributions in aid of construction	37	220
	<u>(7)</u>	411
Working capital from operations		
Net change in working capital other than cash	(98)	148
	<u>(105)</u>	559
FINANCING		
Debt retired	(692)	(265)
Due from General Revenue Fund	600	73
Payments from The Sinking Fund Trustees for long-term debt retired	517	24
Payments to The Sinking Fund Trustees for outstanding long-term debt	(113)	(114)
	<u>312</u>	(282)
INVESTING		
Purchase of capital assets	(229)	(220)
(Decrease) increase in cash	(22)	57
Cash position, beginning of year	77	20
	<u>\$ 55</u>	<u>\$ 77</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, 2005

(in thousands of dollars, except as noted)

(unaudited)

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, retirement allowance, 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. Bank transactions are credited or charged to the "Due from" account when they are processed through the bank. 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>2005</u>	<u>2004</u>
Refuse disposal and recycling	\$ 2,111	\$ 1,280
Allowance for doubtful accounts	(27)	(7)
	<u>\$ 2,084</u>	<u>\$ 1,273</u>

5. Capital Assets

	<u>2005</u>	<u>2004</u>
Other site costs	\$ 11,922	\$ 11,274
Land	5,123	4,050
Undistributed capital assets	4,369	4,369
Work in progress	<u>1,579</u>	<u>3,008</u>
	22,993	22,701
Work in progress funding	(1,583)	(3,203)
Contributions in aid of construction	(1,720)	-
Accumulated amortization	<u>(13,594)</u>	<u>(13,207)</u>
	<u>\$ 6,096</u>	<u>\$ 6,291</u>

6. Accounts Payable and Accrued Liabilities

	<u>2005</u>	<u>2004</u>
Trade accounts payable	\$ 1,340	\$ 616
Other accrued liabilities	41	36
Accrued debenture interest payable	<u>22</u>	<u>38</u>
	<u>\$ 1,403</u>	<u>\$ 690</u>

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2005	2004
1990-2005	Oct. 1	11.700	VI	5507/90	\$ -	\$ 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
					2,935	3,452
Equity in Sinking Fund (Note 7b)					(1,780)	(2,085)
Net sinking fund debentures outstanding					1,155	1,367
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% (2004 - 6.75%)					93	180
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2006 and a weighted average interest rate of 9.25% (2004 - 9.46%)					10	98
					1,258	1,645
Current portion of long-term debt					(182)	(200)
Current portion of Equity in Capital Assets Fund debt					(10)	(88)
Current portion of long-term debt					(192)	(288)
					\$ 1,066	\$ 1,357

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

	2006	2007	2008	2009	2010	Thereafter
Sinking fund debentures	\$ -	\$ -	\$ -	\$ 1,935	\$ -	\$ 1,000
Serial and installment	93	-	-	-	-	-
Equity in Capital Assets Fund	10	-	-	-	-	-
	\$ 103	\$ -	\$ -	\$ 1,935	\$ -	\$ 1,000

- 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 (2004 - \$0.4 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 2005 this amounted to \$79 thousand (2004 - \$79 thousand) and was transferred to the General Revenue Fund.

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, 2005 is \$0.15 million (2004 - \$0.13 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, 2005 is estimated at \$50 thousand (2004 - \$21 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, 2005 at \$0.2 million (2004 - \$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 2005, \$100 thousand (2004 - \$101 thousand) of pension costs were allocated to Solid Waste. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2004 and has an actuarial surplus.

9. Transfers to Other Funds

	<u>2005</u>	<u>2004</u>
Transfer to General Revenue Fund	\$ 3,309	\$ 2,230
Transfer to Brady Landfill Site Rehabilitation Reserve	<u>192</u>	<u>196</u>
	<u>\$ 3,501</u>	<u>\$ 2,426</u>

Included in various expense categories is an amount of \$65 thousand (2004 - \$65 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

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.

11. Comparative Figures

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

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

Schedule 1

REVENUES

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

	2005 Budget	2005 Actual	2004 Actual
Sales of services and regulatory fees			
Landfill tipping fees	\$ 8,651	\$ 9,034	\$ 8,652
Recycling	8,239	8,639	8,728
Small load fees	320	369	373
	<u>17,210</u>	<u>18,042</u>	<u>17,753</u>
Interest			
Interest	200	211	172
Sinking Fund earnings	99	99	96
Late payment charges	-	8	6
Interest capitalized	5	5	2
	<u>304</u>	<u>323</u>	<u>276</u>
Government grants			
Provincial support	100	119	110
	<u>10</u>	<u>-</u>	<u>46</u>
Sale of surplus equipment and other			
	<u>10</u>	<u>-</u>	<u>46</u>
Total Revenues	<u>\$ 17,624</u>	<u>\$ 18,484</u>	<u>\$ 18,185</u>

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

Schedule 2

EXPENSES

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

	2005 Budget	2005 Actual	2004 Actual
Solid waste disposal			
Recycling	\$ 9,461	\$ 9,603	\$ 9,842
South West Operations	4,029	3,606	3,350
Landfill and environmental	647	512	475
Waste minimization	318	254	313
Take Pride Winnipeg	180	219	220
Administration	(47)	88	362
	14,588	14,282	14,562
Debt and finance			
Long-term debt			
Amortization	288	387	451
Interest	450	351	390
Contributions in aid of construction	-	37	220
Finance charges	-	-	1
	738	775	1,062
Taxes, employee benefits and other			
Provincial payroll tax	105	124	118
Employee benefits	163	92	151
General government charges	79	79	79
Property taxes	51	37	37
Insurance and damage claims	49	33	28
Departmental recovery	(107)	(107)	(114)
	340	258	299
Total expenses from operations	15,666	15,315	15,923
Transfers to other funds			
Transfer to General Revenue Fund	3,398	3,309	2,230
Transfer to Brady Landfill Site Rehabilitation Reserve	172	192	196
	3,570	3,501	2,426
Total Expenses	\$ 19,236	\$ 18,816	\$ 18,349

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

Schedule 3

EXPENSES BY OBJECT

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

	<u>2005 Budget</u>	<u>2005 Actual</u>	<u>2004 Actual</u>
Goods and services	\$ 12,755	\$ 12,206	\$ 12,435
Transfers	3,570	3,501	2,426
Salaries	1,726	1,753	1,727
Other expenses	201	471	463
Amortization	288	387	451
Interest on long-term debt	450	351	390
Employee benefits	499	329	379
Contributions in aid of construction	-	37	220
Finance charges	3	26	84
Recoveries	(256)	(245)	(226)
Total Expenses	<u>\$ 19,236</u>	<u>\$ 18,816</u>	<u>\$ 18,349</u>

Special Operating Agencies 2005 DETAILED FINANCIAL STATEMENTS



**THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 6,893	\$ 4,891
Accounts receivable (Note 3)	47,467	41,527
Inventory	13,852	11,164
Prepaid expenses	36,218	26,000
	<u>104,430</u>	<u>83,582</u>
Equipment		
Computer	76,126	74,500
Furniture and other	72,416	71,015
	<u>148,542</u>	<u>145,515</u>
Less: accumulated depreciation	<u>(145,770)</u>	<u>(145,515)</u>
	<u>2,772</u>	<u>-</u>
	<u><u>\$ 107,202</u></u>	<u><u>\$ 83,582</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 57,032	\$ 34,557
Vacation and overtime payable	43,476	48,423
Deferred revenue	453,157	375,960
Due to City of Winnipeg - General Revenue Fund (Note 4)	197,456	108,252
	<u>751,121</u>	<u>567,192</u>
Long-term		
Retirement allowance (Note 5a)	<u>117,000</u>	<u>120,227</u>
	<u>868,121</u>	<u>687,419</u>
Commitments (Note 6)		
CAPITAL DEFICIENCY		
Deficit	<u>(760,919)</u>	<u>(603,837)</u>
	<u><u>\$ 107,202</u></u>	<u><u>\$ 83,582</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 2005 Budget	2005 Actual	2004 Actual
REVENUES	\$ 1,149,827	\$ 1,006,833	\$ 995,214
EXPENSES			
Salaries and benefits	1,280,903	1,260,244	1,140,121
Services (Note 7)	487,488	454,248	498,227
Rent (Note 7)	169,477	169,477	168,326
Material, parts and supplies	37,075	29,798	39,056
Other			
Administrative expenses (Note 7)	165,343	169,367	146,791
Depreciation	1,667	255	15,015
Interest	1,824	62	144
	2,143,777	2,083,451	2,007,680
Loss from operations	(993,950)	(1,076,618)	(1,012,466)
Other			
Grant from the Province of Manitoba	23,656	23,659	20,787
Grant from The City of Winnipeg (Note 8)	895,877	895,877	950,000
NET LOSS FOR THE YEAR	(74,417)	(157,082)	(41,679)
DEFICIT, BEGINNING OF YEAR	(603,837)	(603,837)	(562,158)
DEFICIT, END OF THE YEAR	\$ (678,254)	\$ (760,919)	\$ (603,837)

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>2005</u>	<u>2004</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net loss for the year	\$ (157,082)	\$ (41,679)
Non-cash items related to operations		
Depreciation	255	15,015
Decrease in retirement allowance	(3,227)	(9,773)
	<u>(160,054)</u>	<u>(36,437)</u>
Working capital from operations	(160,054)	(36,437)
Net change in working capital other than cash assets	<u>75,879</u>	<u>(96,336)</u>
	<u>(84,175)</u>	<u>(132,773)</u>
FINANCING		
Decrease in Due to City of Winnipeg - Idea Bank Reserve	-	(100,000)
Increase in Due to City of Winnipeg - General Revenue Fund	89,204	222,529
	<u>89,204</u>	<u>122,529</u>
INVESTING		
Purchase of equipment	<u>(3,027)</u>	<u>(1,015)</u>
Increase (Decrease) in cash	2,002	(11,259)
CASH POSITION, BEGINNING OF YEAR	<u>4,891</u>	<u>16,150</u>
CASH POSITION, END OF YEAR	<u>\$ 6,893</u>	<u>\$ 4,891</u>
<i>See accompanying notes to the financial statements</i>		
SUPPLEMENTARY INFORMATION		
Interest paid	\$ 62	\$ 144

**THE CITY OF WINNIPEG
ANIMAL SERVICES - SPECIAL OPERATING AGENCY**

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

1. Description of Business

Animal Services - Special Operating Agency commenced operations on January 1, 2000. 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, accounts payable and accrued liabilities, and due to City of Winnipeg - General Revenue Fund. 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. Accounts Receivable

	<u>2005</u>	<u>2004</u>
Trade accounts receivable	\$ 34,418	\$ 27,203
Allowance for doubtful accounts	(9,938)	(6,174)
	<u>24,480</u>	21,029
Provincial Grant	<u>22,987</u>	20,498
	<u>\$ 47,467</u>	<u>\$ 41,527</u>

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, Animal Services does not have a bank account. Bank transactions are credited or charged to the "Due to" account when they are processed through the bank. As well, the Agency has negotiated an operating line of credit up to \$300,000 from The City of Winnipeg at a 2005 effective interest rate of prime plus 2.5% (2004 - 2.5%).

5. Employee Benefits

(a) Retirement allowance

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.0 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

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

	<u>2005</u>	<u>2004</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 134,227	\$ 130,000
Current service cost	4,000	4,000
Interest cost	7,000	7,000
Benefit payments	<u>(17,227)</u>	<u>(6,773)</u>
Balance, end of year	128,000	134,227
Unamortized net actuarial loss	<u>(11,000)</u>	<u>(14,000)</u>
Retirement allowance - accrued liability	<u>\$ 117,000</u>	<u>\$ 120,227</u>

Retirement allowance expense consist of the following:

	<u>2005</u>	<u>2004</u>
Current service cost	\$ 4,000	\$ 4,000
Interest cost	7,000	7,000
Amortization of net actuarial loss	<u>1,000</u>	<u>1,000</u>
	<u>\$ 12,000</u>	<u>\$ 12,000</u>

5. *Employee Benefits (continued)*

(a) **Retirement allowance**

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

	<u>2005</u>	<u>2004</u>
Valuation interest rate	4.50%	5.25%
General increases in pay	3.00%	3.00%

(b) **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, \$64,363 (2004 - \$60,089) of pension costs were allocated to Animal Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2004 and has an actuarial surplus.

6. *Commitments*

Animal Services - Special Operating Agency and the Humane Society have entered into a contract that is in force from January 1, 2006 to December 31, 2008. Subject to the Winnipeg Humane Society complying with the terms of the agreement, the Agency agrees to pay the Society the sum of \$200,000 per year. Said amounts are payable in quarterly installments of \$50,000. In addition, the Agency agrees to pay \$20.00 for every spay/neuter that the Winnipeg Humane Society performs up to an annual maximum of \$50,000.

7. *Related Parties*

Included in Animal Services expenditures is transfer to City of Winnipeg Civic Accommodations Fund for rent of \$169,477 (2004 - \$168,326) and a transfer to City of Winnipeg General Revenue Fund for administrative services of \$80,000 (2004 - \$130,000). Also included are lease costs of \$77,038 (2004 - \$81,466) to The City of Winnipeg Fleet Management - Special Operating Agency and \$69,582 (2004 - \$nil) for general government charges that has been paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency.

8. *Grant from the City of Winnipeg*

This year, the general grant from The City of Winnipeg decreased by 5.7% or \$54,123 to \$895,877. This follows a decrease in 2004 of 13.6%.

2001	\$ 1,250,000
2002	1,250,000
2003	1,100,000
2004	950,000
2005	895,877

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash (Note 3)	\$ 85	\$ 39
Accounts receivable (Note 4)	537	455
Income taxes recoverable (Note 5)	-	86
Inventory	526	549
	<u>1,148</u>	1,129
Capital assets (Note 6)	<u>4,378</u>	4,516
	<u>\$ 5,526</u>	<u>\$ 5,645</u>
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 3)	\$ 2,095	\$ 1,157
Accounts payable and accrued liabilities	313	748
Deferred revenue	442	255
Vacation payable	61	67
Current portion of long-term debt (Note 7)	3,878	3,997
	<u>6,789</u>	6,224
Retirement allowance (Note 8a)	45	84
Long-term debt (Note 7)	99	177
	<u>6,933</u>	6,485
CAPITAL DEFICIENCY		
Deficit	<u>(1,407)</u>	<u>(840)</u>
	<u>\$ 5,526</u>	<u>\$ 5,645</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)*

	<u>2005</u>	<u>2004</u>
REVENUES		
Sales of goods and services (Note 9)	<u>\$ 2,297</u>	<u>\$ 2,352</u>
EXPENSES		
Administrative services (Note 9)	117	42
Amortization and depletion	201	184
Interest on long-term debt (Note 7)	303	286
Material, parts and supplies	445	580
Salaries and benefits	598	670
Services	<u>1,114</u>	<u>1,295</u>
	<u>2,778</u>	<u>3,057</u>
Net loss before income taxes	(481)	(705)
Income tax expense (Note 5)	<u>(86)</u>	<u>-</u>
Net loss for the year	(567)	(705)
DEFICIT, BEGINNING OF YEAR	<u>(840)</u>	<u>(135)</u>
DEFICIT, END OF YEAR	<u><u>\$ (1,407)</u></u>	<u><u>\$ (840)</u></u>

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>2005</u>	<u>2004</u>
OPERATING		
Net loss for the year	\$ (567)	\$ (705)
Non-cash items related to operations		
Amortization and depletion	201	184
Retirement allowance	(39)	-
	<u>(405)</u>	<u>(521)</u>
Working capital from operations	(405)	(521)
Net change in working capital	<u>(227)</u>	<u>324</u>
	<u>(632)</u>	<u>(197)</u>
FINANCING		
Due to City of Winnipeg - General Revenue Fund	938	486
Repayment of long-term debt	(197)	(151)
Proceeds of issuance of long-term debt	-	45
	<u>741</u>	<u>380</u>
INVESTING		
Proceeds on disposal of capital assets	-	68
Purchase of capital assets	(63)	(241)
	<u>(63)</u>	<u>(173)</u>
INCREASE IN CASH POSITION	46	10
CASH POSITION, BEGINNING OF YEAR	<u>39</u>	<u>29</u>
CASH POSITION, END OF YEAR	<u><u>\$ 85</u></u>	<u><u>\$ 39</u></u>

See accompanying notes to the financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(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

Amounts billed for products not yet delivered are recorded as deferred revenue. Revenue is recognized upon delivery of products.

Financial instruments

Financial instruments include cash, accounts receivable, income taxes recoverable, due to City of Winnipeg - General Revenue Fund, 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. The book value of the Agency's financial assets and liabilities approximates their fair value.

3. *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. Bank transactions are credited or charged to the "Due (to)/from" account, and the 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.

Effective January 1, 2005, the previously authorized \$400 thousand operating line of credit from The City of Winnipeg - Idea Bank Reserve was replaced with access to term debt financing at the City's applicable borrowing rate. As at December 31, 2005 there were no amounts owing with respect to this borrowing arrangement.

4. *Accounts Receivable*

	<u>2005</u>	<u>2004</u>
Trade accounts receivable	\$ 537	\$ 465
Allowance for doubtful accounts	-	(10)
	<u>\$ 537</u>	<u>\$ 455</u>

5. *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.

As there is no expectation of profitability in the near future it was determined that there is no basis for maintaining an income tax recoverable amount on the balance sheet at December 31, 2005. The prior year balance was recorded as a charge to the current year's operations.

6. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization/ Depletion</u>	<u>Net Book Value 2005</u>	<u>Net Book Value 2004</u>
Gravel pit	\$ 3,800	\$ 372	\$ 3,428	\$ 3,502
Machinery	1,167	345	822	866
Building under capital lease	51	7	44	47
Computer equipment	88	50	38	55
Land clearing	28	-	28	28
Building	19	3	16	16
Office equipment	4	2	2	2
	<u>\$ 5,157</u>	<u>\$ 779</u>	<u>\$ 4,378</u>	<u>\$ 4,516</u>

7. *Long-Term Debt*

	<u>2005</u>	<u>2004</u>
City of Winnipeg - Equipment and Material Services:		
Equipment financing program loan, interest at 6.5%, payment of \$5 hundred monthly, due December 2005	\$ -	\$ 6
Equipment loan, interest at 6.5%, payment of \$5 thousand monthly, due December 2005	-	56
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
Equipment loan, interest at 6.5%, payment of \$6.5 thousand monthly, due February 2008	157	223
Capital lease obligations	<u>20</u>	<u>71</u>
	3,977	4,174
Current portion of long-term debt	<u>(3,878)</u>	<u>(3,997)</u>
	<u>\$ 99</u>	<u>\$ 177</u>

a) Principal repayments due within the next five years are as follows:

2006	\$	3,878
2007		83
2008		<u>16</u>
		<u><u>\$ 3,977</u></u>

b) Interest on the equipment loans during the year was \$15 thousand (2004 - \$25 thousand) and has been paid to The City of Winnipeg - Equipment and Material Services and Fleet Management - Special Operating Agency; and

The interest expense on the gravel pit loan during the year of \$247 thousand (2004 - \$247 thousand) is to be directed to infrastructure renewal in the City of Winnipeg.

The interest payable on the gravel pit loan included in accounts payable and accrued liabilities is \$247 thousand (2004 - \$523 thousand).

c) Cash paid for interest during the year was \$41 thousand (2004 - \$14 thousand).

8. *Employee Benefits*

a) **Retirement allowance**

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 14.4 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

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

	<u>2005</u>	<u>2004</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 92	\$ 84
Current service cost	2	2
Interest cost	5	5
Benefit payments	(47)	-
Amortization of net actuarial loss	1	1
Net actuarial gain	(11)	-
	<hr/>	<hr/>
Balance, end of year	42	92
	<hr/>	<hr/>
Unamortized net actuarial gain (loss)	3	(8)
	<hr/>	<hr/>
Retirement allowance - accrued liability	<u>\$ 45</u>	<u>\$ 84</u>

Retirement allowance expense consist of the following:

	<u>2005</u>	<u>2004</u>
Current service cost	\$ 2	\$ 2
Interest cost	5	5
Amortization of net actuarial loss	1	1
Adjustment to prior period payment	(47)	-
	<hr/>	<hr/>
	<u>\$ (39)</u>	<u>\$ 8</u>

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

	<u>2005</u>	<u>2004</u>
Valuation interest rate	4.50%	5.25%
General increases in pay	3.00%	3.00%

b) **Pension**

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$35 thousand (2004 - \$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, 2004 and has an actuarial surplus.

