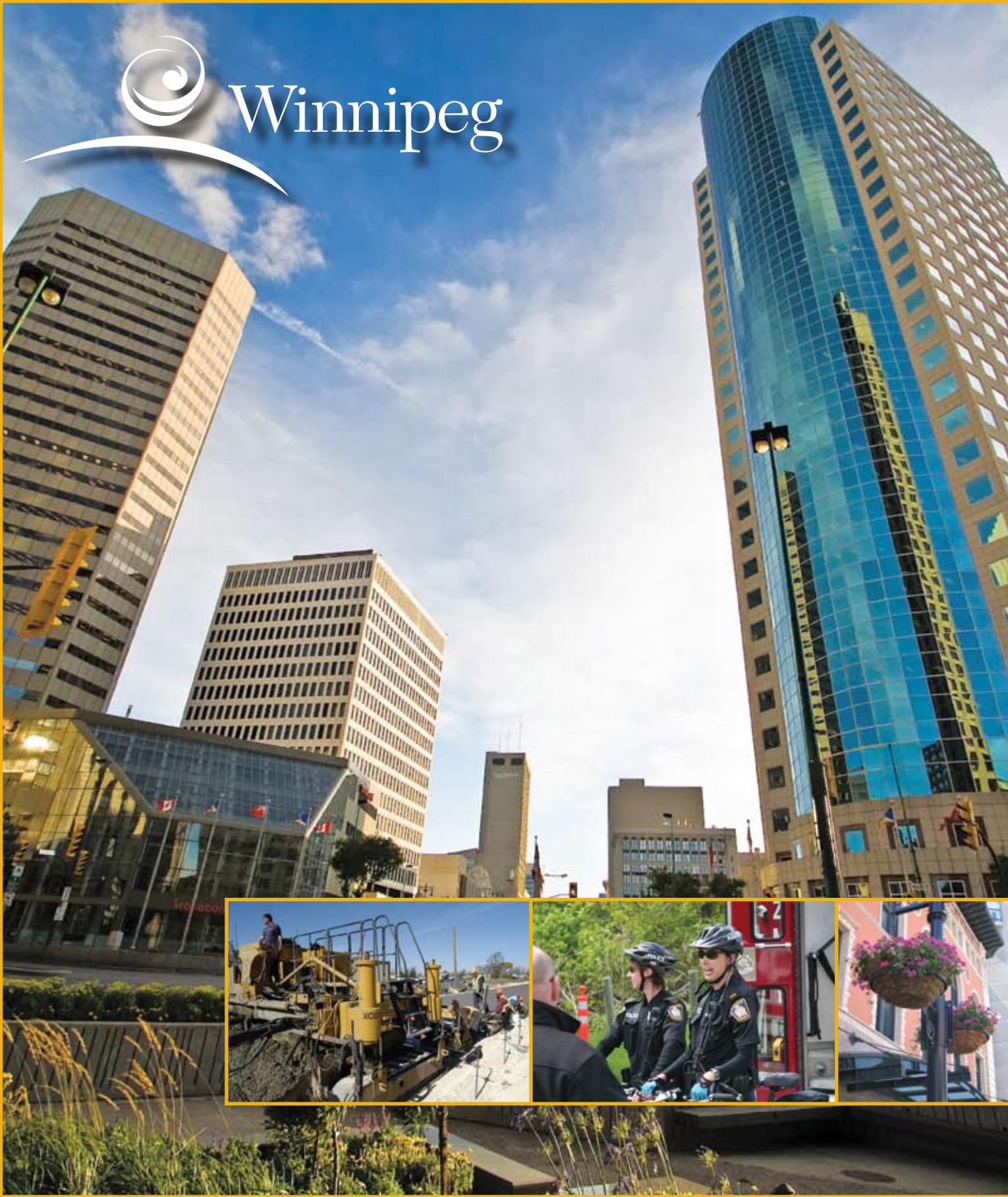


THE CITY OF WINNIPEG 2007 DETAILED FINANCIAL STATEMENTS

Companion to 2007 Annual Financial Report



Manitoba Cataloguing in Publication Data.