9. *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 \$809 thousand (2004 - \$1.146 million) to The City of Winnipeg and
- b) Charges in the amount of \$76 thousand (2004 - \$26 thousand), including general government charges in the amount of \$26 thousand (2004 - \$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 \$270 thousand (2004 - \$143 thousand) to Fleet Management - Special Operating Agency for services related to equipment supply, maintenance, and fuel.

10. *Economic Dependence*

The Agency is dependent upon City of Winnipeg financing for its future viability.

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**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u>
		(Restated Note 9)
ASSETS		
Current		
Accounts receivable	\$ 85	\$ 3
Inventory	80	111
Prepaid expenses	5	5
	<u>170</u>	<u>119</u>
Capital assets (Note 3)	<u>23,713</u>	<u>23,677</u>
	<u>\$ 23,883</u>	<u>\$ 23,796</u>
LIABILITIES		
Current		
Due to City of Winnipeg - General Revenue Fund (Note 4)	\$ 1,160	\$ 265
Accounts payable and accrued liabilities	83	9
Vacation payable	41	47
Current portion of long-term debt (Note 5)	21	12
	<u>1,305</u>	<u>333</u>
Retirement allowance (Note 6a)	146	146
Long-term debt - City of Winnipeg (Notes 5 and 10)	<u>3,605</u>	<u>3,380</u>
	<u>5,056</u>	<u>3,859</u>
SURPLUS		
Contributed surplus	20,574	20,574
Deficit	<u>(1,747)</u>	<u>(637)</u>
	<u>18,827</u>	<u>19,937</u>
	<u>\$ 23,883</u>	<u>\$ 23,796</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)
(unaudited)*

	<u>2005</u>	<u>2004</u>
		(Restated Note 9)
REVENUES		
Green fees	\$ 1,869	\$ 2,101
Equipment rentals	171	176
Concessions	109	128
Merchandise sales	108	121
Net revenue from leasing operations	38	12
Other	26	120
	<u>2,321</u>	<u>2,658</u>
EXPENSES		
Salaries and employee benefits (Note 6)	1,263	1,294
Services (Note 7)	660	591
Municipal tax equivalency charge (Note 8)	263	264
Amortization (Note 3)	239	227
Material, parts and supplies	238	265
Debt and finance charges (Note 10)	222	211
Provision for doubtful accounts (Note 10)	213	18
Rent (Note 7b)	15	17
	<u>3,113</u>	<u>2,887</u>
Total Expenses		
Net loss from operations	(792)	(229)
DEFICIT, BEGINNING OF YEAR	(637)	(191)
Transfer to The City of Winnipeg - General Revenue Fund	(318)	(217)
DEFICIT, END OF YEAR	<u>\$ (1,747)</u>	<u>\$ (637)</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)
(unaudited)*

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

	<u>2005</u>	<u>2004</u>
		(Restated Note 9)
OPERATING		
Net loss for the year	\$ (792)	\$ (229)
Non-cash items related to operations		
Increase in retirement allowance	-	25
Amortization	<u>239</u>	<u>227</u>
Working capital from operations	(553)	23
Net change in working capital	<u>17</u>	<u>(3)</u>
	<u>(536)</u>	<u>20</u>
FINANCING		
Increase in due to City of Winnipeg - General Revenue Fund	895	207
Increase in long-term debt - City of Winnipeg	234	109
Transfer to City of Winnipeg - General Revenue Fund	<u>(318)</u>	<u>(217)</u>
	<u>811</u>	<u>99</u>
INVESTING		
Purchase of capital assets	<u>(275)</u>	<u>(122)</u>
DECREASE IN CASH POSITION	-	(3)
CASH POSITION, BEGINNING OF YEAR	<u>-</u>	<u>3</u>
CASH POSITION, END OF YEAR	<u>\$ -</u>	<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, 2005
(in thousands of dollars)
(unaudited)

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>2005</u>	<u>2004</u>
				(Restated Note 9)
Land	\$ 20,376	\$ -	\$ 20,376	\$ 20,376
Building	2,540	406	2,134	2,235
Equipment	1,342	401	941	938
Golf course improvements	246	15	231	128
Work in progress	31	-	31	-
	<u>\$ 24,535</u>	<u>\$ 822</u>	<u>\$ 23,713</u>	<u>\$ 23,677</u>

In 2005, it was discovered that the building located at the Canoe Club at the inception of the Agency was owned by the City of Winnipeg but was not included in the capital assets transferred to Golf Services. The net book value of buildings as at December 31, 2004 was increased by \$98 thousand to correct this error. Related amortization expense was increased by \$5 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. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on the City'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 line of credit is currently in excess of this amount. The 2006 selection report includes a recommendation that the line of credit be extended to \$1,650 thousand. The interest paid in 2005 was \$20 thousand (2004 - \$8 thousand).

5. *Long-Term Debt - City of Winnipeg*

	<u>2005</u>	<u>2004</u>
		(Restated Note 9)
Golf Course Reserve		
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 63	\$ 69
- 2005	69	75
- 2006	115	115
- 2007	246	-
	<u>493</u>	<u>259</u>

5. *Long-Term Debt - City of Winnipeg (continued)*

General Revenue Fund

Start-up loan, interest at 6%, repayable in annual payments of \$264 thousand, commencing in 2007

<u>3,133</u>	<u>3,133</u>
3,626	3,392
<u>(21)</u>	<u>(12)</u>
\$ 3,605	\$ 3,380

Current portion of long-term debt

a) Principal repayments due within the next five years are as follows:

2006	\$	21
2007		61
2008		64
2009		68
2010		72
Thereafter		<u>3,340</u>
		<u>\$ 3,626</u>

b) Interest on the golf course improvements loan during the year was \$23 thousand (2004 - \$12 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was \$188 thousand (2004 - \$181 thousand) during the year and has been paid to the General Revenue Fund.

c) Cash paid for interest during the year was \$211 thousand (2004 - \$193 thousand).

6. *Employee Benefits*

a) **Retirement allowance**

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are 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.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

6. Employee Benefits (continued)

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

	<u>2005</u>	<u>2004</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 146	\$ 139
Current service cost	3	3
Interest cost	8	7
Benefit payments	(5)	(3)
Net actuarial gain	<u>(26)</u>	<u>-</u>
Balance, end of year	126	146
Unamortized net actuarial gain	<u>20</u>	<u>-</u>
Retirement allowance - accrued liability	<u>\$ 146</u>	<u>\$ 146</u>

Retirement allowance expense consist of the following:

	<u>2005</u>	<u>2004</u>
Current service cost	\$ 3	\$ 3
Interest cost	8	7
	<u>\$ 11</u>	<u>\$ 10</u>

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

	<u>2005</u>	<u>2004</u>
Valuation interest rate	4.50%	5.25%
General increases in pay	3.00%	3.00%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$55 thousand (2004 - \$54 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, 2004 and has an actuarial surplus.

7. 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 \$62 thousand (2004 - \$63 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 \$15 thousand (2004 - \$17 thousand) has been charged by the Civic Accommodations Fund for the rental of office space;

7. Related Party Transactions (continued)

- c) An amount of \$51 thousand (2004 - \$50 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 \$99 thousand (2004 - \$85 thousand) has been charged by the Building Services Fund for services provided at the various Golf Courses; and
- e) An amount of \$22 thousand (2004 - \$4 thousand) has been charged by the Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by Golf Services.

8. 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 the mill rate 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.

9. Correction Of Prior Period Error

During 2005, it was discovered that capital assets in the amount of \$113 thousand were not recorded by the Agency, at its inception on January 1, 2002, but were 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 2004 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	\$ 23,579	\$ 98	\$ 23,677
Due to City of Winnipeg - General Revenue Fund	244	21	265
Long-term debt - City of Winnipeg	3,267	113	3,380
Deficit	(601)	(36)	(637)
Statement of Operations			
Debt and finance charges (Note 10)	\$ 204	\$ 7	\$ 211
Amortization	222	5	227
Statement of Cash Flows			
Net loss for the year	\$ (217)	\$ (12)	\$ (229)
Increase in due to City of Winnipeg - General Revenue Fund	200	7	207

10. Comparative Figures

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

**THE CITY OF WINNIPEG
FLEET MANAGEMENT - SPECIAL OPERATING AGENCY**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>	<u>2004</u> (Restated Note 11)
ASSETS		
Current		
Cash	\$ 51	\$ -
Due from City of Winnipeg - General Revenue Fund (Note 3)	991	7,868
Accounts receivable (Note 4a)	145	218
Current portion of loans receivable (Note 4b)	70	84
Inventory	1,275	1,096
Prepaid expenses	208	215
	<u>2,740</u>	<u>9,481</u>
Loans receivable (Note 4b)	87	158
Capital assets (Note 5)	<u>30,788</u>	<u>26,948</u>
	<u>\$ 33,615</u>	<u>\$ 36,587</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 703	\$ 868
Vacation payable	664	460
Debt (Note 6)	23,977	24,014
	<u>25,344</u>	<u>25,342</u>
Deferred revenue	5,431	7,261
Retirement allowance (Note 7a)	681	654
Environmental liability (Note 8)	420	420
	<u>6,532</u>	<u>8,335</u>
	<u>31,876</u>	<u>33,677</u>
Commitments (Note 9)		
SURPLUS		
Contributed surplus	390	390
Retained earnings	1,349	2,520
	<u>1,739</u>	<u>2,910</u>
	<u>\$ 33,615</u>	<u>\$ 36,587</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>2005</u>	<u>2004</u>
		(Restated Note 11)
REVENUES		
Fleet leases	\$ 12,811	\$ 10,609
Services and parts revenue (Schedule 1)	6,688	5,802
Fuel sales	6,001	4,649
Rental income	2,872	2,304
Amortization of deferred revenue	2,159	3,282
Gain on sale of capital assets	619	595
	<u>31,150</u>	<u>27,241</u>
EXPENSES		
Supplies	8,955	7,764
Salaries and employee benefits	7,261	6,679
Services	6,584	5,763
Amortization	4,767	4,856
Other	344	356
Interest (Note 6)	-	461
	<u>27,911</u>	<u>25,879</u>
Total Expenses		
Net income from operations	3,239	1,362
Charges from City of Winnipeg - General Revenue Fund (Note 10)	<u>(2,160)</u>	<u>(1,031)</u>
Net income for the year	1,079	331
RETAINED EARNINGS, BEGINNING OF YEAR	2,520	2,189
Transfer to City of Winnipeg - General Revenue Fund (Note 10)	<u>(2,250)</u>	<u>-</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 1,349</u>	<u>\$ 2,520</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>2005</u>	<u>2004</u>
OPERATING		
Net income for the year	\$ 1,079	\$ 331
Non-cash items related to operations		
Amortization	4,767	4,856
Amortization of deferred revenue	(2,159)	(3,282)
Gain on sale of capital assets	(619)	(595)
Retirement allowance	27	(60)
	<u>3,095</u>	1,250
Working capital from operations		
Net change in working capital	<u>(45)</u>	<u>(129)</u>
	<u>3,050</u>	1,121
FINANCING		
Decrease in Due from City of Winnipeg - General Revenue Fund	6,877	3,585
Decrease in debt	292	5,293
Transfer to City of Winnipeg - General Revenue Fund	<u>(2,250)</u>	<u>-</u>
	<u>4,919</u>	8,878
INVESTING		
Purchase of capital assets	(8,708)	(10,888)
Decrease in loans receivable	71	84
Proceeds from sale of capital assets	<u>719</u>	<u>805</u>
	<u>(7,918)</u>	<u>(9,999)</u>
CASH POSITION, END OF YEAR	<u>\$ 51</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, 2005
(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 vehicles, heavy vehicles 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

Amortization begins once an asset is placed in service.

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.

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.

Financial instruments

Financial instruments include cash, due from City of Winnipeg - General Revenue Fund, accounts receivable, loans receivable, accounts payable and accrued liabilities, vacation payable, and 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. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on the City'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, and a line of credit up to \$5,000 thousand for short-term financing, from The City of Winnipeg at the City's borrowing rate.

4. *Receivables*

a) Accounts receivable

	<u>2005</u>	<u>2004</u>
Trade receivables	\$ 45	\$ 218
City of Winnipeg Fire Paramedic Service	<u>100</u>	<u>-</u>
	<u>\$ 145</u>	<u>\$ 218</u>

b) Loans receivable

	<u>2005</u>	<u>2004</u>
City of Winnipeg Glacial Sand and Gravel		
Equipment financing program loan, interest at 6.5%, payment of \$2.1 thousand monthly, due September 2005	\$ -	\$ 18
Equipment financing program loan, interest at 6.5%, payment of \$6.5 thousand monthly, due February 2008	<u>157</u>	<u>224</u>
	<u>157</u>	<u>242</u>
Current portion	<u>(70)</u>	<u>(84)</u>
	<u>\$ 87</u>	<u>\$ 158</u>

5. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2005</u>	<u>2004</u>
Land	\$ 390	\$ -	\$ 390	\$ 390
Buildings	1,866	196	1,670	1,786
Fleet assets				
Acquired at start-up	14,719	9,671	5,048	7,261
Purchased	26,914	3,970	22,944	16,881
Equipment	1,402	666	736	630
	<u>\$ 45,291</u>	<u>\$ 14,503</u>	<u>\$ 30,788</u>	<u>\$ 26,948</u>

The net book value of fleet assets not yet in-service is \$1,375 thousand (2004 - \$800 thousand).

6. *Debt*

	<u>2005</u>	<u>2004</u>
City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule	\$ 1,230	\$ 1,230
City of Winnipeg (see below)	<u>22,747</u>	<u>22,784</u>
	<u>\$ 23,977</u>	<u>\$ 24,014</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. During 2005, interest charges ceased (2004 - \$461 thousand). The balance has decreased during the year by repayments.

7. *Employee Benefits*

a) **Retirement allowance**

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 10.4 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

7. Employee Benefits (continued)

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

	<u>2005</u>	<u>2004</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 675	\$ 724
Current service cost	24	26
Interest cost	35	37
Net actuarial loss	(22)	12
Benefit payments	<u>(34)</u>	<u>(124)</u>
Balance, end of year	678	675
Unamortized net actuarial loss	<u>3</u>	<u>(21)</u>
Retirement allowance - accrued liability	<u>\$ 681</u>	<u>\$ 654</u>

Retirement allowance expense consists of the following:

	<u>2005</u>	<u>2004</u>
Current service cost	\$ 24	\$ 26
Interest cost	35	37
Amortization of net actuarial loss	<u>2</u>	<u>1</u>
	<u>\$ 61</u>	<u>\$ 64</u>

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

	<u>2005</u>	<u>2004</u>
Valuation interest rate	4.50%	5.25%
General increases in pay	3.00%	3.00%

b) Pension

The Agency's employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The Plan is a defined benefit plan. The City of Winnipeg allocates its pension costs to various departments. During the year, \$392 thousand (2004 - \$369 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, 2004 and indicates 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 (2004 - \$420 thousand).

9. Commitments

The Agency has entered into lease agreements mainly for the lease of fleet equipment. Future minimum lease payments are as follows:

	Operating Leases
2006	\$ 469
2007	427
2008	413
2009	270
2010	270
	<u>\$ 1,849</u>

10. Related Party Transactions

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue 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 \$27,239 thousand (2004 - \$22,264 thousand) to The City of Winnipeg.
- b) An amount of \$175 thousand (2004 - \$156 thousand) has been transferred to the Civic Accommodations Fund for the rental of office space.
- c) An amount of \$79 thousand (2004 - \$74 thousand) has been transferred to the Public Works Department for payment of human resource services.
- d) An amount of \$37 thousand (2004 - \$0) has been transferred to the General Revenue Fund for repayment of long-term debt.
- e) Charges from City of Winnipeg - General Revenue Fund

	2005	2004
GST equivalency	\$ 637	\$ -
Interest equivalency	500	-
General government charges	421	421
Grant - Autopac rebate to Public Works Department	406	691
Income tax equivalency (recovery)	164	(81)
PeopleSoft savings equivalency	32	-
	<u>\$ 2,160</u>	<u>\$ 1,031</u>

Goods and Services Tax (GST) equivalency

As part of the municipal government, the Agency pays 7% GST on its purchases. In 2004 the Agency received a 4% input tax credit with the remaining 3% input tax credit retained by the City of Winnipeg. Beginning in 2005, the Agency receives the full 7% input tax credit and is charged by the City a GST equivalency representing the 3% input tax credit retained by the City in 2004.

10. Related Party Transactions (continued)

Interest equivalency

During 2004 the Agency paid interest on long-term debt. In 2005, interest on long-term debt has ceased and the Agency is charged by the City of Winnipeg an interest equivalency, representing interest on long-term debt.

General government charges

The Agency is charged by the City of Winnipeg general government charges, as determined by the Corporate Finance Department.

Grant - Autopac rebate to Public Works Department

A grant has been made to the Public Works Department, representing the amount of Autopac Rebate received by the Agency.

Income tax equivalency (recovery)

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 \$300 thousand of net income	18.12%
Manitoba Small Business Rate (\$300 to \$400 thousand)	27.12%
Regular corporate rate on the balance	37.12%

The gain on sale of fleet assets acquired at inception is excluded from net income for the purpose of the tax calculation.

PeopleSoft savings equivalency

The City of Winnipeg operates a central finance function and charges the Agency a fee representing purchasing savings equivalency, as determined by the Corporate Finance Department.

f) Transfer to City of Winnipeg - General Revenue Fund

An amount of \$2,250 thousand (2004 - \$0) has been transferred to the General Revenue Fund as a return of investment.

11. Comparative Figures

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

**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>2005</u>	<u>2004</u>
Consumables and corrective maintenance	\$ 2,942	\$ 2,383
Insurance revenue	1,497	1,542
Manufacturing sales	777	543
Power tools	635	633
Autopac rebate	406	354
Other	155	47
Interest	154	241
Provincial support grant	122	59
	<u>\$ 6,688</u>	<u>\$ 5,802</u>

**THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY -
SPECIAL OPERATING AGENCY**

STATEMENT OF FINANCIAL POSITION

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

	<u>2005</u>
ASSETS	
Current	
Cash	\$ 173
Accounts receivable, net	1,043
Inventory	<u>157</u>
	1,373
Property, equipment and leasehold improvements (Note 4)	<u>13,206</u>
	<u>\$ 14,579</u>
LIABILITIES	
Current	
Due to City of Winnipeg - General Revenue Fund (Note 5)	\$ 2,606
Accounts payable and accrued liabilities	220
Vacation payable	95
Current portion of long-term debt (Note 6)	<u>12,776</u>
	<u>15,697</u>
Retirement allowance (Note 7b)	77
Long-term debt (Note 6)	<u>224</u>
	<u>301</u>
	<u>15,998</u>
CAPITAL DEFICIENCY	
Contributed surplus (Note 3)	172
Deficit	<u>(1,591)</u>
	<u>(1,419)</u>
	<u>\$ 14,579</u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY -
SPECIAL OPERATING AGENCY**

STATEMENT OF OPERATIONS AND DEFICIT

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

	<u>2005</u>
REVENUES	
Enforcement (Note 8)	\$ 4,275
Parking fees (Note 10)	4,178
Meters	2,247
Ground lease	<u>326</u>
Total Revenues	<u>11,026</u>
EXPENSES	
Services (Note 10)	3,477
Salaries and employee benefits (Note 7)	1,563
Debt and finance charges (Note 6b)	760
Municipal tax equivalency charge (Note 10g)	758
Material, parts and supplies (Note 10)	615
Amortization	475
Overhead charge (Note 10d)	152
Recoveries	<u>(28)</u>
Total Expenses	<u>7,772</u>
Income before other items and income tax equivalency	3,254
OTHER INCOME (LOSS)	
Write-down of assets acquired at start-up (Note 3)	<u>(144)</u>
Income before income tax equivalency	3,110
Income tax equivalency charge (Note 9)	<u>1,152</u>
Net income for the year	1,958
Transfer to The City of Winnipeg - General Revenue Fund	<u>3,549</u>
DEFICIT, END OF YEAR	<u><u>\$ (1,591)</u></u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY -
SPECIAL OPERATING AGENCY**

STATEMENT OF CASH FLOWS

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

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

	<u>2005</u>
OPERATING	
Net income for the year	\$ 1,958
Non-cash items related to operations	
Write-down of assets acquired at start-up (Note 3)	144
Amortization	475
Retirement allowance	<u>77</u>
Working capital from operations	2,654
Net change in working capital	<u>11,891</u>
	<u>14,545</u>
FINANCING	
Increase in due to City of Winnipeg - General Revenue Fund	2,606
Increase in long-term debt	224
Increase in contributed surplus	172
Transfer to City of Winnipeg - General Revenue Fund	<u>(3,549)</u>
	<u>(547)</u>
INVESTING	
Transfer of City assets to Agency	(12,390)
Purchase of capital assets	<u>(1,435)</u>
	<u>(13,825)</u>
CASH POSITION, END OF YEAR	<u><u>\$ 173</u></u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY -
SPECIAL OPERATING AGENCY**

NOTES TO THE FINANCIAL STATEMENTS

*As at December 31, 2005
(in thousands of dollars)
(unaudited)*

1. Description of Business

On March 20, 1997, Council adopted the Reshaping Our Civic Government document identifying the development of Special Operating Agencies ("SOA") as one of five strategic initiatives needed to create a more affordable City government.

On February 24, 1999, Council adopted the 1999 Alternative Service Delivery Review Agenda which identified the municipal parking services operations as an Alternative Services Delivery ("ASD") candidate. A feasibility study was subsequently prepared and presented to the ASD Committee.

On December 11, 2002, Council adopted the recommendation of the ASD Committee that an Operating Charter and Business Plan for a SOA with a mandate to manage and be accountable for city-owned parking resources, be prepared for consideration by Council.

The Winnipeg Parking Authority, SOA was created effective October 27, 2004 and commenced operations on January 1, 2005.

The Agency manages the parking facilities and related assets owned and previously operated by the City of Winnipeg. The intent of the Agency is to provide excellent customer service, maximize the annual return of parking operations, and ensure its long-term sustainability.

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:

a) Revenue recognition

The financial statements are prepared using the accrual basis of accounting, with the exception of enforcement revenue from citations issued prior to 2005, which are being recorded using the cash basis of accounting. The accrual basis of accounting recognizes revenue in the period which it is earned provided it is measurable and collection is reasonably certain. Expenses are recorded in the period in which they are incurred as a result of receipt of goods or services and the creation of a legal obligation to pay.

b) Inventory

Inventory is recorded at the lower of cost and market value.

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

c) **Property, equipment and leasehold improvements**

Land and equipment were transferred January 1, 2005 from the City at a fair market value as determined by independent consultants.

Property, equipment and leasehold improvements are amortized on a straight-line basis over the estimated useful life of the asset. In the year of acquisition 50% of the applicable amortization rates are used, with the exception of assets transferred from the City.

The amortization rates are as follows:

Leasehold improvements	15 Years
Parking surfaces	5%
Parkades	2%
Vehicles	20%
Meters	10%
Equipment	10-20%
Computer equipment	33%
Office furniture and equipment	20%

d) **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. *Assets and Liabilities Acquired on Start-Up*

The following assets and liabilities were acquired on start-up:

Due from City of Winnipeg - General Revenue Fund	\$	37
Land		172
Parking surfaces		57
Parkades		10,700
Vehicles		129
Meters		1,300
Equipment		15
Office furniture and equipment		10
Computer equipment		7
Vacation payable		(37)
Long-term debt		(12,218)
		<hr/>
Contributed surplus	\$	172
		<hr/> <hr/>

Subsequent to the acquisition of assets and liabilities at start-up, the net book value of meters transferred was written-down \$144 thousand to reflect their net realizable value.

4. *Property, Equipment and Leasehold Improvements*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2005 Net</u>
Land	\$ 172	\$ -	\$ 172
Leasehold improvements	397	10	387
Parking surfaces	100	4	96
Parkades	10,700	214	10,486
Vehicles	139	27	112
Meters	1,472	131	1,341
Equipment	217	17	200
Computer equipment	329	55	274
Office furniture and equipment	155	17	138
	<u>\$ 13,681</u>	<u>\$ 475</u>	<u>\$ 13,206</u>

5. *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. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is charged or credited 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 \$500 thousand at a rate of 6.0%.

6. *Long-Term Debt*

	<u>2005</u>
City of Winnipeg - General Revenue Fund	
Start-up loan, interest at 6%, with no specific terms of repayment.	\$ 12,218
City of Winnipeg - Idea Bank Reserve	
Loan repayable December 2006 with interest at 6%.	500
Equipment financing	
Loan repayable \$83 thousand per year including interest at 6.9% with a 12 month deferral of first payment.	<u>282</u>
	13,000
Current portion of long-term debt	<u>(12,776)</u>
	<u>\$ 224</u>

a) Principal repayments due within the next five years are as follows:

2006	\$ 558
2007	68
2008	72
2009	77
2010	7
	<u>\$ 782</u>

b) Interest on the start-up loan was \$753 thousand during the year and has been paid to the General Revenue Fund.

7. *Employee Benefits*

a) **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, \$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, 2004 and has an actuarial surplus.

b) **Retirement allowance**

Under the retirement allowance plan, qualifying employees become entitled to a cash payment upon retirement, death or termination of service under certain conditions (not resignation). The costs are actuarially determined using the projected benefit valuation method pro-rated on services and reflects management's best estimate of retirement ages of employees, salary escalation and length of service. In addition, adjustments arising from plan amendment, changes in assumptions, and experience gains and losses are amortized on a straight-line basis over 9.7 years, which represents the expected average remaining service life of the employee group. Amortization is calculated beginning in the year following the year of occurrence of the actuarial gains or losses.

The Agency measures its accrued retirement allowance obligation as at December 31 of each year. The most recent actuarial valuation report was at December 31, 2005.

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

	<u>2005</u>
Retirement allowance - accrued obligation:	
Balance, beginning of year	\$ -
Transfer between departments	<u>77</u>
Balance, end of year	77
Unamortized net actuarial loss	<u>-</u>
Retirement allowance - accrued liability	<u><u>\$ 77</u></u>

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

	<u>2005</u>
Valuation interest rate	4.50%
General increases in pay	3.00%

8. Enforcement Revenue

	<u>2005</u>
Enforcement revenue - Accrual basis	\$ 3,613
Enforcement revenue - Cash basis	<u>662</u>
	<u>\$ 4,275</u>

Prior to 2005 enforcement revenue was accounted for using the cash basis of accounting. At January 1, 2005 there was a gross enforcement receivable outstanding of \$12,138 thousand. Any collection of the pre-2005 enforcement receivable will continue to be recorded using the cash basis of accounting. Current year collections of pre-2005 citations totaled \$662 thousand.

All 2005 and future enforcement revenues will be accounted for using the accrual basis of accounting. The current year enforcement revenues include a net accounts receivable of \$917 thousand.

9. 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 The City of Winnipeg based on the following rates:

Small business rate on the first \$300 thousand on net income	18.10%
Regular corporate rate on the balance	37.10%

The loss on disposal of assets is excluded from net income for the purposes of the tax calculation.

An amount of \$1,152 thousand has been transferred to the General Revenue Fund for 2005.

10. Related Party Transactions

In addition to those transactions described elsewhere in the notes, included in the Agency's financial statements are the following amounts which occurred in the normal course of operations and are recorded at the exchange amount:

- a) Revenues include sales of \$297 thousand to the City of Winnipeg.
- b) In Services, an amount of \$29 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.
- c) In Services, an amount of \$53 thousand has been charged by the Civic Accommodations Fund for the rental of office space.
- d) An amount of \$152 thousand has been charged by the General Revenue Fund, which represents a transfer to the City of Winnipeg as determined by the Corporate Finance Department.
- e) In Services, an amount of \$66 thousand has been transferred to the Corporate Information Technology Department - General Revenue Fund for the cost of support services.
- f) In Services, an amount of \$345 thousand has been charged by the Building Services Fund for services provided at the various locations.

10. Related Party Transactions - (continued)

- g) An amount of \$758 thousand has been transferred to the General Revenue Fund for payment in-lieu-of business and municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.
- h) In Services, material, parts and supplies, an amount of \$148 thousand has been charged by Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.
- i) An amount of \$53 thousand is included in accounts receivable for parking charges owing from the City of Winnipeg.

Wholly-Owned Corporations 2005 DETAILED FINANCIAL STATEMENTS



THE CONVENTION CENTRE CORPORATION

BALANCE SHEET

As at December 31

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 1,916,546	\$ 2,031,233
Accounts receivable	1,157,502	1,082,970
Inventory	153,332	126,929
Prepaid expenses	47,349	46,689
	<u>3,274,729</u>	<u>3,287,821</u>
Capital assets (note 3)	<u>11,569,364</u>	<u>11,868,416</u>
	<u><u>\$ 14,844,093</u></u>	<u><u>\$ 15,156,237</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,236,023	\$ 1,237,265
Customer deposits	497,121	509,689
Current portion of City of Winnipeg debentures (note 4)	223,757	213,057
Current portion of City of Winnipeg term loan (note 5)	44,348	44,348
Current portion of capital lease obligation (note 6)	41,315	-
Deferred contributions for major repair and replacement expenditures (note 7)	1,191,931	1,177,548
	<u>3,234,495</u>	<u>3,181,907</u>
City of Winnipeg debentures (note 4)	2,108,573	2,332,330
City of Winnipeg term loan (note 5)	213,524	257,872
Capital lease obligation (note 6)	140,228	-
Deferred contributions related to capital assets (note 8)	3,499,420	3,441,721
Deferred funding - wall cladding replacement and stabilization (note 9)	5,586,754	5,881,308
	<u>14,782,994</u>	<u>15,095,138</u>
SURPLUS		
Surplus	<u>61,099</u>	<u>61,099</u>
	<u><u>\$ 14,844,093</u></u>	<u><u>\$ 15,156,237</u></u>

The accompanying notes are an integral part of this Balance Sheet.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF SURPLUS

Years ended December 31

	<u>2005</u>	<u>2004</u>
Surplus, beginning of year	\$ 61,099	\$ 61,099
Excess of revenue over expenditures for the year	377,879	650,994
Allocation of surplus to deferred contributions for major repair and replacement expenditures (note 7)	<u>(377,879)</u>	<u>(650,994)</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

Years ended December 31

	<u>2005</u>	<u>2004</u>
Operating revenue	\$ 9,881,771	\$ 10,239,602
Operating costs	<u>4,631,956</u>	<u>4,671,325</u>
Net operating revenue	<u>5,249,815</u>	<u>5,568,277</u>
General operating grant (note 10)		
City of Winnipeg	1,377,335	1,439,005
Province of Manitoba	<u>1,126,834</u>	<u>1,187,636</u>
	<u>2,504,169</u>	<u>2,626,641</u>
	<u>7,753,984</u>	<u>8,194,918</u>
Expenditures		
Accounting and financial services and human resources	691,069	695,730
Administration	1,170,600	1,120,578
Building maintenance	3,521,800	3,446,341
Client services	929,595	1,141,767
Sales and promotion	632,076	748,394
Security	<u>444,629</u>	<u>435,462</u>
	<u>7,389,769</u>	<u>7,588,272</u>
Net operating revenue less expenditures before under-noted	364,215	606,646
City of Winnipeg grants		
Allocated to debentures (note 10)	499,152	498,283
Allocated to term loan (note 10)	<u>44,348</u>	<u>44,348</u>
Amortization to revenue of deferred contributions related to capital assets (notes 8 and 9)	1,194,087	1,065,055
Amortization to expense of capital assets (note 3)	(1,437,827)	(1,267,924)
Interest on City of Winnipeg debentures	<u>(286,096)</u>	<u>(295,414)</u>
Excess of revenue over expenditures for the year	<u>\$ 377,879</u>	<u>\$ 650,994</u>

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Years ended December 31

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 377,879	\$ 650,994
Adjustments for:		
amortization of capital assets	1,437,827	1,267,924
amortization of deferred contributions related to capital assets	<u>(1,194,087)</u>	<u>(1,065,055)</u>
	621,619	853,863
Net changes in working capital balances		
Accounts receivable	(74,532)	(62,069)
Inventory	(26,403)	(12,384)
Prepaid expenses	(660)	(8,996)
Accounts payable and accrued liabilities	(1,242)	(738,112)
Customer deposits	<u>(12,568)</u>	<u>6,012</u>
	<u>506,214</u>	<u>38,314</u>
FINANCING ACTIVITIES		
City of Winnipeg term loan repayments	(44,348)	(44,348)
City of Winnipeg debenture repayments	(213,057)	(202,869)
City of Winnipeg/Province of Manitoba major repair and replacement grant received (note 7)	<u>558,331</u>	<u>436,728</u>
	<u>300,926</u>	<u>189,511</u>
INVESTING ACTIVITIES		
Major repair and replacement expenditures (note 7)	<u>(921,827)</u>	<u>(1,553,665)</u>
DECREASE IN CASH DURING THE YEAR	(114,687)	(1,325,840)
Cash, beginning of year	<u>2,031,233</u>	<u>3,357,073</u>
Cash, end of year	<u><u>\$ 1,916,546</u></u>	<u><u>\$ 2,031,233</u></u>

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

1. *Purpose of the Organization*

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.

2. *Significant Accounting Policies*

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 expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably assured.

By Board resolution, any annual excess of revenue over expenditures is deferred for future major repair and replacement expenditures.

Operating revenue, which consists mainly of room rentals and food and beverage sales from events held at the Winnipeg Convention Centre are recognized as revenue when the events are held.

Inventory

Inventory is valued at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis.

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
Equipment under capital lease	- 20%, straight line

Vacation pay

Vacation pay is accrued and expensed as the related service is performed.

2. *Significant Accounting Policies (continued)*

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 \$439,000 (2004 - \$490,000).

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.

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.

Financial instruments

The corporation's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities, City of Winnipeg debentures and term loans and capital lease obligation. 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 value of these financial instruments approximates their carrying values, unless otherwise noted.

3. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Carrying Value</u>	
			<u>2005</u>	<u>2004</u>
Major capital expenditures	\$ 2,000,000	\$ 1,485,256	\$ 514,744	\$ 577,717
Revitalization program:				
- City of Winnipeg portion	3,000,000	1,182,413	1,817,587	1,967,670
- Province of Manitoba portion	2,000,000	781,185	1,218,815	1,315,635
Major repair and replacement	7,550,615	5,270,010	2,280,605	2,126,086
Wall cladding replacement	6,599,175	1,012,421	5,586,754	5,881,308
Equipment under capital lease	181,543	30,684	150,859	-
	<u>\$ 21,331,333</u>	<u>\$ 9,761,969</u>	<u>\$ 11,569,364</u>	<u>\$ 11,868,416</u>

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 4). They are being amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life.

Revitalization program expenditures

In the years 1991 to 1996 inclusive, the corporation incurred costs for revitalization projects which were funded by the City of Winnipeg and the Province of Manitoba.

3. *Capital Assets (continued)*

- **City of Winnipeg portion**

The revitalization projects expenditures funded by the City are carried at cost and are equal to the related debentures (note 4). They are being amortized in an amount equal to the principal repayments on the debentures.

- **Provincial portion**

The revitalization projects funded by the Province are carried at cost and amortized at the same rate as the City of Winnipeg revitalization program assets.

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.

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.

Equipment under capital lease

During the current year, the corporation entered into a leasing agreement with the Royal Bank of Canada to finance the acquisition of the new parkade equipment.

The equipment is being amortized on a straight line basis over 5 years.

Amortization expense

The amortization of the capital assets is as follows:

	<u>2005</u>	<u>2004</u>
Major capital expenditures	\$ 62,973	\$ 64,550
Revitalization program:		
- City of Winnipeg portion	150,083	138,319
- Province of Manitoba portion	96,820	92,219
Major repair and replacement	767,308	644,648
Wall cladding replacement	329,959	328,188
Equipment under capital lease	30,684	-
	<u>\$ 1,437,827</u>	<u>\$ 1,267,924</u>

4. *City of Winnipeg Debentures*

	2005		2004	
Debenture	Sinking 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	\$ 358,565	\$ 141,435	\$ 172,944
Serial debenture. Principal payments vary under the terms of the debenture, payable January 17th yearly, ending in 2013. The debenture bears interest between 3.05% and 5.35% per annum with interest payable semi-annually	195,838	-	195,838	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	113,102	111,898	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	39,253	60,747	65,589
	1,020,838	510,920	509,918	577,734
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	1,177,588	1,822,412	1,967,653
	\$ 4,020,838	\$ 1,688,508	2,332,330	2,545,387
Current portion			223,757	213,057
			\$ 2,108,573	\$ 2,332,330

4. *City of Winnipeg Debentures (continued)*

Principal due within each of the next five years is as follows:

2006	\$	223,757
2007	\$	234,998
2008	\$	246,800
2009	\$	258,031
2010	\$	232,001

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 those costs are incurred.

5. *City of Winnipeg - Term Loan*

	<u>2005</u>	<u>2004</u>
Term loan	\$ 257,872	\$ 302,220
Less: current portion	<u>(44,348)</u>	<u>(44,348)</u>
	<u>\$ 213,524</u>	<u>\$ 257,872</u>

The loan was originally advanced in 1991 to fund the corporation's deficit. 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.

6. *Capital Lease Obligation*

	<u>2005</u>	<u>2004</u>
Parkade equipment lease - payable to the Royal Bank of Canada, bearing interest at approximately 8%, 39 monthly payments of \$5,180 (plus PST and GST) beginning in 2006 with a purchase option of \$1 at the end of the lease term.	\$ 181,543	\$ -
Less: current portion	<u>(41,315)</u>	<u>-</u>
	<u>\$ 140,228</u>	<u>\$ -</u>

Minimum lease payments, excluding applicable sales taxes, over the next four years are as follows:

2006	\$	41,315
2007	\$	53,269
2008	\$	57,604
2009	\$	26,418

7. *Deferred Contributions for Major Repair and Replacement Expenditures*

Deferred contributions for major repair and replacement include excess of revenue over expenditures and City of Winnipeg and Province of Manitoba grant funding not yet expended.

	<u>2005</u>	<u>2004</u>
Beginning balance	\$ 1,177,548	\$ 1,643,491
Grant funding received during year for major repair and replacement expenditures (note 10)	558,331	436,728
Major repairs and replacement expenditures	<u>(921,827)</u>	<u>(1,553,665)</u>
Excess of revenue over expenditures	<u>377,879</u>	<u>650,994</u>
	<u>\$ 1,191,931</u>	<u>\$ 1,177,548</u>

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.

	<u>2005</u>	<u>2004</u>
Beginning balance	\$ 3,441,721	\$ 2,624,923
Deferred contributions for major repair and replacement expended on major repair and replacement assets during the year (note 7)	921,827	1,553,665
Deduct amounts amortized to revenue:		
Major repair and replacement expenditures	(767,308)	(644,648)
Provincial portion of revitalization program expenditures	(96,820)	(92,219)
	<u>\$ 3,499,420</u>	<u>\$ 3,441,721</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>2005</u>	<u>2004</u>
Beginning balance	\$ 5,881,308	\$ 6,198,885
Funding received or receivable during the year	35,405	10,611
Deduct amount amortized to revenue	(329,959)	(328,188)
	<u>\$ 5,586,754</u>	<u>\$ 5,881,308</u>

10. *Grants*

The corporation operates with the assistance of grants from The City of Winnipeg and the Province of Manitoba.

	<u>2005</u>	<u>2004</u>
City of Winnipeg	\$ 2,200,000	\$ 2,200,000
Province of Manitoba	1,406,000	1,406,000
	<u>\$ 3,606,000</u>	<u>\$ 3,606,000</u>

The grants are allocated as follows:

General operating grant	\$ 2,504,169	\$ 2,626,641
Debt service		
- City of Winnipeg debenture	499,152	498,283
- City of Winnipeg term loan	44,348	44,348
Major repairs and replacement expenditures	558,331	436,728
	<u>\$ 3,606,000</u>	<u>\$ 3,606,000</u>

11. Demand Operating Loan

The corporation has a demand operating loan credit facility from the Royal Bank of Canada up to \$250,000, which bears interest at the bank's prime rate and is secured by a general security agreement. The balance at December 31, 2005 and 2004 is nil.

12. Commitments

The corporation has contracts with Correia Enterprises Ltd. (operating as Bee-Clean) and Securitas Canada Limited for the provision of housekeeping and security services. These contracts begin to expire August 31, 2006 with an option to renew for a further five-year term.

Future payments to the expiry of the contracts are as follows:

2006	\$	848,837
2007	\$	390,555

13. 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.

14. 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.

15. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

DESTINATION WINNIPEG INC.