Winnipeg (MB). Corporate Finance Dept.

Annual Report.

Annual Report year ends December 31,

Continues: Winnipeg (MB). Finance Dept. Annual Report.

ISSN: 1201-8147 = Annual Report-City of Winnipeg.

1. Winnipeg (MB) - Appropriations and expenditures-Periodicals

2. Finance, Public - Manitoba-Winnipeg-Periodicals

HJ9014.M36W56 352.1710912743

CONTENTS

PAGES

Consolidated

- Financial Statement Discussion and Analysis	5 - 18
- Consolidated Financial Statements	21 - 52
- Five-Year Review	53 - 54

Funds

- General Revenue	57 - 78
- General Revenue Enterprises	79 - 83
- General Capital	84 - 96
- Stabilization Reserves	97 - 104
- Fiscal Stabilization	
- Mill Rate Stabilization	
- Capital Reserves	105 - 126
- Water Main Renewal	
- Sewer System Rehabilitation	
- Water Treatment	
- Environmental Projects	
- Brady Landfill Site Rehabilitation	
- Golf Course	
- Library	
- Transit Bus Replacement	
- Concession Equipment Replacement	
- Computer Replacement	
- Aqueduct Rehabilitation	
- Federal Gas Tax Revenue	
- Public Transit	
- Special Purpose Reserves	127 - 152
- Workers Compensation	
- Perpetual Maintenance Funds	
- Brookside Cemetery	
- St. Vital Cemetery	
- Transcona Cemetery	
- Insurance	
- Contributions in Lieu of Land Dedication	
- Land Operating	
- Recreation Programming	
- Snow Clearing	

CONTENTS

PAGES

Funds

- Special Purpose Reserves (continued)	
- Idea Bank	
- Commitment	
- Heritage Investment	
- Housing Rehabilitation Investment	
- Economic Development Investment	
- Assiniboine Park Enterprise	
- General Purpose	
- Multi-Family Dwelling Tax Investment	
- Insect Control Urgent Expenditures	
- Permit	
- Equity in Capital Assets	153 - 158
- Trust Funds	159 - 162
- St. Boniface Museum Board	
- Library	
- Portage and Main Concourse	
- Winnipeg Evergreen Committee	
- Equipment and Material Services	163 - 166
- Civic Accommodations	167 - 174
- Building Services	175 - 180

Utilities

- Transit System	182 - 196
- Waterworks System	197 - 216
- Sewage Disposal System	217 - 235
- Solid Waste Disposal	236 - 252

Special Operating Agencies

- Animal Services	255 - 262
- Glacial Sand and Gravel	263 - 268
- Golf Services	269 - 276
- Fleet Management	277 - 288
- Winnipeg Parking Authority	289 - 298