BALANCE SHEET

December 31, 2005, with comparative figures for 2004

	<u>2005</u>	<u>2004</u>
ASSETS		
Current assets		
Cash	\$ 75,375	\$ 86,799
Investments (Note 3)	935,393	902,773
Accounts receivable	91,585	91,836
Prepaid expenses	72,039	69,416
	<u>1,174,392</u>	1,150,824
Capital assets (Note 4)	<u>261,683</u>	301,644
	<u><u>\$ 1,436,075</u></u>	<u><u>\$ 1,452,468</u></u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 97,798	\$ 73,537
Deferred rent	58,135	57,760
Deferred contributions - future expenses (Note 5)	16,527	29,936
Deferred contributions - capital assets (Note 6)	247,518	279,116
NET ASSETS		
Unappropriated		
Invested in capital assets (Note 7)	14,165	22,528
Unrestricted	462,233	546,029
	<u>476,398</u>	568,557
Appropriated for Contingency Reserve (Note 8)	358,669	443,562
Appropriated for Homecoming Initiative Reserve (Note 9)	181,030	-
	<u>1,016,097</u>	1,012,119
Commitments (Note 10)		
	<u><u>\$ 1,436,075</u></u>	<u><u>\$ 1,452,468</u></u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2005, with comparative figures for 2004

	<u>2005</u>	<u>2004</u>
REVENUE		
Funding		
City of Winnipeg	\$ 1,228,000	\$ 1,228,000
Province of Manitoba	1,165,000	1,165,000
Airport information services	55,464	54,040
Other	40,203	45,373
Partners on projects	394,125	392,172
Interest	25,509	20,759
Amortization of deferred contributions	31,598	31,598
	<u>2,939,899</u>	<u>2,936,942</u>
EXPENDITURES		
Initiatives and marketing	1,149,078	1,206,104
Personnel	1,371,417	1,291,117
Administrative	201,674	218,569
Occupancy and facilities	213,752	208,512
	<u>2,935,921</u>	<u>2,924,302</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 3,978</u>	<u>\$ 12,640</u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2005, with comparative figures for 2004

	<u>Unappropriated</u>	<u>Contingency Reserve</u>	<u>Homecoming Initiative Reserve</u>	<u>Total 2005</u>	<u>Total 2004</u>
Balance, beginning of year	\$ 568,557	\$ 443,562	\$ -	\$ 1,012,119	\$ 999,479
Excess (deficiency) of revenue over expenditures	<u>22,948</u>	<u>-</u>	<u>(18,970)</u>	<u>3,978</u>	<u>12,640</u>
	591,505	443,562	(18,970)	1,016,097	1,012,119
Allocation to/(from) unappropriated (notes 8 and 9)	<u>(115,107)</u>	<u>(84,893)</u>	<u>200,000</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u><u>\$ 476,398</u></u>	<u><u>\$ 358,669</u></u>	<u><u>\$ 181,030</u></u>	<u><u>\$ 1,016,097</u></u>	<u><u>\$ 1,012,119</u></u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2005, with comparative figures for 2004

	<u>2005</u>	<u>2004</u>
<i>Cash provided by (used in):</i>		
OPERATING ACTIVITIES		
Excess of revenue over expenditures	\$ 3,978	\$ 12,640
Adjustments for		
Amortization of capital assets	53,664	53,881
Amortization of deferred contributions - capital assets	(31,598)	(31,598)
Decrease in deferred contributions - future expense, net	(13,409)	(33,743)
Non-cash rent expense	375	29,868
Change in non-cash operating working capital		
Accounts receivable	251	(24,241)
Prepaid expenses	(2,623)	(15,835)
Accounts payable and accrued liabilities	24,261	(59,110)
	<u>34,899</u>	<u>(68,138)</u>
INVESTING ACTIVITIES		
Acquisition of capital assets	(13,703)	(9,229)
Investments, net	(32,620)	(162,866)
	<u>(46,323)</u>	<u>(172,095)</u>
DECREASE IN CASH	(11,424)	(240,233)
CASH, beginning of year	<u>86,799</u>	<u>327,032</u>
CASH, end of year	<u>\$ 75,375</u>	<u>\$ 86,799</u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2005

1. *General*

Destination Winnipeg Inc. (the organization) is Winnipeg's economic and tourism services agency, an arm's length organization led by an independent board appointed by the members. The City of Winnipeg and the Province of Manitoba are the members and provide core funding to the agency.

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), homecoming initiative reserve (Note 9) 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

	2005			2004
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 46,384	\$ 37,981	\$ 8,403	\$ 19,729
Office furniture and fixtures	57,666	24,957	32,709	33,186
Leasehold improvements	281,580	61,009	220,571	248,729
	<u>\$ 385,630</u>	<u>\$ 123,947</u>	<u>\$ 261,683</u>	<u>\$ 301,644</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.

	2005	2004
Balance, beginning of year	\$ 29,936	\$ 63,679
Amounts received during the year	138,940	129,320
	<u>168,876</u>	<u>192,999</u>
Less amounts recognized into revenue in the year	(152,349)	(163,063)
Balance, end of year	<u>\$ 16,527</u>	<u>\$ 29,936</u>
	2005	2004
Team Winnipeg	\$ 16,527	\$ 27,936
Other	-	2,000
	<u>\$ 16,527</u>	<u>\$ 29,936</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.

	2005	2004
Balance, beginning of year	\$ 279,116	\$ 310,714
Amount amortized to revenue	(31,598)	(31,598)
Balance, end of year	<u>\$ 247,518</u>	<u>\$ 279,116</u>

7. Invested in Capital Assets

	2005	2004
Capital assets	\$ 261,683	\$ 301,644
Deferred contributions - capital assets	(247,518)	(279,116)
Invested in capital assets	<u>\$ 14,165</u>	<u>\$ 22,528</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, 2005, \$84,893 (2004 - \$40,908) was deducted from the contingency reserve and added to unappropriated surplus, based on the calculation of the contingency reserve requirement as at December 31, 2005.

9. Homecoming Initiative Reserve

During the year, a homecoming initiative reserve was established to reserve funds to be used for a future initiative. \$200,000 was transferred from unappropriated net assets in this regard.

10. Commitments

The organization is committed under leases for office premises and equipment for a total of \$1,393,449. The minimum lease payments over the next five years are as follows:

2006	\$	173,853
2007		173,853
2008		174,606
2009		178,367
2010		178,367

11. Funds Held in Trust

The organization holds and administers funds in trust for a partnership for convention development which are not included in the financial statements. These funds are held in an interest-bearing trust account for the benefit of convention development.

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 100,576	\$ -
Amounts received during the year	-	100,000
Interest earned on funds received	<u>1,353</u>	<u>576</u>
Balance, end of year, and amount of funds in trust	<u>\$ 101,929</u>	<u>\$ 100,576</u>

12. 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 company is exposed to interest rate risk on its money market investments. 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.

13. Comparative Figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31, 2005 with May 31, 2005 comparative figures
(unaudited)

	December 31, 2005	May 31, 2005
ASSETS		
Accounts receivable	\$ 240,191	\$ 216,621
Long-term investments (Note 3)	742,458	1,219,764
Due from City of Winnipeg (Note 4)	6,906,082	7,333,891
	\$ 7,888,731	\$ 8,770,276
LIABILITIES		
Bank indebtedness (Note 5)	\$ 334,457	\$ 112,617
Due to City of Winnipeg - General Revenue Fund (Note 6)	1,243,630	1,383,007
Accounts payable and accrued liabilities	381,695	392,230
Debt (Note 7)	4,624,940	4,979,916
	6,584,722	6,867,770
NET ASSETS	1,304,009	1,902,506
	\$ 7,888,731	\$ 8,770,276

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the 7 month period ended June 1 to December 31, 2005
with May 31, 2005 yearly comparative figures
(unaudited)

	<u>December 31, 2005</u>	<u>May 31, 2005</u>
REVENUES		
Suites, club seats and other	\$ 74,789	\$ 799,259
Entertainment tax	-	827,555
Concession	-	522,598
Arena rental	-	288,748
Stadium	-	196,471
Select-A-Seat	-	279,617
	<u>74,789</u>	<u>2,914,248</u>
EXPENSES		
Write-off of long-term receivable (Note 4)	427,809	329,404
Interest on debt and other finance charges	166,340	317,196
Utilities	69,065	359,355
Professional fees, office supplies and other	10,072	356,808
Wages and employee benefits	-	1,265,115
Tenant payments	-	793,285
Arena and stadium operating	-	142,152
Select-A-Seat	-	242,571
	<u>673,286</u>	<u>3,805,886</u>
NET LOSS FOR THE YEAR	(598,497)	(891,638)
NET ASSETS - BEGINNING OF YEAR	1,902,506	2,794,144
NET ASSETS - END OF YEAR	\$ 1,304,009	\$ 1,902,506

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

(unaudited)

1. *Entity Definition and Wind-Up of Operations*

Winnipeg Enterprises Corporation ("WEC") 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. As at March 31, 2005, WEC has wound-down its operations and is being managed by The City of Winnipeg, its sole director. The City of Winnipeg has assumed all remaining and prospective debt and liabilities of WEC. In 2005, The City of Winnipeg changed the year-end of WEC from May 31 to December 31.

2. *Significant Accounting Policies*

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

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.

Financial instruments

Financial instruments include accounts receivable, long-term investments, due from City of Winnipeg, accounts payable, bank indebtedness, due to the City of Winnipeg General Revenue Fund, debt and an interest rate swap on a portion of the 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 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 debt.

Use of 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 contingencies at the date of the statement of financial position. Actual results could differ from these estimates.

3. *Long-Term Investments*

On May 18, 2005, City of Winnipeg Council approved that the entertainment tax revenue collected from regular and pre-season Winnipeg Football Club games at Canad Inns Stadium be a funding source for repayment against the income debenture and interest is to be assessed based on the City of Winnipeg's cost of long-term borrowing.

4. *Due from City of Winnipeg*

The due from City of Winnipeg represents the net book value of the property and equipment that was owned by WEC and transferred to the City of Winnipeg based on the assignment agreement dated June 1, 2004 between The City, WEC and the Winnipeg Football Club. The receivable is being written-down based on the amortization of the property and equipment using the straight-line method over 10 years on the remaining unamortized balance.

5. *Bank Indebtedness*

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 \$600,000. The operating line is due on demand and bears interest at prime. As at December 31, 2005, the balance of the operating line was \$334,457.

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. Bank transactions are credited or charged to the "Due (to)/from" account when they are processed through the bank. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account.

7. *Debt*

	December 31, 2005	May 31, 2005
Demand loan (credit facility B); bearing interest at prime; repayable in blended monthly instalments of \$31,634	\$ 1,765,636	\$ 1,914,897
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	2,388,296	2,533,247
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	471,008	531,772
	<u>\$ 4,624,940</u>	<u>\$ 4,979,916</u>

Credit facilities B and C are secured by a limited guarantee from the City of Winnipeg of \$7,650,000.

At December 31, 2005, interest rates on \$2,388,296 of bank debt under credit facility C were fixed by means of an interest rate swap to February 28, 2006 at an average rate of 3.403%, inclusive of a stamping fee.

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

	<u>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash and short-term deposits	\$ -	\$ 143,540
Accounts receivable	69,017	63,566
Subsidy due from CMHC (note 3)	14,472	14,472
Subsidy due from MHRC (note 3)	280,089	292,815
Other receivables	49,584	126,168
Operating deficiency recoverable from MHRC (note 4)	156,111	148,237
Marketable securities	154,487	152,701
Advances to City of Winnipeg projects	-	5,674
Prepaid expenses	15,571	10,652
Housing inventory (note 5)	806,658	313,207
Grants receivable (note 6)	164,441	537,252
Security deposit fund (restricted cash)	125,960	126,944
	<u>1,836,390</u>	<u>1,935,228</u>
Restricted Cash and Deposits		
Replacement Reserve Fund (note 7)	2,605,333	2,509,962
Subsidy Surplus Fund, Sargent and Cumberland (note 8)	74,909	74,396
	<u>2,680,242</u>	<u>2,584,358</u>
Capital Assets (notes 2 and 9)	<u>32,118,295</u>	<u>32,827,419</u>
	<u>\$ 36,634,927</u>	<u>\$ 37,347,005</u>

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at March 31

	<u>2005</u>	<u>2004</u>
LIABILITIES		
Current		
Short-term loans (note 10)	\$ 67,000	\$ 92,828
Bank overdraft	270,221	881,085
Accounts payable and accrued liabilities	278,938	394,090
Accrued interest payable	245,725	247,361
Deferred revenue	1,918	-
Current portion of mortgages payable (note 13)	19,647	10,255
Current portion of loans payable (note 14)	97,924	91,200
Current portion of long-term debt (note 15)	724,047	639,470
Tenant deposits on hand	7,061	6,986
Security deposits	132,091	126,279
Prepaid rents	35,183	68,183
	<u>1,879,755</u>	<u>2,557,737</u>
Restricted Surplus (note 12)	<u>27,067</u>	<u>47,503</u>
Mortgages Payable (note 13)	<u>1,079,704</u>	<u>521,409</u>
Loans Payable (note 14)	<u>548,381</u>	<u>579,067</u>
Long-term Debt (note 15)	<u>30,685,617</u>	<u>31,249,744</u>
Deferred Contributions	<u>209,125</u>	<u>277,338</u>
Replacement Reserves		
Replacement Reserve - CMHC	724,559	686,355
Replacement Reserve - MHRC	1,862,227	1,789,030
Subsidy Reserve - Sargent and Cumberland (note 8)	78,648	79,324
Rental Replacement Reserve (note 2)	23,035	23,000
	<u>2,688,469</u>	<u>2,577,709</u>
NET ASSETS		
Net Assets	<u>(483,191)</u>	<u>(463,502)</u>
	<u>\$ 36,634,927</u>	<u>\$ 37,347,005</u>

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Years ended March 31

	<u>2005</u>	<u>2004</u>
REVENUE		
Property management fees	\$ 257,712	\$ 262,646
Development fees	57,087	99,207
ACT grant	-	4,424
Inner City Migrancy	9,168	-
The City of Winnipeg - operating grant	200,000	200,499
Homeownership Training Initiative Grant	21,508	53,246
Interest and other income	9,232	28,494
Rental	6,163,177	6,120,892
	<u>6,717,884</u>	<u>6,769,408</u>
EXPENDITURES		
ACT grant	-	4,424
Advertising	3,194	4,856
Amortization - office and equipment	31,082	16,355
Bank charges and other interest	3,059	5,612
Homeownership Training Initiative	3,210	63,046
Inner City Migrancy	9,168	-
Insurance	1,682	2,418
Office operations	66,224	75,075
Office salaries and benefits	372,229	444,626
Other grant	16,000	-
Professional fees	34,025	20,184
Recruiting	1,268	445
Security	687	-
Telephone	1,451	1,543
Terminated project 83 Kate	2,369	12,344
Rental	6,320,474	6,297,656
	<u>6,866,122</u>	<u>6,948,584</u>
Deficiency of revenue over expenditures before allocation	(148,238)	(179,176)
Operating deficiency recoverable from MHRC	127,872	148,237
Allocation to subsidy reserve	677	1,581
	<u>677</u>	<u>1,581</u>
Deficiency of revenue over expenditures	(19,689)	(29,358)
Net assets, beginning of year	(463,502)	(434,144)
	<u>(463,502)</u>	<u>(434,144)</u>
Net assets, end of year	\$ (483,191)	\$ (463,502)
	<u>\$ (483,191)</u>	<u>\$ (463,502)</u>

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended March 31

	<u>2005</u>	<u>2004</u>
OPERATING ACTIVITIES		
Cash flows from operations		
Grant from the City of Winnipeg	\$ 200,000	\$ 200,810
Grants from other sources	21,508	72,670
CMHC subsidy received	146,735	173,745
MHRC subsidy received	3,326,366	3,252,370
Rental revenue received	2,436,780	2,513,471
Other receipts	510,581	403,251
Cash paid for mortgage interest	(2,915,758)	(3,369,877)
Cash allocated to replacement reserve - CMHC	(75,174)	(75,174)
Cash allocated to replacement reserve - MHRC	(199,600)	(199,599)
Cash allocated to subsidy reserve	128,549	149,818
Cash paid to employees and suppliers	(3,011,018)	(3,092,339)
	<u>568,969</u>	<u>29,146</u>
Cash flows from (used for) operations		
FINANCING AND INVESTING ACTIVITIES		
Decrease in long-term debt	(479,550)	(576,265)
Increase in Replacement Reserve - CMHC	38,204	63,913
Increase in Replacement Reserve - MHRC	73,197	141,248
Decrease in Subsidy Reserve - Sargent and Cumberland	(676)	(1,581)
Increase in Rental Replacement Reserve	35	-
Increase (decrease) in deferred contributions	(9,471)	84,269
Increase (decrease) in restricted surplus	(20,436)	47,503
Increase in mortgages payable	567,687	521,409
Increase in tenants deposits on hand	75	1,248
Decrease in deferred charges	-	400,134
Purchase of office furniture and computer equipment	(3,594)	(17,609)
Increase (decrease) in housing inventory	(493,451)	17,371
Increase (decrease) in grants receivable	372,811	(537,252)
Increase in marketable securities	(1,786)	(112,701)
Increase (decrease) in loans payable	(23,962)	67,100
	<u>19,083</u>	<u>98,787</u>
Cash flow from (for) financing and investing activities		
Increase in cash	588,052	127,933
Cash, beginning of year	<u>1,880,929</u>	<u>1,752,996</u>
Cash, end of year	<u>\$ 2,468,981</u>	<u>\$ 1,880,929</u>
REPRESENTED BY:		
Cash and short-term deposits	\$ -	\$ 143,540
Bank overdraft	(270,221)	(881,085)
Restricted cash and deposits	2,680,242	2,584,358
Short-term loans	(67,000)	(92,828)
Security deposit fund	125,960	126,944
	<u>\$ 2,468,981</u>	<u>\$ 1,880,929</u>

WINNIPEG HOUSING REHABILITATION CORPORATION (Incorporated Without Share Capital)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2005

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 (CMHC) and Manitoba Housing and Renewal Corporation (MHRC).

The corporation's activities include a property management head office, management of individual properties and 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 Inc. (WPH). WHRC controls WPH by virtue of appointing the board of directors. Individual and combined statements are available.

2. *Significant Accounting Policies*

The consolidated 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. 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 consolidated financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The consolidated 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) **Amortization 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 Reserves

The Replacement Reserve accounts are maintained to provide for future asset replacement. The accounts are 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 corporation 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. Revenues are recognized when collectibility is reasonably assured.

The corporation enters into rent to own agreements with its tenants, in WPH, 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 where 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 the rent paid reduction.

g) 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.

h) 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.

i) 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 amortization is being taken on the housing inventory. These buildings are either in the pre-renovation or renovation stages.

j) Loans Payable

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years as long as the repairs to the properties are done by a set date.

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 2005 and March 2004, 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, 2005 (2004 - \$nil).

5. *Housing Inventory*

The Corporation has undertaken projects to acquire and rehabilitate houses in the Spence, West Broadway and North End neighbourhoods. The allocation is as follows:

	<u>2005</u>	<u>2004</u>
186 Salter	\$ 46,092	\$ 989
254 Furby	-	4,667
254 Young	-	32,888
258 Langside	82,051	76,107
271 Furby	48,293	41,229
274 Langside	75,541	66,124
283 Furby	56,192	46,468
287 Furby	53,941	44,463
290 Langside	156,426	(85,372)
297 Furby	20,261	13,359
330 Magnus	23,771	19,647
366 Langside	-	34,138
415 Sherbrook	-	14,000
417 Sherbrook	-	24,303
419 Sherbrook	22,413	(24,325)
452 Langside	93,288	(9,276)
459 Sherbrook	-	(13,375)
558 Langside	5,000	7,000
570 Furby	3,959	-
581 Furby	(18,648)	-
663 Furby	81,798	(27,179)
675 Furby	(17,347)	-
86 Spence	73,627	47,352
	<u>\$ 806,658</u>	<u>\$ 313,207</u>

6. Grants Receivable

The corporation has the following grants that are receivable from the Province of Manitoba and the City of Winnipeg:

		<u>2005</u>	<u>2004</u>
Spence I			
RRAP Province -	366 Langside	\$ -	\$ 18,000
AHI -	570 Furby	22,413	-
AHI -	581 Furby	22,413	-
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
AHI -	675 Langside	22,413	-
		67,239	78,813
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
		-	122,439
		67,239	201,252
West Broadway			
WHHI City -	86 Spence	-	10,000
RRAP -	254 Young	-	18,000
RRAP -	274 Langside	-	18,000
RRAP -	290 Langside	25,202	-
RRAP -	296 Langside	-	198,000
		25,202	244,000
William Whyte			
WHHI City -	186 Salter	-	20,000
RRAP -	186 Salter	72,000	72,000
		72,000	92,000
		\$ 164,441	\$ 537,252

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 \$274,774 (2004 - \$274,773). 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 Canadian Treasury Bills Mutual Funds and Mutual Funds are not held in funds which are insured by the Canada Deposit Insurance Corporation. 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:

	<u>2005</u>	<u>2004</u>
Cash	\$ -	\$ 2,772
Term deposits (1.50% - 6.00%)	199,424	262,601
Canadian Treasury Bills Mutual Funds	2,387,060	2,226,045
Mutual Funds	18,849	18,544
	<u>\$ 2,605,333</u>	<u>\$ 2,509,962</u>

At March 31, 2005, the CMHC Replacement Reserve was over-funded by \$233 (2004 - \$716) and the MHRC Replacement Reserve was over-funded by \$1,150 (2004 - \$16,913).

Subsequent to the year end, the Canadian Treasury Bills Mutual Funds were converted to direct investments including government bonds, fixed income notes and guaranteed income certificates.

8. *Subsidy Surplus Reserve 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. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>2005 Net Book Value</u>	<u>2004 Net Book Value</u>
Rental properties	\$ 36,469,648	\$ 6,038,962	\$ 30,430,686	\$ 31,086,604
Office building	44,614	24,537	20,077	22,308
Furniture and equipment	188,281	171,958	16,323	41,576
Housing inventory	1,670,110	18,901	1,651,209	1,676,931
	<u>\$ 38,372,653</u>	<u>\$ 6,254,358</u>	<u>\$ 32,118,295</u>	<u>\$ 32,827,419</u>

10. Short-Term Loans

Cham Holdings Inc.

<u>Property</u>	<u>2005</u>	<u>2004</u>
283 Furby, interest is accrued at 7.5%	\$ 34,100	\$ 36,022
287 Furby, interest after June 30, 2003 will be accrued at prime plus 7.5%	32,900	34,808
271 Furby, interest after April 15, 2003 has been accrued at 7.5%	-	21,998
	<u>\$ 67,000</u>	<u>\$ 92,828</u>

Subsequent to the year end, these loans were paid off.

11. 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 \$77,072, of which \$37,353 (2004 - \$486,377) is still available at March 31, 2005.

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 \$157,425, of which \$122,693 (2004 - \$306,891) is still available at March 31, 2005.

WHRC has a demand line of credit with the Assiniboine Credit Union for the Spence Infill Housing/Phase II and is secured by a general security agreement on the Spence Infill Housing/Phase II properties. The total amount of the line of credit is \$244,800, of which \$101,479 (2004 - \$250,000) is still available at March 31, 2005.

WHRC has a demand line of credit with the Assiniboine Credit Union for 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 \$14,428 (2004 - \$57,552) is still available at March 31, 2005.

The City of Winnipeg has guaranteed a \$2,000,000 line of credit and the other lines will be closed down with the balances being transferred to the new line of credit. As of March 31, 2005, there is still \$1,496,655 available from this line of credit. The transfer took place in April 2005 and the above lines were closed. The interest rate on this line of credit is at bank prime.

12. 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.

	<u>2005</u>	<u>2004</u>
Spence I		
366 Langside	\$ 9,925	\$ -
368 Langside	17,263	17,263
370 Langside	9,349	10,598
371 Maryland	(5,767)	(5,767)
377 Langside	1,976	1,976
417 Sherbrook	(5,346)	-
441 Furby	(16,663)	(16,826)
451 Young	42,828	42,828
481 Young	(110)	-
495 Langside	2,099	2,099
511 Young	17,594	17,594
524 Langside	(686)	(686)
557 Langside	(110)	-
562 Langside	1,925	1,925
572 Langside	(389)	(389)
614 Langside	(5,845)	4,155
665 Langside	1,792	1,790
	<u>69,835</u>	<u>76,560</u>
Spence II		
415 Sherbrook	(2,001)	(2,001)
419 Sherbrook	14,969	-
459 Sherbrook	(1,237)	-
466 Langside	(6,003)	(6,003)
493 Langside	12,785	12,785
497 Langside	8,135	8,135
513 Langside	(15,208)	(15,208)
517 Langside	4,351	4,351
541 Langside	(8,129)	(10,375)
558 Langside	(2,604)	(2,604)
564 Langside	(4,322)	(4,322)
578 Langside	(672)	(672)
592 Langside	5,140	5,140
	<u>5,204</u>	<u>(10,774)</u>
	<u>75,039</u>	<u>65,786</u>

12. Restricted Surplus (continued)

	<u>2005</u>	<u>2004</u>
West Broadway		
204 Furby	7,603	7,603
206 Furby	(1,898)	(1,898)
226 Young	(171)	(171)
230 Young	3,640	3,640
240 Young	4,168	4,168
246 Young	(17,079)	(11,924)
250 Langside	(3,249)	(3,261)
254 Young	(24,689)	-
256 Langside	(5,373)	(5,373)
259 Young	(11,267)	(11,279)
263 Langside	5,212	5,212
265 Langside	12,080	11,900
271 Langside	8,865	8,913
272 Langside	(16,609)	(16,609)
278 Langside	(4,005)	(4,005)
288/290 Furby	4,850	4,850
296 Langside	(10,050)	(10,049)
	<u>(47,972)</u>	<u>(18,283)</u>
	<u>\$ 27,067</u>	<u>\$ 47,503</u>

13. Mortgages Payable

Winnipeg Partners in Housing Inc. (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 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. 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. 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 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.

13. Mortgages Payable (continued)

The following properties have liens assigned to them under the first, second, and third Assiniboine Credit Union Commercial Mortgages:

<u>Property</u>	<u>2005</u>	<u>2004</u>
204 Furby	\$ 59,355	\$ -
206 Furby	57,115	-
230 Young	47,139	48,004
240 Young	48,591	-
246 Young	40,190	40,932
250 Langside	48,917	-
256 Langside	38,003	38,701
259 Young	41,914	-
263 Langside	34,085	34,664
265 Langside	34,084	34,664
271 Langside	34,085	34,664
272 Langside	53,343	54,328
278 Langside	44,881	-
288/290 Furby	43,639	44,395
296 Langside	52,256	-
415 Sherbrook	55,832	-
493 Langside	46,162	-
497 Langside	29,223	29,767
513 Langside	44,580	45,399
541 Langside	38,003	38,701
564 Langside	65,145	-
566 Langside	44,207	45,025
578 Langside	41,648	42,420
592 Langside	56,954	-
	<u>1,099,351</u>	531,664
Less current portion	<u>19,647</u>	<u>10,255</u>
	<u>\$ 1,079,704</u>	<u>\$ 521,409</u>

Principal repayment terms are approximately:

2006	\$ 19,647
2007	20,909
2008	22,254
2009	23,684
2010	25,207

14. Loans Payable

	<u>2005</u>	<u>2004</u>
Neighbourhood Housing Assistance (NHA)	\$ 251,905	\$ 244,667
Residential Rehabilitation Assistance Program (RRAP)		
Forgivable loans bearing interest at 8.25%. The loans will be forgiven on July 1, 2017.	116,800	126,400
Forgivable loans bearing interest at 8.45%. The loans will be forgiven on January 31, 2018.	15,400	16,600
Forgivable loans bearing interest at 6.88%. The loans will be forgiven on August 1, 2017.	58,800	63,600
Forgivable loans bearing interest at 8.13%. The loans will be forgiven on August 1, 2017.	14,800	16,000
Forgivable loans bearing interest at 8.15%. The loans will be forgiven on September 1, 2017.	29,600	32,000
Forgivable loans bearing interest at 8.13%. The loans will be forgiven on June 1, 2018.	15,800	17,000
Forgivable loans bearing interest at 8.63%. The loans will be forgiven on December 31, 2017.	30,400	32,800
Forgivable loans bearing interest at 8.75%. The loans will be forgiven on November 30, 2017.	15,100	16,300
Forgivable loans bearing interest at 6.88%. The loans will be forgiven on July 1, 2017.	14,600	15,800
Forgivable loans bearing interest at 8.125%. The loans will be forgiven on March 1, 2019.	66,800	71,600
Forgivable loans bearing interest at 8.125%. The loans will be forgiven on November 1, 2018.	16,300	17,500
	<u>646,305</u>	<u>670,267</u>
Less, current portion	<u>97,924</u>	<u>91,200</u>
	<u>\$ 548,381</u>	<u>\$ 579,067</u>

14. 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.

The loans will be forgiven as follows:

2006	\$	31,200
2007		31,200
2008		31,200
2009		31,200
2010		31,200
2011 and beyond		238,400

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:

2006	\$	66,000
2007		47,333
2008		21,000
2009		3,000

15. Long-Term Debt

The corporation finances the purchase of properties by way of first mortgage loans as follows:

Lender	Interest Rate	Maturity Dates	2005	2004
Royal Bank of Canada	6.60% - 6.70%	2005	\$ 45,269	\$ 52,328
Assiniboine Credit Union	4.75%	2010	176,366	-
Canada Mortgage and Housing Corp.	0.00% - 5.50%	2005 - 2017	5,598,743	5,794,407
Manitoba Housing and Renewal Corp.	6.625% - 12.50%	2001 - 2005	25,589,286	26,042,479
			31,409,664	31,889,214
Less, current portion			724,047	639,470
			\$ 30,685,617	\$ 31,249,744

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:

2006	\$ 724,047
2007	774,760
2008	830,580
2009	904,495
2010	980,352

16. 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:

	2005	2004
Mortgage subsidy assistance	\$ 146,735	\$ 173,745

17. 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, WHRC received \$96,376 for 435 Sargent and \$168,393 for 461 Cumberland.

18. 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.

19. *Financial Instruments*

The corporation's financial instruments consist of cash and short-term deposits, accounts receivable, subsidy due from CMHC, subsidy due from MHRC, other receivables, operating deficiency recoverable from MHRC, restricted cash and deposits, marketable securities, grants receivable, short-term loans, bank overdraft, accounts payable and accrued liabilities, accrued interest payable, security deposits, deferred revenue, tenant deposits on hand, restricted surplus, deferred contributions, mortgages payable, loans payable, and long-term debt. 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 value of these financial instruments approximate their carrying values, unless otherwise noted.

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

**CONSOLIDATED SCHEDULE OF ACCUMULATED REPLACEMENT RESERVES -
CMHC**

Year ended March 31, 2005

Property	Accumulated Replacement Reserve - CMHC				Balance 2005	Funded*
	Balance 2004	Allocation	Interest	Expenditure		
134 Chestnut	\$ 6,613	\$ 935	\$ 29	\$ 1,318	\$ 6,259	\$ 6,258
853 Sherbrook	(2,593)	5,570	234	1,439	1,772	1,771
435 Sargent	228,923	23,406	2,659	26,279	228,709	228,948
401 Burrows	1,361	1,975	49	-	3,385	3,384
461 Cumberland	431,962	41,040	6,204	15,437	463,769	463,769
360 McKenzie	20,089	2,248	68	1,740	20,665	20,662
	<u>\$ 686,355</u>	<u>\$ 75,174</u>	<u>\$ 9,243</u>	<u>\$ 46,213</u>	<u>\$ 724,559</u>	<u>\$ 724,792</u>

* The CMHC Replacement Reserve is over-funded by \$233. (Funding includes accrued interest).

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

CONSOLIDATED SCHEDULE OF ACCUMULATED REPLACEMENT RESERVES - MHRC

Year ended March 31, 2005

Property	Accumulated Replacement Reserve - MHRC				Balance 2005	Funded*
	Balance 2004	Allocation	Interest	Expenditure		
650 Alexander	\$ (7,268)	\$ 450	\$ 57	\$ 760	\$ (7,521)	\$ (7,521)
730 Alexander	26,879	2,700	339	1,128	28,790	28,790
622/624 Elgin	8,808	900	113	-	9,821	9,821
635 Pacific	(4,254)	450	57	-	(3,747)	(3,747)
640 Selkirk	31,054	2,700	339	6,655	27,438	27,438
970 Sherbrook	163,928	17,100	2,146	57,577	125,597	125,883
351 Victor	70,186	8,550	1,073	9,006	70,803	70,803
347 Manitoba	82,351	8,100	1,016	14,795	76,672	76,672
425 Henry	123,809	11,700	1,468	1,691	135,286	135,848
86 Young	61,892	5,400	677	4,105	63,864	63,864
271/275 Young	37,316	6,750	845	2,370	42,541	42,541
444 Logan-Penrose	33,871	2,800	282	4,556	32,397	32,397
275 Colony	83,984	8,100	1,016	302	92,798	93,100
484 Toronto	29,141	5,400	678	-	35,219	35,219
531 Furby	82,656	9,000	1,130	7,094	85,692	85,692
260 Toronto	61,869	8,100	1,016	8,797	62,188	62,188
200 Charles	36,159	4,500	564	3,823	37,400	37,400
567 William	35,267	2,700	339	3,125	35,181	35,181
588 Manitoba	54,726	5,400	677	592	60,211	60,211
661 Sara	104,772	9,450	1,184	1,704	113,702	113,702
576 McDermot	138,006	17,100	2,146	2,162	155,090	155,090
407 Langside	58,235	8,100	1,016	501	66,850	66,850
60 Frances	163,381	19,500	2,200	16,209	168,872	168,872
405 Burrows	36,393	6,300	791	-	43,484	43,484
50 Roslyn	158,599	16,200	2,032	2,080	174,751	174,751
324 Stradbrook	117,270	12,150	1,520	2,092	128,848	128,848
	<u>\$ 1,789,030</u>	<u>\$ 199,600</u>	<u>\$ 24,721</u>	<u>\$ 151,124</u>	<u>\$ 1,862,227</u>	<u>\$ 1,863,377</u>

* The MHRC Replacement Reserve is over-funded by \$1,150. (Funding includes accrued interest).

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

CONSOLIDATED SCHEDULE OF ACCUMULATED AMORTIZATION

Year ended March 31, 2005

Property	Accumulated Amortization 2004	Remove Fully Amortized Assets	Amortization	Accumulated Amortization 2005
134 Chestnut	\$ 63,969	\$ -	\$ 1,590	\$ 65,559
853 Sherbrook	245,795	-	15,481	261,276
435 Sargent	646,138	-	61,658	707,796
401 Burrows	32,119	-	4,577	36,696
461 Cumberland	1,179,593	-	103,330	1,282,923
360 McKenzie	91,040	-	9,027	100,067
WHRC funded	59,564	-	7,059	66,623
622/624 Elgin	66,536	-	8,585	75,121
635 Pacific	40,640	-	5,275	45,915
650 Alexander	50,712	-	6,537	57,249
640 Selkirk	64,152	-	7,958	72,110
730 Alexander	89,132	-	10,571	99,703
970 Sherbrook	339,450	-	43,815	383,265
347 Manitoba	128,659	-	18,560	147,219
351 Victor	146,777	-	20,851	167,628
425 Henry	157,583	-	23,123	180,706
444 Logan-Penrose	40,211	-	5,833	46,044
484 Toronto	48,536	-	7,675	56,211
86 Young	64,115	-	9,372	73,487
271/275 Young	80,940	-	11,732	92,672
275 Colony	97,792	-	13,996	111,788
260 Toronto	111,237	-	15,749	126,986
200 Charles	41,192	-	6,871	48,063
567 William	47,058	-	5,862	52,920
588 Manitoba	68,894	-	9,317	78,211
661 Sara	134,856	-	17,911	152,767
576 McDermot	302,329	-	41,462	343,791
531 Furby	99,060	-	14,438	113,498
407 Langside	123,125	-	17,500	140,625
60 Frances	188,598	-	30,724	219,322
405 Burrows	52,321	-	8,177	60,498
50 Roslyn	400,805	-	74,887	475,692
324 Stradbroke	80,116	-	16,415	96,531
Housing Inventory	4,584	-	14,317	18,901
Office renovation	22,306	-	2,231	24,537
Furniture and equipment	178,261	(35,154)	28,851	171,958
	\$ 5,588,195	\$ (35,154)	\$ 701,317	\$ 6,254,358

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

CONSOLIDATED SCHEDULE OF LONG-TERM DEBT FOR CMHC AND MHRC

Year ended March 31, 2005

Property	Interest Rate	Project Number	2005	2004
MHRC				
650 Alexander	10.50%	44	\$ 8,565	\$ 15,102
730 Alexander	10.50%	41	216,796	227,367
622/624 Elgin	10.50%	43	14,838	23,423
635 Pacific	10.50%	42	10,948	16,223
640 Selkirk	10.50%	45	221,498	229,456
970 Sherbrook	10.50%	46	1,987,898	2,031,713
351 Victor	10.50%	47	1,264,918	1,285,770
347 Manitoba	11.63%	48	1,231,706	1,250,267
425 Henry	11.63%	49	1,678,004	1,701,128
86 Young	11.63%	52	700,513	709,887
271/275 Young	11.25%	53	844,828	856,561
444 Logan	11.25%	50	418,899	424,733
275 Colony	11.25%	54	940,940	954,938
484 Toronto	12.50%	51	717,790	725,464
531 Furby	10.88%	55	1,099,818	1,114,250
260 Toronto	11.38%	56	990,010	1,005,759
200 Charles	10.75%	57	569,052	575,922
567 William	10.75%	58	264,945	270,807
588 Manitoba	9.88%	59	706,062	715,379
661 Sara	9.88%	60	1,214,812	1,232,723
576 McDermot	10.13%	62	2,253,360	2,294,821
407 Langside	6.63%	63	1,010,532	1,028,031
60 Frances	9.00%	64	2,840,969	2,871,692
405 Burrows	9.13%	65	849,242	857,418
50 Roslyn	9.50%	501	2,125,633	2,200,521
324 Stradbrook	12.00%	502	1,406,710	1,423,124
			25,589,286	26,042,479

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated without share capital)

CONSOLIDATED SCHEDULE OF LONG-TERM DEBT FOR CMHC AND MHRC

Year ended March 31, 2005

Property	Interest Rate	Maturity Date	2005	2004
CMHC				
134 Chestnut	6.45%	Feb, 2005	32,130	33,720
401 Burrows	6.45%	Nov, 2019	112,646	117,223
Sargent and Cumberland	7.25%	Mar, 1999	367,721	367,721
Sargent and Cumberland	7.25%	Mar, 1999	728,150	728,150
461 Cumberland	5.30%	Jan, 2021	2,507,863	2,611,194
435 Sargent	5.50%	Oct, 2019	1,302,377	1,364,035
853 Sherbrook	5.50%	Aug, 2018	313,041	328,522
360 McKenzie	5.38%	Apr, 2021	234,815	243,842
			5,598,743	5,794,407
RBC				
449 Langside	5.60%	Dec, 2004	9,222	11,208
260 Balmoral	5.75%	Jan, 2005	24,334	26,884
109/111 Disraeli	5.60%	Dec, 2004	11,713	14,236
			45,269	52,328
ACU				
290 Langside	4.75%	2010	176,366	-
			31,409,664	31,889,214
Less, current portion			724,047	639,470
			\$ 30,685,617	\$ 31,249,744

WINNIPEG HOUSING REHABILITATION CORPORATION
(Incorporated Without Share Capital)

CONSOLIDATED STATEMENT OF RENTAL OPERATIONS

Years ended March 31

	<u>2005</u>	<u>2004</u>
REVENUE		
Rental revenue		
Residential	\$ 2,494,715	\$ 2,450,138
Commercial	40,673	46,514
MHRC subsidy	3,321,514	3,357,256
CMHC subsidy	146,735	173,745
Parking and laundry	75,123	72,836
City of Winnipeg grant	49,574	311
Insurance proceeds	9,469	-
Telus grant	-	15,000
Other income and interest	25,374	5,092
	<u>6,163,177</u>	<u>6,120,892</u>
EXPENDITURES		
Administration	262,372	246,716
Advertising	2,550	2,453
Allocation to replacement reserve	274,774	274,773
Amortization	670,235	591,105
Bad debts	67,887	73,765
Cable TV utility	1,058	846
Collection fees	4,979	3,554
Garbage removal	5,840	5,327
Heat	274,800	321,417
Hydro	261,374	240,191
Insurance	78,167	62,129
Insurance claim	9,469	-
Interest	5,791	35,719
Janitorial services	230,867	241,028
Licence and permits	340	-
Lot development	-	53
Maintenance and repairs	453,058	521,150
Marketing	886	1,195
Miscellaneous	18	6,359
Mortgage interest	2,914,122	2,965,382
Office	-	4
Pest control	405	-
Professional fees	55,384	21,410
Project management	13,930	15,365
Property taxes	393,995	398,605
Renovation grant	49,574	-
Security	2,303	-
Snow removal	2,533	3,132
Tenant chargebacks	(2,118)	-
Utilities	6,174	4,279
Water	279,707	261,699
	<u>6,320,474</u>	<u>6,297,656</u>
Deficiency of revenue over expenditures	<u>\$ (157,297)</u>	<u>\$ (176,764)</u>

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

	2005	2004
ASSETS		
Current		
Cash and bank	\$ 1,232,802	\$ 1,184,636
Short-term investments	6,985,658	6,657,592
Accounts receivable	243,611	6,440
Prepaid expenses	9,945	7,367
Property held for resale (Note 2)	1,049,069	1,049,069
Current portion of mortgages receivable (Note 3)	115,999	59,019
Current portion of loans receivable (Note 4)	149,572	162,806
	9,786,656	9,126,929
Mortgages receivable (Note 3)	1,164,085	728,286
Loans receivable (Note 4)	588,877	577,026
Capital assets (Note 5)	1,251,280	1,312,769
	\$ 12,790,898	\$ 11,745,010
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and accrued liabilities	\$ 93,788	\$ 15,668
Deferred grant revenue (Note 6)	465,936	546,773
	559,724	562,441
Commitments and contingencies (Note 7)		
 NET ASSETS		
Invested in capital assets	1,251,279	1,312,769
General	1,333,835	1,047,638
Urban Development Bank	9,646,060	8,822,162
	12,231,174	11,182,569
	\$ 12,790,898	\$ 11,745,010

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	2005	2004
Balance, beginning of year	\$ 1,312,769	\$ 1,047,638	\$ 8,822,162	\$ 11,182,569	\$ 10,598,010
Excess of revenue over expenditures for the year	-	286,197	823,898	1,110,095	648,216
Capital expenditures during the year	3,190	-	-	3,190	3,490
Amortization of capital assets	(64,680)	-	-	(64,680)	(67,147)
Balance, end of year	\$ 1,251,279	\$ 1,333,835	\$ 9,646,060	\$ 12,231,174	\$ 11,182,569

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>2005</u>	<u>2004</u>
REVENUE		
Interest	\$ 436,708	\$ 403,903
City of Winnipeg - grant	250,000	250,000
Rental	178,347	154,753
Unrealized impairment of investments to market value	(73,700)	-
	<u>791,355</u>	<u>808,656</u>
 EXPENDITURES		
Administration	275,837	311,279
Professional fees	140,956	122,223
Office	55,977	55,061
Property rental costs	18,282	25,304
Insurance	9,577	8,633
Capital costs	3,190	3,490
Bank charges and interest	1,339	1,078
	<u>505,158</u>	<u>527,068</u>
 EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	 <u><u>\$ 286,197</u></u>	 <u><u>\$ 281,588</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

	2005			2004
	Special Urban Development	Projects	Total	Total
REVENUE				
Sale of properties	\$ 851,776	\$ -	\$ 851,776	\$ 678,000
Grants				
Province of Manitoba	476,000	-	476,000	-
City of Winnipeg	-	-	-	290,000
Application fees	-	-	-	1,950
Other	-	-	-	8,901
	<u>1,327,776</u>	<u>-</u>	<u>1,327,776</u>	<u>978,851</u>
Deferred revenue, beginning of year	-	546,773	546,773	402,173
Deferred revenue, end of year	-	(465,936)	(465,936)	(546,773)
	<u>1,327,776</u>	<u>80,837</u>	<u>1,408,613</u>	<u>834,251</u>
EXPENDITURES				
Grants paid out	312,770	-	312,770	-
Cost of properties	149,280	-	149,280	190,857
Special project costs	-	80,837	80,837	145,400
Project development	33,429	-	33,429	60,486
Professional fees	8,399	-	8,399	20,880
Provision for loan losses	-	-	-	50,000
	<u>503,878</u>	<u>80,837</u>	<u>584,715</u>	<u>467,623</u>
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	<u>\$ 823,898</u>	<u>\$ -</u>	<u>\$ 823,898</u>	<u>\$ 366,628</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

	2005	2004
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Excess of revenues over expenditures for year	\$ 1,110,095	\$ 648,216
Changes in non-cash working capital balances		
Short-term investments	(328,066)	(69,666)
Accounts receivable	(237,171)	318,988
Prepaid expenses	(2,578)	12,020
Property held for resale	-	(666,718)
Accounts payable and accrued liabilities	78,119	758
Deferred grant revenue	(80,837)	144,600
	(570,533)	(260,018)
	539,562	388,198
<i>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES</i>		
Purchase of capital assets	(3,190)	(3,490)
Advances (net of repayments) of mortgages receivable	(492,779)	(417,900)
Advances of loans receivable	1,383	244,396
Capital contributions received	3,190	3,490
	(491,396)	(173,504)
Increase in cash and cash equivalents during the year	48,166	214,694
Cash and cash equivalents, beginning of year	1,184,636	969,942
Cash and cash equivalents, end of year	\$ 1,232,802	\$ 1,184,636

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, 2005

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 in the year in which the uncollectible amount is determined. Recoveries on mortgages and loans previously written-off are taken into income in the year the income is received.

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 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-term Investments

Short-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.

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:

Hammerquist 2003 and 2004

The purpose of these grants 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, 2005

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 or a maximum of three years back property taxes. Any properties obtained under either of these options 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. *Mortgages Receivable*

Mortgages receivable on various properties in downtown Winnipeg with interest rates ranging from 5.25% to 7.0%, 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 or other forms of security

	<u>2005</u>	<u>2004</u>
	\$ 1,300,522	\$ 808,826
Accrued interest receivable	4,562	3,479
Allowance for doubtful loans	<u>(25,000)</u>	<u>(25,000)</u>
	1,280,084	787,305
Less current portion of mortgages receivable	<u>(115,999)</u>	<u>(59,019)</u>
	<u>\$ 1,164,085</u>	<u>\$ 728,286</u>

4. *Loans Receivable*

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 other forms of security

	<u>2005</u>	<u>2004</u>
	\$ 859,052	\$ 861,274
Accrued interest receivable	4,397	3,558
Allowance for doubtful loans	<u>(125,000)</u>	<u>(125,000)</u>
	738,449	739,832
Less current portion of loans receivable	<u>(149,572)</u>	<u>(162,806)</u>
	<u>\$ 588,877</u>	<u>\$ 577,026</u>

5. *Capital Assets*

	<u>2005</u>			2004
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	Net Book Value
Buildings	\$ 1,485,000	\$ 237,600	\$ 1,247,400	\$ 1,306,800
Computer equipment	49,078	46,454	2,624	4,434
Furniture and fixtures	8,720	7,464	1,256	1,535
	<u>\$ 1,542,798</u>	<u>\$ 291,518</u>	<u>\$ 1,251,280</u>	<u>\$ 1,312,769</u>

6. *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:

	<u>2005</u>	<u>2004</u>
Hammerquist 2004	\$ 290,000	\$ 290,000
Downtown Housing Strategy	129,990	189,490
Hammerquist 2003	43,346	64,683
North Main Economic Development Program Grant	2,600	2,600
	<u>\$ 465,936</u>	<u>\$ 546,773</u>

7. *Commitments and Contingencies*

The corporation has made commitments for grants that had not been disbursed by the December 31, 2005 year end in the approximate amount of \$130,000.

The corporation has made commitments for loans that had not been disbursed by the December 31, 2005 year end in the approximate amount of \$270,840.

The corporation has made commitments for future development, streetscaping and landscaping with the maximum amount committed to be \$658,980 pending the recipient's ability to meet the requirements of the agreement.

8. *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. This line of credit is unutilized at December 31, 2005.

9. *Comparative Figures*

Certain of the comparative figures for the year ended December 31, 2004 have been reclassified to provide better comparison with the current year's presentation.

10. *Related Party Transactions*

The following table summarizes the corporation's related party transactions for the year:

	<u>2005</u>	<u>2004</u>
REVENUE		
Contributions from		
City of Winnipeg - operating grant	\$ 250,000	\$ 250,000
Proceeds from sale of property	75,122	-
2004 Gail Parvin Hammerquist Allocation	-	290,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
Property taxes	33,902	17,786
Property purchases	21,001	31,538
OTHER		
Heritage Tax Credits, applied to loans outstanding	139,499	68,530

These transactions are in the normal course of operations and are measured at the exchange value (the amount of consideration established and agreed to by the related parties which is recognized to be at fair market value).

CENTREVENTURE DEVELOPMENT CORPORATION

SCHEDULE OF SPECIAL PROJECTS

For the year ended December 31, 2005

	Hammerquist 2004	North Main Economic Development	Downtown Housing Strategy	Hammerquist 2003	Total
REVENUE	\$ -	\$ -	\$ -	\$ -	\$ -
<i>DEFERRED REVENUE, beginning of year</i>	290,000	2,600	189,490	64,683	546,773
<i>DEFERRED REVENUE, end of year</i>	(290,000)	(2,600)	(129,990)	(43,346)	(465,936)
	-	-	59,500	21,337	80,837
EXPENDITURES					
Grant dispersal	-	-	59,500	21,337	80,837
EXCESS OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ -	\$ -	\$ -	\$ -	\$ -

Other 2005 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 2005 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported net income of \$1,817,000 for the year ended December 31, 2005.

The Trustees appropriated \$3,800,000 of the accumulated surplus towards levy commutations, leaving a balance of surplus in the amount of \$152,000 as at December 31, 2005.

The rates of interest earned by the Fund for the years 1996 to 2005 are shown below:

1996.....	8.30%	2001.....	6.91%
1997.....	7.77%	2002.....	6.61%
1998.....	7.07%	2003.....	6.02%
1999.....	7.10%	2004.....	6.27%
2000.....	7.43%	2005.....	5.55%

Changes in the sinking fund reserve during 2005 are summarized as follows. The total reserve for retirement of debenture debt decreased to \$334,568,000 as at December 31, 2005 (2004 - \$376,557,000) of which \$131,500,000 represents full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and \$4,255,000 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)*

	<u>2005</u>	<u>2004</u>
ASSETS		
Investment in bonds and debentures (Schedule 1)	\$ 325,741	\$ 318,950
Call loans - City of Winnipeg (Note 3)	11,639	64,702
Accrued interest receivable	3,901	4,862
Cash	3	4
	<u>341,284</u>	<u>388,518</u>
	<u>\$ 341,284</u>	<u>\$ 388,518</u>
LIABILITIES, RESERVE AND SURPLUS		
Accounts payable - City of Winnipeg	\$ 3,800	\$ 7,000
Accrued interest payable (Note 5)	2,750	2,813
Accrued liabilities	14	13
	<u>6,564</u>	<u>9,826</u>
Reserve for retirement of debenture debt (Note 6)	334,568	376,557
Surplus	152	2,135
	<u>341,284</u>	<u>388,518</u>
	<u>\$ 341,284</u>	<u>\$ 388,518</u>

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)*

	<u>2005</u>	<u>2004</u>
Interest income (Schedule 2)	\$ 23,406	\$ 26,887
Interest requirements - debenture debt reserves	(11,502)	(12,218)
Interest requirements - Manitoba Hydro bonds (Note 5)	<u>(9,969)</u>	<u>(10,567)</u>
Excess of interest earned over requirements	1,935	4,102
Administration expenses	<u>118</u>	<u>111</u>
Net income for the year	<u>\$ 1,817</u>	<u>\$ 3,991</u>

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>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 2,135	\$ 5,144
Add:		
Net income for the year	<u>1,817</u>	<u>3,991</u>
	3,952	9,135
Deduct:		
Appropriations for City of Winnipeg - provision for levies	<u>3,800</u>	<u>7,000</u>
Balance, end of year	<u><u>\$ 152</u></u>	<u><u>\$ 2,135</u></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)*

	<u>2005</u>	<u>2004</u>
Balance, beginning of year	\$ 376,557	\$ 386,086
Add:		
Installments - City of Winnipeg	16,037	17,899
Interest credited - debenture debt reserves	<u>11,502</u>	<u>12,218</u>
	404,096	416,203
Deduct:		
Applied to debt redemption (Note 6)	<u>69,528</u>	<u>39,646</u>
Balance, end of year	<u><u>\$ 334,568</u></u>	<u><u>\$ 376,557</u></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, 2005
(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 day 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, 2005 was 5.55% (2004 - 6.27%).

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, 2005 are as follows:

Term To Maturity	Par Value	Book Value
Less than one year	\$ 1,505	\$ 1,505
Two to five years	103,134	92,202
Greater than five years	232,637	232,034
	<u>\$ 337,276</u>	<u>\$ 325,741</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, 2005 the Fund's maximum credit risk exposure at fair market value was \$355,207.

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, 2005 amounted to \$135,755 (2004 - \$138,859).

- 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 :

	Principal		
	Hydro Portion	Other Purposes	Total
Sinking Fund Debt :			
By-laws 5507/90	\$ 1,668	\$ 66,424	\$ 68,092
Serial Debt :			
By-laws 7054/97	250	-	250
6897/96	1,186	-	1,186
	<u>\$ 3,104</u>	<u>\$ 66,424</u>	<u>\$ 69,528</u>

As at December 31, 2005 the reserve for retirement of debenture debt is allocated as follows :

	Hydro Portion	Other Purposes	Total
Sinking Fund Debt	\$ 131,500	\$ 198,813	\$ 330,313
Serial Debt	4,255	-	4,255
	<u>\$ 135,755</u>	<u>\$ 198,813</u>	<u>\$ 334,568</u>

As at December 31, 2005, the reserve for retirement of debenture debt includes \$131,500 (2004 - \$133,168) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt and \$4,255 (2004 - \$5,691) 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)*

	2005				2004		
	<u>Par Value</u>	<u>Market Value</u>	<u>%</u>	<u>Book Value</u>	<u>%</u>	<u>Book Value</u>	<u>%</u>
<i>Investment in bonds and debentures</i>							
Government of Canada and Government of Canada guaranteed	\$ 28,000	\$ 29,488	9	\$ 27,746	9	\$ 27,677	9
Provincial and Provincial guaranteed (Notes 5 and 6)	201,812	205,349	61	201,303	62	183,343	58
Municipal	53,581	55,413	16	53,442	16	25,714	8
City of Winnipeg	6,013	7,294	2	5,734	2	52,045	16
Supranationals	5,000	5,191	2	5,094	2	-	-
	<u>\$ 294,406</u>	<u>302,735</u>	<u>90</u>	<u>293,319</u>	<u>91</u>	<u>288,779</u>	<u>91</u>
<i>Bond residues and coupons</i>							
Government of Canada		18,352	5	15,536	4	14,363	4
Provincial		18,580	5	16,886	5	15,808	5
		<u>\$ 339,667</u>	<u>100</u>	<u>\$ 325,741</u>	<u>100</u>	<u>\$ 318,950</u>	<u>100</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>2005</u>	<u>2004</u>
Interest on bonds and debentures	\$ 21,378	\$ 24,093
Income accrued - bond residues and coupons	2,251	4,393
Call fund interest	833	532
Securities lending income	35	29
Net bond premium amortization	<u>(1,091)</u>	<u>(2,160)</u>
	<u>\$ 23,406</u>	<u>\$ 26,887</u>

**THE CITY OF WINNIPEG
WINNIPEG POLICE PENSION PLAN**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	<u>2005</u> (000's)	<u>2004</u> (000's)
ASSETS		
Investments, at market		
Bonds and debentures	\$ 295,892	\$ 296,673
Canadian equities	317,039	270,648
Foreign equities	187,000	156,417
Cash and short-term deposits	23,649	26,899
Private equities	3,353	604
	<u>826,933</u>	<u>751,241</u>
Accrued interest	941	1,175
Accounts receivable	337	10
Due from The Winnipeg Civic Employees' Pension Plan	108	40
	<u>828,319</u>	<u>752,466</u>
LIABILITIES		
Accounts payable	2,316	1,447
	<u>2,316</u>	<u>1,447</u>
NET ASSETS AVAILABLE FOR BENEFITS		
	<u>\$ 826,003</u>	<u>\$ 751,019</u>
NET ASSETS AVAILABLE FOR BENEFITS COMPRISED OF:		
Main Account - General Component	\$ 764,512	\$ 691,517
Main Account - Contribution Stabilization Reserve	55,361	54,036
Plan Members' Account	6,130	5,466
	<u>\$ 826,003</u>	<u>\$ 751,019</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

	<u>2005</u> (000's)	<u>2004</u> (000's)
<i>INCREASE IN ASSETS</i>		
Contributions		
The City of Winnipeg	\$ 6,938	\$ 6,924
Employees	7,070	7,028
Reciprocal transfers from other plans	46	204
	<u>14,054</u>	<u>14,156</u>
Transfer from Contribution Stabilization Reserve (Note 1)	8,056	7,824
Investment income (Note 5)	26,607	24,701
Current period change in market value of investments	57,866	41,025
	<u>106,583</u>	<u>87,706</u>
<i>DECREASE IN ASSETS</i>		
Pension payments	27,369	25,167
Lump sum benefits	1,397	694
Administrative expenses (Note 6)	576	619
Investment management and custodial fees	1,295	1,046
Transfer of surplus to Contribution Stabilization Reserve (Note 3)	2,951	4,656
	<u>33,588</u>	<u>32,182</u>
Total decrease in assets	<u>33,588</u>	<u>32,182</u>
Increase in net assets	72,995	55,524
Net assets available for benefits at beginning of year	<u>691,517</u>	<u>635,993</u>
Net assets available for benefits at end of year	<u>\$ 764,512</u>	<u>\$ 691,517</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

	<u>2005</u> (000's)	<u>2004</u> (000's)
<i>INCREASE IN ASSETS</i>		
Transfer of surplus from Main Account - General Component (Note 3)	\$ 2,951	\$ 4,656
Investment income (Note 5)	2,057	2,063
Current period change in market value of investments	<u>4,474</u>	<u>3,427</u>
Total increase in assets	<u>9,482</u>	<u>10,146</u>
<i>DECREASE IN ASSETS</i>		
Investment management and custodial fees	101	87
Transfer to Main Account - General Component (Note 1)	<u>8,056</u>	<u>7,824</u>
Total decrease in assets	<u>8,157</u>	<u>7,911</u>
Increase in net assets	1,325	2,235
Net assets available for benefits at beginning of year	<u>54,036</u>	<u>51,801</u>
Net assets available for benefits at end of year	<u><u>\$ 55,361</u></u>	<u><u>\$ 54,036</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

	<u>2005</u> (000's)	<u>2004</u> (000's)
<i>INCREASE IN ASSETS</i>		
Investment income (Note 5)	\$ 212	\$ 195
Current period change in market value of investments	<u>462</u>	<u>323</u>
Total increase in assets	<u>674</u>	<u>518</u>
<i>DECREASE IN ASSETS</i>		
Investment management and custodial fees	<u>10</u>	<u>8</u>
Total decrease in assets	<u>10</u>	<u>8</u>
Increase in net assets	664	510
Net assets available for benefits at beginning of year	<u>5,466</u>	<u>4,956</u>
Net assets available for benefits at end of year	<u><u>\$ 6,130</u></u>	<u><u>\$ 5,466</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, 2005

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

A 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, except for private equities, for which the market value has been determined by the private equity funds. Fixed income investments are valued using published mid-market quotations.

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, 2004 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, 2004 disclosed an actuarial surplus of \$2,951,000 which was allocated in 2005 in accordance with the surplus and risk sharing agreement.

3. *Obligations for Pension Benefits (continued)*

The results of the December 31, 2004 actuarial valuation were extrapolated to December 31, 2005 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, 2005, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2005</u> (000's)	<u>2004</u> (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 680,381	\$ 653,844
Experience gains and losses and other factors	(272)	(2,285)
Changes in actuarial assumptions	(450)	(6,833)
Interest accrued on benefits	42,253	40,155
Benefits accrued	22,110	21,980
Benefits paid	(28,766)	(25,861)
Administrative expenses paid	<u>(576)</u>	<u>(619)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 714,680</u>	<u>\$ 680,381</u>

The assets available to finance the Plan'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>2005</u> (000's)	<u>2004</u> (000's)
Market value of net assets available for benefits	\$ 764,512	\$ 691,517
Market value changes not reflected in actuarial value of assets	<u>(39,418)</u>	<u>(8,907)</u>
Actuarial value of net assets available for benefits	<u>\$ 725,094</u>	<u>\$ 682,610</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.

4. Interest Rate, Credit, Foreign Currency and Market Risk (continued)

a) Interest rate risk (continued)

The Plan has approximately 39% of its assets invested in fixed income securities as at December 31, 2005. 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, 2005 are as follows:

<u>Term to Maturity</u>	<u>Market Value</u> (000's)
Less than one year	\$ 12,347
Two to five years	107,909
Greater than five years	<u>175,636</u>
	<u>\$ 295,892</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, 2005, the Plan's credit risk exposure related to bonds and debentures, accrued interest and short-term deposits totalled \$320,481,000. The Plan's concentration of credit risk as at December 31, 2005, related to bonds and debentures, is categorized amongst the following types of issuers:

<u>Type of Issuer</u>	<u>2005 Market Value</u> (000's)	<u>2004 Market Value</u> (000's)
Government of Canada and Government of Canada guaranteed	\$ 122,243	\$ 135,515
Provincial and Provincial guaranteed	136,880	122,386
Canadian cities, municipalities, and other institutions	1,516	5,807
Corporations	<u>35,253</u>	<u>32,965</u>
	<u>\$ 295,892</u>	<u>\$ 296,673</u>

The Plan's investments include short-term deposits with the City of Winnipeg which have a market value of \$23,649,000 at December 31, 2005.

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, 2005 (2004 - \$ nil).

As at December 31, 2005, the Plan's net foreign currency exposure was as follows:

<u>Exposure</u>	2005	2004
	Net Exposure (000's)	Net Exposure (000's)
United States	\$ 88,852	\$ 84,997
Euro	27,244	22,351
Japan	20,741	12,380
United Kingdom	19,025	15,695
Switzerland	6,423	4,518
Korea	4,985	1,783
Other	19,730	14,693
	\$ 187,000	\$ 156,417

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*

	2005 (000's)	2004 (000's)
Bonds and debentures	\$ 19,166	\$ 19,171
Canadian equities	5,463	4,485
Foreign equities	3,529	2,833
Cash and short-term deposits	718	470
	\$ 28,876	\$ 26,959
Allocated to:		
Main Account - General Component	\$ 26,607	\$ 24,701
Main Account - Contribution Stabilization Reserve	2,057	2,063
Plan Members' Account	212	195
	\$ 28,876	\$ 26,959

6. Administrative Expenses

	<u>2005</u> <u>(000's)</u>	<u>2004</u> <u>(000's)</u>
Winnipeg Civic Employees' Benefits Program	\$ 379	\$ 413
Actuarial fees	185	185
Seminars and meetings	1	6
Consulting fees	-	4
Legal fees	4	3
General	7	8
	<u>\$ 576</u>	<u>\$ 619</u>

7. Comparative Figures

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

**THE CITY OF WINNIPEG
CITY OF WINNIPEG EMPLOYEES' GROUP LIFE INSURANCE PLAN**

STATEMENT OF NET ASSETS

As at December 31

	<u>2005</u> (000's)	<u>2004</u> (000's)
ASSETS		
Investments, at market		
Bonds and debentures	\$ 40,745	\$ 38,096
Canadian equities	45,067	43,525
Foreign equities	25,937	21,512
Short-term deposits	4,338	2,017
	<u>116,087</u>	<u>105,150</u>
Accrued interest	321	316
Accounts receivable	85	6
Due from The Winnipeg Civic Employees' Pension Plan	<u>6</u>	<u>-</u>
Total Assets	<u>116,499</u>	<u>105,472</u>
LIABILITIES		
Accounts payable	453	387
Due to The Winnipeg Civic Employees' Pension Plan	<u>-</u>	<u>2</u>
Total Liabilities	<u>453</u>	<u>389</u>
NET ASSETS	<u>\$ 116,046</u>	<u>\$ 105,083</u>
NET ASSETS COMPRISED OF:		
Civic Employees' (Note 3)	\$ 96,281	\$ 87,381
Police Employees' (Note 3)	<u>19,765</u>	<u>17,702</u>
	<u>\$ 116,046</u>	<u>\$ 105,083</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

	<u>2005</u> (000's)	<u>2004</u> (000's)
INCREASE IN ASSETS		
Contributions		
City of Winnipeg and participating employers	\$ 947	\$ 874
Employees - basic	949	876
Employees - optional	421	384
Pensioners	144	130
	<u>2,461</u>	2,264
Investment income	2,956	2,796
Current period change in market value of investments	7,691	6,188
	<u>13,108</u>	11,248
DECREASE IN ASSETS		
Administration	99	101
Actuarial fees	65	-
Benefit payments	3,718	3,489
Investment management fees	140	134
Risk premium and taxes	186	182
	<u>4,208</u>	3,906
Total decrease in assets	4,208	3,906
Increase in net assets	8,900	7,342
Net assets at beginning of year	87,381	80,039
Net assets at end of year	<u>\$ 96,281</u>	<u>\$ 87,381</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

	<u>2005</u> (000's)	<u>2004</u> (000's)
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	\$ 174	\$ 174
Employees - basic	174	174
Employees - optional	47	46
Pensioners	<u>30</u>	<u>28</u>
	425	422
Investment income	602	566
Current period change in market value of investments	<u>1,558</u>	<u>1,231</u>
Total increase in assets	<u>2,585</u>	<u>2,219</u>
DECREASE IN ASSETS		
Administration	20	20
Actuarial fees	50	-
Benefit payments	397	366
Investment management fees	29	27
Risk premium and taxes	<u>26</u>	<u>24</u>
Total decrease in assets	<u>522</u>	<u>437</u>
Increase in net assets	2,063	1,782
Net assets at beginning of year	<u>17,702</u>	<u>15,920</u>
Net assets at end of year	<u>\$ 19,765</u>	<u>\$ 17,702</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, 2005

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, other than police officers, and certain other employers which participate in the Plan and the Police Employees' Group Life Insurance Plan for police officers 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 until retirement. 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 officers are required to become members of the Plan commencing on their date of employment. Plan members are covered for basic life insurance coverage of 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. The employees and the City share equally in the cost of basic life insurance until retirement. Coverage on the life of disabled members 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 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, 2004 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 5.5% per year and general increases in pay of 3.75% 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, 2004 disclosed an actuarial surplus of \$27,355,000 and a contingency reserve in the amount of \$5,304,000.

4. *Obligation for Post-Retirement Basic Life Insurance Benefits - Civic Employees' Group Life Insurance Plan (continued)*

The results of the December 31, 2004 actuarial valuation were extrapolated to December 31, 2005 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, 2005, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2005</u> (000's)	<u>2004</u> (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 53,092	\$ 49,924
Experience gains and losses and other factors	(1,166)	-
Changes in actuarial assumptions	1,111	-
Interest accrued on benefits	2,918	3,000
Benefits accrued	2,273	1,941
Benefits paid	<u>(2,238)</u>	<u>(1,773)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 55,990</u>	<u>\$ 53,092</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>2005</u> (000's)	<u>2004</u> (000's)
Market value of net assets available for benefits	\$ 96,281	\$ 87,381
Market value changes not reflected in actuarial value of assets	<u>(5,934)</u>	<u>(1,685)</u>
Actuarial value of net assets available for benefits	<u>\$ 90,347</u>	<u>\$ 85,696</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, 2004 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 5.5% per year and general increases in pay of 3.75% 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 \$5,419,000 and a contingency reserve in the amount of \$1,085,000.

The results of the December 31, 2004 actuarial valuation were extrapolated to December 31, 2005 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, 2005, and the principal components of changes in actuarial present values during the year, were as follows:

	<u>2005</u> (000's)	<u>2004</u> (000's)
Actuarial present value of accrued benefits, beginning of year	\$ 10,847	\$ 10,079
Experience gains and losses and other factors	(165)	-
Changes in actuarial assumptions	165	-
Interest accrued on benefits	602	609
Benefits accrued	466	400
Benefits paid	<u>(257)</u>	<u>(241)</u>
Actuarial present value of accrued benefits, end of year	<u>\$ 11,658</u>	<u>\$ 10,847</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>2005</u> (000's)	<u>2004</u> (000's)
Market value of net assets available for benefits	\$ 19,765	\$ 17,702
Market value changes not reflected in actuarial value of assets	<u>(1,206)</u>	<u>(351)</u>
Actuarial value of net assets available for benefits	<u>\$ 18,559</u>	<u>\$ 17,351</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 39% of its assets invested in fixed income securities as at December 31, 2005. 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, 2005 are as follows:

<u>Term to Maturity</u>	<u>Market Value (000's)</u>
Less than one year	\$ 504
Two to five years	16,457
Greater than five years	23,784
	<u>\$ 40,745</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, 2005, the Plan's credit risk exposure relates to bonds and debentures, accrued interest and short-term deposits totalling \$45,404,730. The Plan's concentration of credit risk as at December 31, 2005, related to bonds and debentures, is categorized amongst the following types of issuers:

<u>Type of Issuer</u>	<u>2005 Market Value (000's)</u>	<u>2004 Market Value (000's)</u>
Government of Canada and Government of Canada guaranteed	\$ 31,410	\$ 29,242
Provincial and Provincial guaranteed	3,544	3,863
Canadian cities, municipalities, and other institutions	820	515
Corporations	4,971	4,476
	<u>\$ 40,745</u>	<u>\$ 38,096</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 \$3,702,626 at December 31, 2005.

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, 2005 (2004 - \$ nil).

As at December 31, 2005, the Plan's net foreign currency exposure was as follows:

<u>Exposure</u>	<u>2005</u>	<u>2004</u>
	<u>Net Exposure (000's)</u>	<u>Net Exposure (000's)</u>
United States	\$ 12,967	\$ 12,119
Euro	3,651	2,843
United Kingdom	2,852	2,351
Japan	1,782	1,053
Korea	894	339
Switzerland	649	220
Hong Kong	604	242
Other	2,538	2,345
	<u>\$ 25,937</u>	<u>\$ 21,512</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>2005</u>	<u>2004</u>
ASSETS		
Call funds - City of Winnipeg	\$ 205	\$ 1,718
Cash	1	178
Accrued interest	-	4
Due from City of Winnipeg	<u>294</u>	<u>-</u>
Total Assets	500	1,900
LIABILITIES		
Due to Winnipeg Civic Employees' Pension Plan	<u>500</u>	<u>500</u>
Total Liabilities	<u>500</u>	<u>500</u>
Net assets available for benefits	<u>\$ -</u>	<u>\$ 1,400</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>2005</u>	<u>2004</u>
<i>INCREASE IN ASSETS</i>		
Contributions - City of Winnipeg	\$ 294	\$ -
Interest	17	48
	<u>311</u>	<u>48</u>
Total increase in assets		
<i>DECREASE IN ASSETS</i>		
Pension payments	1,211	1,482
Administration	500	500
	<u>1,711</u>	<u>1,982</u>
Total decrease in assets		
Decrease in net assets	(1,400)	(1,934)
Net assets available for benefits at beginning of year	<u>1,400</u>	<u>3,334</u>
Net assets available for benefits at end of year	<u>\$ -</u>	<u>\$ 1,400</u>

**THE CITY OF WINNIPEG
COUNCIL PENSION PLAN**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	<u>2005</u>	<u>2004</u>
ASSETS		
Investments, at market		
Bonds	\$ 1,183,161	\$ 1,090,786
Cash and short-term deposits	<u>280,520</u>	<u>66,738</u>
	1,463,681	1,157,524
Accrued interest	2,264	2,264
Due from The City of Winnipeg	3,910	33,156
Prepaid expense	<u>1,242</u>	<u>-</u>
Total Assets	1,471,097	1,192,944
LIABILITIES		
Accounts payable and accrued liabilities	<u>9,860</u>	<u>8,598</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 1,461,237</u></u>	<u><u>\$ 1,184,346</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>2005</u>	<u>2004</u>
<i>INCREASE IN ASSETS</i>		
Contributions		
The City of Winnipeg	\$ 132,026	\$ 127,641
Plan members	<u>45,283</u>	<u>43,194</u>
	<u>177,309</u>	<u>170,835</u>
Investment income from		
Bonds	35,409	48,951
Cash and short-term investments	<u>3,493</u>	<u>2,115</u>
	<u>38,902</u>	51,066
Current period change in market value of investments	<u>92,375</u>	<u>106,285</u>
Total increase in assets	<u>308,586</u>	<u>328,186</u>
<i>DECREASE IN ASSETS</i>		
Administrative expenses		
Investment management and audit fees	12,903	11,797
Actuarial fees	<u>11,206</u>	<u>20,101</u>
	<u>24,109</u>	<u>31,898</u>
Refunds, transfers and pension payments		
Pension payments	7,586	-
Transfers to other plans	-	211,962
Refund of contributions	<u>-</u>	<u>63,022</u>
	<u>7,586</u>	<u>274,984</u>
Total decrease in assets	<u>31,695</u>	<u>306,882</u>
Increase in net assets	276,891	21,304
Net assets available for benefits at beginning of year	<u>1,184,346</u>	<u>1,163,042</u>
Net assets available for benefits at end of year	<u>\$ 1,461,237</u>	<u>\$ 1,184,346</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG COUNCIL PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

As at December 31, 2005

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 earnings 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% (2004 - 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 funding valuation of the Plan was prepared, effective December 31, 2003, by Mercer Human Resource Consulting Limited, a firm of consulting actuaries. The results of this valuation were extrapolated to December 31, 2005.

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:

	<u>2005</u>	<u>2004</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 1,229,305	\$ 1,315,051
Interest accrued on benefits	68,403	65,086
Benefits accrued (service costs)	142,546	139,283
Benefits paid	(7,586)	(274,985)
Actuarial gain	<u>-</u>	<u>(15,130)</u>
Actuarial present value of accrued pension benefits at the end of year	<u>\$ 1,432,668</u>	<u>\$ 1,229,305</u>

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 5% (2004 - 5%) per annum, a rate of return on assets of 5% (2004 - 5%) per annum and a general rate of salary increase of 2.5% (2004 - 2.5%) 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:

	<u>2005</u>	<u>2004</u>
Actuarial value of net assets available for benefits	<u>\$ 1,461,237</u>	<u>\$ 1,184,346</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 80% (2004 - 91%) of its assets invested in fixed income securities as at December 31, 2005. The effective interest rate on the securities is 3.11% (2004 - 4.78%). 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, 2005 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, 2005, the Plan's maximum credit risk exposure relates to bonds, accrued interest and short-term deposits totalling \$1,465,945. The Plan's concentration of credit risk as at December 31, 2005 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>\$ 1,183,161</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>2005</u>	<u>2004</u>
ASSETS		
Current		
Cash	\$ 265	\$ 303
Accounts receivable (Note 3)	769	754
Prepaid claims (Note 4)	<u>100</u>	<u>100</u>
	<u>\$ 1,134</u>	<u>\$ 1,157</u>
 LIABILITIES		
Current		
Accounts payable (Note 5)	<u>\$ 549</u>	<u>\$ 575</u>
 EQUITY		
Dental Services Plan	431	428
Vision Care Plan	<u>154</u>	<u>154</u>
	<u>585</u>	<u>582</u>
	<u>\$ 1,134</u>	<u>\$ 1,157</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>2005</u>	<u>2004</u>
DENTAL SERVICES PLAN		
Opening balance	\$ 428	\$ 429
Add:		
Contributions - The City of Winnipeg	7,265	6,915
Interest earned	9	6
	<u>7,702</u>	<u>7,350</u>
Deduct:		
Dental claims	6,937	6,604
Administration fees	334	318
	<u>7,271</u>	<u>6,922</u>
Ending balance	<u>\$ 431</u>	<u>\$ 428</u>
VISION CARE PLAN		
Opening balance	\$ 154	\$ 154
Add:		
Contributions - The City of Winnipeg	935	994
Interest earned	1	1
	<u>1,090</u>	<u>1,149</u>
Deduct:		
Vision claims	880	935
Administration fees	56	60
	<u>936</u>	<u>995</u>
Ending balance	<u>\$ 154</u>	<u>\$ 154</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, 2005

(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:

	2005	2004
Dental Services Plan	\$ 686	\$ 679
Vision Care Plan	83	75
	\$ 769	\$ 754

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>2005</u>	<u>2004</u>
Dental Services Plan - Claims	\$ 327	\$ 361
Prepaid claims - Due to City of Winnipeg	100	100
Vision Care Plan - Claims	78	70
Vision Care Plan - administration	32	31
Due to City of Winnipeg	7	8
Vision Care Plan - administration	5	5
	<u>\$ 549</u>	<u>\$ 575</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)

	2005	2004	2003	2002	2001
Population (Statistics Canada)	650,100	646,800	642,800	639,800	637,000
Consolidated debt (1)	\$ 646,822	734,671	740,381	859,389	1,134,788
Net tax-supported debenture debt (2)	\$ 322,617	332,936	347,518	337,879	404,811
Debt per capita:					
Consolidated (dollars)	\$ 995	1,136	1,152	1,343	1,781
Net tax-supported (dollars)	\$ 496	515	541	528	635
Non-portioned taxable assessments (millions) (3)	\$ 25,772	25,512	25,274	24,957	23,300
Debt as a % of non-portioned taxable assessments					
Consolidated	2.5%	2.9%	2.9%	3.4%	4.9%
Net tax-supported	1.3%	1.3%	1.4%	1.4%	1.7%
Consolidated revenues (4)	\$ 1,003,491	968,883	961,429	1,158,384	1,041,201
Consolidated debt as a % of consolidated revenues	64.5%	75.8%	77.0%	74.2%	109.0%

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, 2005

By-Law Number	Minister of Finance/Council Approval	General Municipal Purposes		City-owned Utilities			Special Operating Agencies	Total
		General	Transit System	Solid Waste Disposal	Waterworks System	Sewage Disposal System	Fleet Management	
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
7751/01	March 9/01	14,699,820	770,000	7,210,000	-	-	-	22,679,820
183/2004	January 13/05	-	-	-	34,000,000	16,084,000	-	50,084,000
	March 22/05	-	-	-	-	-	6,000,000	6,000,000
	July 21/05	-	-	-	-	-	3,500,000	3,500,000
		<u>\$ 81,967,958</u>	<u>\$ 4,089,325</u>	<u>\$ 9,998,000</u>	<u>\$ 43,510,000</u>	<u>\$ 22,108,693</u>	<u>\$ 9,500,000</u>	<u>\$ 171,173,976</u>

Council has the authority under the **City of Winnipeg Charter** to approve the borrowing authority for Special Operating Agencies. Therefore, the City is not required to obtain approval from the Minister of Finance and to create a by-law.

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

DEBENTURE DEBT ISSUES

As at December 31, 2005

Term	Month	Interest Rate	By-Law Number	Payable at	Cities	Amount of Debt	
<i>The City of Winnipeg</i>							
Sinking Fund Debt							
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	<u>85,500,000</u>	\$ 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		<u>30,000,000</u>
							<u>428,500,000</u>
Serial Debt							
1996-2006	Oct. 30	6.750	6897/96	Bank of Montreal	Any branch in Canada	7,664,828	
1997-2007	June 27	6.365	7054/97	Bank of Montreal	Any branch in Canada	21,000,000	
2003-2013	Jan. 17	4.780	8138/02	Royal Bank	Any branch in Canada	81,506,000	
2004-2014	Mar. 24	3.800	86/2003	Royal Bank	Any branch in Canada	<u>42,555,000</u>	<u>152,725,828</u>
Total Debt							<u><u>\$ 581,225,828</u></u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2005

Description	Debenture Debt		
	Gross	Sinking Fund	Net
Tax-Supported			
General	\$ 380,635,521	\$ 116,540,957	\$ 264,094,564
Unallocated Sinking Fund Surplus	-	151,601	(151,601)
Total Tax-Supported	380,635,521	116,692,558	263,942,963
Other Funds			
Civic Accommodations	25,031,599	7,158,517	17,873,082
Transit System	27,520,651	10,337,175	17,183,476
Total Tax-Supported and Other Funds	433,187,771	134,188,250	298,999,521
City-Owned Utilities			
Solid Waste Disposal	3,027,669	1,780,175	1,247,494
Waterworks System	46,891,573	19,251,715	27,639,858
Sewage Disposal System	98,118,815	43,743,839	54,374,976
Total City-Owned Utilities	148,038,057	64,775,729	83,262,328
	<u>\$ 581,225,828</u>	<u>\$ 198,963,979</u>	<u>\$ 382,261,849</u>

Description	2006 Fixed Annual Charges		
	Interest	Principal	Total
Tax-Supported	\$ 27,101,426	\$ 23,961,766	\$ 51,063,192
Other Funds			
Civic Accommodations	1,643,611	1,413,267	3,056,878
Transit System	2,206,111	1,357,430	3,563,541
Total Tax-Supported and Other Funds	30,951,148	26,732,463	57,683,611
City-Owned Utilities			
Solid Waste Disposal	291,005	181,431	472,436
Waterworks System	4,101,431	3,737,368	7,838,799
Sewage Disposal System	8,182,974	4,178,435	12,361,409
Total City-Owned Utilities	12,575,410	8,097,234	20,672,644
	<u>\$ 43,526,558</u>	<u>\$ 34,829,697</u>	<u>\$ 78,356,255</u>

THE CITY OF WINNIPEG TAX-SUPPORTED AND CITY-OWNED UTILITIES

DEBENTURE DEBT CHANGES DURING 2005

For the year ended December 31, 2005

Gross Debt as at January 1, 2005 \$ 668,518,144

Debt Retired During 2005

Tax-Supported Debt:

Streets and Bridge System	\$ 31,502,797		
Land Drainage	8,908,362		
Culture and Recreation	4,198,833		
Parks and Recreation	170,473		
Libraries	42,368		
Protection	1,345,050		
Fire	27,593		
Police	65,368		
Health and Social Development	1,886,362		
General Government	188,536		
Special Projects	479,226		
Convention Centre	19,311		
City Development and Dev. Agreements	36,335		
Overhead Walkways	14,416		
Core Area Programs	5,506,197		
Land Acquisition	13,435		
North Portage Development	536,885		
North Ellice Neighbourhood	20,856		
Infrastructure - Streets and Bridge	123,900		
Infrastructure - Land Drainage	88,065		
Infrastructure - Parks and Recreation	19,335	\$ 55,193,703	

Utilities Debt:

Transit	7,570,963		
Water Works System	3,268,568		
Sewage Disposal System	19,426,609		
Solid Waste Disposal	604,801		
Civic Accommodations	1,227,672	32,098,613	(87,292,316)

Gross Debt as at December 31, 2005 \$ 581,225,828

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

DEBENTURE DEBT - MATURITY BY YEARS

As at December 31, 2005

<u>Maturity Year</u>	<u>Sinking Fund Debt</u>	<u>Serial and Installment Debt</u>	<u>Total</u>	<u>%</u>
2006	\$ -	\$ 21,870,828	\$ 21,870,828	3.8
2007	-	32,316,000 (1)	32,316,000	5.5
2008	-	13,706,000	13,706,000	2.3
2009	135,500,000 (2)	14,378,000	149,878,000	25.8
2010	-	15,083,000	15,083,000	2.6
2011	-	15,824,000	15,824,000	2.7
2012	-	16,600,000	16,600,000	2.9
2013	90,000,000	17,415,000	107,415,000	18.5
2014	85,000,000	5,533,000	90,533,000	15.6
2015	88,000,000	-	88,000,000	15.1
2016	-	-	-	-
2017	30,000,000	-	30,000,000	5.2
Gross Debt	<u>\$ 428,500,000</u>	<u>\$ 152,725,828</u>	581,225,828	<u>100.0</u>
Less: Sinking Fund Reserve			<u>198,963,979</u>	
Net Debt			<u>\$ 382,261,849</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, 2005

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Civic Accommodations	Total
2006	\$ 16,236,175	\$ 707,214	\$ 2,391,573	\$ 1,577,574	\$ 92,669	\$ 865,623	\$ 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>\$ 380,635,521</u>	<u>\$ 27,520,651</u>	<u>\$ 46,891,573</u>	<u>\$ 98,118,815</u>	<u>\$ 3,027,669</u>	<u>\$ 25,031,599</u>	<u>\$ 581,225,828</u>

THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES

ANNUAL DEBENTURE DEBT SERVICE CHARGES ON EXISTING DEBT

For the years ending December 31

Year	Tax-Supported (Includes Transit System)			Utilities			Total
	Principal	Interest	Sub-total	Principal	Interest	Sub-total	
2006	\$ 25,319,196	\$ 29,307,537	\$ 54,626,733	\$ 9,510,501	\$ 14,219,021	\$ 23,729,522	\$ 78,356,255
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>\$ 192,792,335</u>	<u>\$ 187,274,204</u>	<u>\$ 380,066,539</u>	<u>\$ 58,735,093</u>	<u>\$ 105,420,689</u>	<u>\$ 164,155,782</u>	<u>\$ 544,222,321</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

As at December 31, 2005

<u>By-law Number</u>	<u>Amount of Debt</u>	<u>Term of Debt</u>	<u>Payable</u>	<u>Interest Rates %</u>		<u>Annual Charges 2006</u>		<u>Sinking Fund Reserve at Dec. 31, 2005</u>
				<u>Sinking Fund</u>	<u>Debt</u>	<u>Interest</u>	<u>Principal</u>	
<i>STREETS AND BRIDGE SYSTEM</i>								
<i>(street improvements, street lighting, bridges and underpasses)</i>								
6897/96	\$ 537,950	Oct. 30, 1996-2006	CAN	Serial	6.750	\$ 36,312	\$ 537,950	\$ -
7054/97	10,544,400	June 27, 1997-2007	CAN	Serial	6.365	671,107	878,700	-
7368/99	25,364,600	Feb. 2, 1999-2009	CAN	5.000	5.350	1,357,006	767,091	5,454,985
5286/89	28,210,000	Dec. 14, 1989-2009	CAN	5.000	10.000	2,821,000	853,143	20,230,235
8138/02	30,790,105	Jan. 17, 2003-2013	CAN	Serial	4.780	1,411,711	3,195,513	-
6090/93	14,067,475	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	7,071,358
6300/94	11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	5,178,602
86/2003	18,953,409	Mar. 24, 2004-2014	CAN	Serial	3.800	698,412	1,780,208	-
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	8,884,493
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	6,013,465
	<u>183,311,054</u>					<u>12,594,206</u>	<u>10,096,586</u>	<u>52,833,138</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
LAND DRAINAGE (storm water relief sewers, drainage sewers and flood control)								
6897/96	2,382,918	Oct. 30, 1996-2006	CAN	Serial	6.750	160,847	2,382,918	-
7054/97	3,240,000	June 27, 1997-2007	CAN	Serial	6.365	206,213	270,000	-
7368/99	1,535,000	Feb. 2, 1999-2009	CAN	5.000	5.350	82,123	46,422	330,122
5286/89	7,950,000	Dec. 14, 1989-2009	CAN	5.000	10.000	795,000	240,429	5,701,183
8138/02	8,334,395	Jan. 17, 2003-2013	CAN	Serial	4.780	382,128	864,975	-
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	653,477
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	1,181,273
86/2003	4,813,365	Mar. 24, 2004-2014	CAN	Serial	3.800	177,367	452,098	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	883,780
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	1,423,477
	<u>39,332,490</u>					<u>2,647,277</u>	<u>4,591,820</u>	<u>10,173,312</u>
CULTURE AND RECREATION (parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)								
6897/96	734,733	Oct. 30, 1996-2006	CAN	Serial	6.750	49,595	734,733	-
5286/89	10,967,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,096,700	331,670	7,864,763
8138/02	8,566,069	Jan. 17, 2003-2013	CAN	Serial	4.780	392,750	889,019	-
86/2003	1,279,727	Mar. 24, 2004-2014	CAN	Serial	3.800	47,157	120,199	-
	<u>21,547,529</u>					<u>1,586,202</u>	<u>2,075,621</u>	<u>7,864,763</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>PARKS AND RECREATION</i>								
7054/97	1,380,000	June 27, 1997-2007	CAN	Serial	6.365	87,831	115,000	-
7368/99	2,739,900	Feb. 2, 1999-2009	CAN	5.000	5.350	146,585	82,862	589,251
6090/93	5,360,525	Feb. 11, 1993-2013	CAN	5.000	9.375	502,549	162,116	2,694,598
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	2,541,644
86/2003	615,231	Mar. 24, 2004-2014	CAN	Serial	3.800	22,671	57,786	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	333,650
	<u>16,594,315</u>					<u>1,289,092</u>	<u>614,300</u>	<u>6,159,143</u>
<i>LIBRARIES</i>								
7054/97	240,000	June 27, 1997-2007	CAN	Serial	6.365	15,275	20,000	-
7368/99	376,500	Feb. 2, 1999-2009	CAN	5.000	5.350	20,143	11,386	80,970
6090/93	100,000	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	50,267
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	32,865
86/2003	248,077	Mar. 24, 2004-2014	CAN	Serial	3.800	9,141	23,301	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	303	3,925
	<u>1,047,617</u>					<u>60,690</u>	<u>60,223</u>	<u>168,027</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
PROTECTION (firehalls, police garage and public safety building)								
6897/96	304,649	Oct. 30, 1996-2006	CAN	Serial	6.750	20,564	304,649	-
5286/89	940,000	Dec. 14, 1989-2009	CAN	5.000	10.000	94,000	28,428	674,102
8138/02	3,928,281	Jan. 17, 2003-2013	CAN	Serial	4.780	180,110	407,692	-
86/2003	1,136,872	Mar. 24, 2004-2014	CAN	Serial	3.800	41,892	106,781	-
	<u>6,309,802</u>					<u>336,566</u>	<u>847,550</u>	<u>674,102</u>
FIRE								
7368/99	403,500	Feb. 2, 1999-2009	CAN	5.000	5.350	21,587	12,203	86,778
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	653,477
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	6,205
86/2003	306,028	Mar. 24, 2004-2014	CAN	Serial	3.800	11,277	28,744	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	61	785
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	522,910
	<u>3,825,319</u>					<u>268,525</u>	<u>135,172</u>	<u>1,270,155</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>POLICE</i>								
7054/97	720,000	June 27, 1997-2007	CAN	Serial	6.365	45,825	60,000	-
7368/99	2,066,000	Feb. 2, 1999-2009	CAN	5.000	5.350	110,531	62,481	444,319
6090/93	1,600,000	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	804,279
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	151,040
86/2003	59,539	Mar. 24, 2004-2014	CAN	Serial	3.800	2,194	5,592	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	39,253
	<u>4,881,217</u>					<u>344,529</u>	<u>189,637</u>	<u>1,438,891</u>
<i>HEALTH AND SOCIAL DEVELOPMENT</i> (urban renewal, community health centres and hospital capital grants)								
6897/96	261,376	Oct. 30, 1996-2006	CAN	Serial	6.750	17,643	261,375	-
5286/89	1,030,000	Dec. 14, 1989-2009	CAN	5.000	10.000	103,000	31,150	738,644
8138/02	2,083,764	Jan. 17, 2003-2013	CAN	Serial	4.780	95,539	216,261	-
6090/93	150,000	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	75,401
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	5,725
86/2003	1,099,112	Mar. 24, 2004-2014	CAN	Serial	3.800	40,501	103,235	-
	<u>4,636,975</u>					<u>271,764</u>	<u>616,942</u>	<u>819,770</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>SPECIAL PROJECTS</i>								
7054/97	480,000	June 27, 1997-2007	CAN	Serial	6.365	30,550	40,000	-
5286/89	4,800,000	Dec. 14, 1989-2009	CAN	5.000	10.000	480,000	145,164	3,442,223
8138/02	3,285,930	Jan. 17, 2003-2013	CAN	Serial	4.780	150,658	341,026	-
6090/93	14,098,000	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,688	426,360	7,086,702
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	1,020,195
86/2003	1,277,796	Mar. 24, 2004-2014	CAN	Serial	3.800	47,085	120,018	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	261,817
	<u>26,876,050</u>					<u>2,272,231</u>	<u>1,161,310</u>	<u>11,810,937</u>
<i>CONVENTION CENTRE</i>								
5286/89	500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	50,000	15,121	358,565
8138/02	195,838	Jan. 17, 2003-2013	CAN	Serial	4.780	8,979	20,325	-
6090/93	225,000	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	113,102
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	1,216,840
	<u>4,020,838</u>					<u>362,948</u>	<u>136,003</u>	<u>1,688,507</u>
<i>CITY DEVELOPMENT AND DEV. AGREEMENTS</i>								
6897/96	38,447	Oct. 30, 1996-2006	CAN	Serial	6.750	2,595	38,448	-
<i>OVERHEAD WALKWAYS</i>								
86/2003	159,884	Mar. 24, 2004-2014	CAN	Serial	3.800	5,892	15,017	-

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>CORE AREA PROGRAM</i>								
6897/96	178,175	Oct. 30, 1996-2006	CAN	Serial	6.750	12,027	178,175	-
5286/89	12,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,200,000	362,911	8,605,559
8138/02	8,811,451	Jan. 17, 2003-2013	CAN	Serial	4.780	404,000	914,486	-
86/2003	4,052,122	Mar. 24, 2004-2014	CAN	Serial	3.800	149,316	380,598	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	92,244
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	290,506
	<u>26,276,748</u>					<u>1,849,287</u>	<u>1,873,517</u>	<u>8,988,309</u>
<i>NORTH PORTAGE DEVELOPMENT</i>								
8138/02	<u>1,214,629</u>	Jan. 17, 2003-2013	CAN	Serial	4.780	<u>55,690</u>	<u>126,059</u>	<u>-</u>
<i>LAND ACQUISITION</i>								
86/2003	<u>149,007</u>	Mar. 24, 2004-2014	CAN	Serial	3.800	<u>5,491</u>	<u>13,995</u>	<u>-</u>
<i>INFRASTRUCTURE</i>								
7368/99	2,100,000	Feb. 2, 1999-2007	CAN	5.000	5.350	112,350	63,509	451,632
6620/95	<u>25,000,000</u>	May 12, 1995-2015	CAN	5.000	9.125	<u>2,281,250</u>	<u>756,065</u>	<u>9,813,229</u>
	<u>27,100,000</u>					<u>2,393,600</u>	<u>819,574</u>	<u>10,264,861</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>INFRASTRUCTURE - STREETS AND BRIDGE</i>								
7054/97	1,486,800	June 27, 1997-2007	CAN	Serial	6.365	94,629	123,900	-
7000/97	<u>1,600,000</u>	Nov. 17, 1997-2017	CAN	5.000	6.250	<u>100,000</u>	<u>48,384</u>	<u>464,809</u>
	<u>3,086,800</u>					<u>194,629</u>	<u>172,284</u>	<u>464,809</u>
<i>INFRASTRUCTURE - LAND DRAINAGE</i>								
7054/97	<u>1,056,780</u>	June 27, 1997-2007	CAN	Serial	6.365	<u>67,260</u>	<u>88,065</u>	<u>-</u>
<i>INFRASTRUCTURE - PARKS AND RECREATION</i>								
7054/97	<u>232,020</u>	June 27, 1997-2007	CAN	Serial	6.365	<u>14,767</u>	<u>19,335</u>	<u>-</u>
<i>COMMUNITY IMPROVEMENT PROGRAM</i>								
7368/99	<u>1,250,000</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>66,875</u>	<u>37,803</u>	<u>268,829</u>
<i>WINNIPEG DEVELOPMENT AGREEMENT</i>								
7368/99	<u>2,000,000</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>107,000</u>	<u>60,485</u>	<u>430,126</u>
<i>SPECIAL PROJECTS - PARKS AND RECREATION</i>								
7368/99	<u>1,215,000</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>65,003</u>	<u>36,745</u>	<u>261,301</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>SPECIAL PROJECTS - COMMUNITY SERVICES</i>								
7368/99	<u>428,500</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>22,925</u>	<u>12,959</u>	<u>92,155</u>
<i>SPECIAL PROJECTS - LAND AND DEVELOPMENT</i>								
7368/99	<u>2,367,000</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>126,635</u>	<u>71,584</u>	<u>509,054</u>
<i>SPECIAL PROJECTS - ASSESSMENT</i>								
7368/99	<u>1,582,500</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>84,664</u>	<u>47,859</u>	<u>340,337</u>
<i>SPECIAL PROJECTS - CORPORATE FINANCE</i>								
7368/99	<u>90,000</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>4,815</u>	<u>2,722</u>	<u>19,356</u>
<i>SPECIAL PROJECTS - BUSINESS LIAISON</i>								
7368/99	<u>5,000</u>	Feb. 2, 1999-2009	CAN	5.000	5.350	<u>268</u>	<u>151</u>	<u>1,075</u>
Tax-Supported Total	<u>380,635,521</u>					<u>27,101,426</u>	<u>23,961,766</u>	<u>116,540,957</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
TRANSIT SYSTEM								
6897/96	132,384	Oct. 30, 1996-2006	CAN	Serial	6.750	8,936	132,384	-
7054/97	900,000	June 27, 1997-2007	CAN	Serial	6.365	57,281	75,000	-
5286/89	3,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	300,000	90,728	2,151,390
8138/02	3,175,500	Jan. 17, 2003-2013	CAN	Serial	4.780	145,595	329,565	-
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	2,513,371
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	2,924,710
86/2003	1,812,767	Mar. 24, 2004-2014	CAN	Serial	3.800	66,799	170,265	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	2,747,704
	<u>27,520,651</u>					<u>2,206,111</u>	<u>1,357,430</u>	<u>10,337,175</u>
WATERWORKS SYSTEM								
6897/96	2,391,573	Oct. 30, 1996-2006	CAN	Serial	6.750	161,431	2,391,573	-
5286/89	1,500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	150,000	45,364	1,075,695
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	2,513,371
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,153	5,849,420
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	9,813,229
	<u>46,891,573</u>					<u>4,101,431</u>	<u>3,737,368</u>	<u>19,251,715</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>SEWAGE DISPOSAL SYSTEM</i>								
6897/96	395,028	Oct. 30, 1996-2006	CAN	Serial	6.750	26,664	395,028	-
5286/89	11,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,100,000	332,669	7,888,429
8138/02	8,255,163	Jan. 17, 2003-2013	CAN	Serial	4.780	378,495	856,752	-
6090/93	40,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	20,106,972
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	15,748,438
86/2003	3,468,624	Mar. 24, 2004-2014	CAN	Serial	3.800	127,815	325,792	-
	<u>98,118,815</u>					<u>8,182,974</u>	<u>4,178,435</u>	<u>43,743,839</u>
<i>SOLID WASTE DISPOSAL</i>								
6897/96	92,669	Oct. 30, 1996-2006	CAN	Serial	6.750	6,255	92,669	-
5286/89	1,935,000	Dec. 14, 1989-2009	CAN	5.000	10.000	193,500	58,519	1,387,646
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	392,529
	<u>3,027,669</u>					<u>291,005</u>	<u>181,431</u>	<u>1,780,175</u>

**THE CITY OF WINNIPEG
TAX-SUPPORTED AND CITY-OWNED UTILITIES**

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2005

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2006		Sinking Fund Reserve at Dec. 31, 2005
				Sinking Fund	Debt	Interest	Principal	
<i>CIVIC ACCOMMODATIONS</i>								
6897/96	214,926	Oct. 30, 1996-2006	CAN	Serial	6.750	14,507	214,926	-
7054/97	720,000	June 27, 1997-2007	CAN	Serial	6.365	45,825	60,000	-
7368/99	6,476,500	Feb. 2, 1999-2009	CAN	5.000	5.350	346,493	195,866	1,392,855
5286/89	1,668,000	Dec. 14, 1989-2009	CAN	5.000	10.000	166,800	50,445	1,196,173
8138/02	2,864,875	Jan. 17, 2003-2013	CAN	Serial	4.780	131,353	297,327	-
6090/93	1,799,000	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,407	904,311
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	3,606,090
86/2003	3,123,440	Mar. 24, 2004-2014	CAN	Serial	3.800	115,095	293,371	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,551	59,088
	<u>25,031,599</u>					<u>1,643,611</u>	<u>1,413,267</u>	<u>7,158,517</u>
Utility Total	<u>200,590,307</u>					<u>16,425,132</u>	<u>10,867,931</u>	<u>82,271,421</u>
Unallocated Sinking Fund Surplus								<u>151,601</u>
Grand Total	<u>\$ 581,225,828</u>					<u>\$ 43,526,558</u>	<u>\$ 34,829,697</u>	<u>\$ 198,963,979</u>

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