Wholly-Owned Corporations

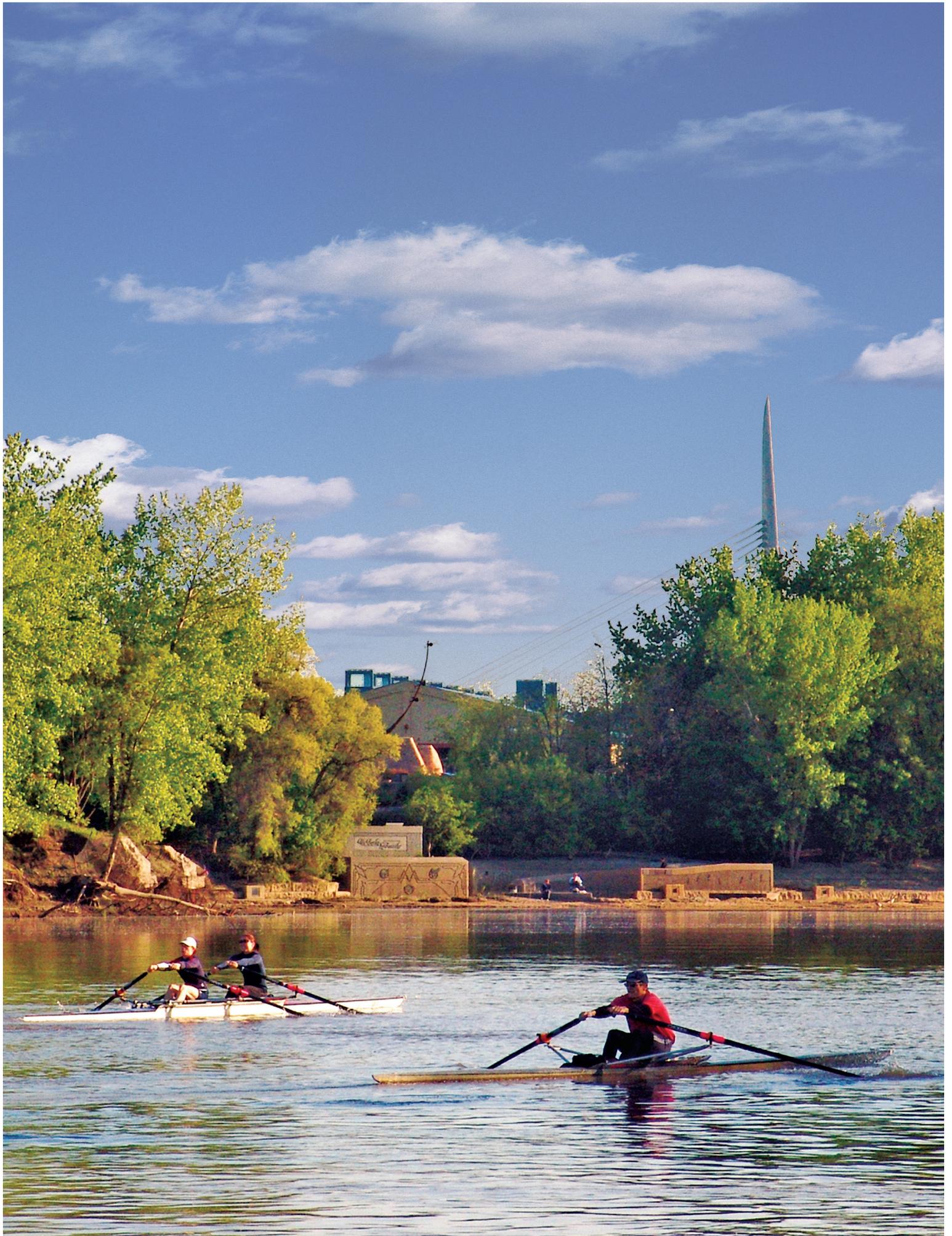
- The Convention Centre Corporation	301 - 314
- Destination Winnipeg Inc.	315 - 322
- Winnipeg Enterprises Corporation	323 - 326
- Winnipeg Housing Rehabilitation Corporation	327 - 338
- CentreVenture Development Corporation	339 - 352
- Winnipeg Arts Council Inc.	353 - 358
- Winnipeg Public Library Board	359 - 362

CONTENTS

PAGES

Other

- The Sinking Fund Trustees of the City of Winnipeg	365 - 374
- The Sinking Fund	375 - 380
- North Portage Development Corporation	381 - 394
- Council Pension Plan	395 - 400
- The Trustees of The Dental Services and Vision Care Plans of The City of Winnipeg Employees	401 - 404
- Table of Financial Statistics and Selected Ratios	405
- Debenture Debt Information for Tax-Supported and City-Owned Utilities	406 - 422



REPORT FROM THE CHIEF FINANCIAL OFFICER FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

I am pleased to present the following Financial Statement Discussion and Analysis, which has been prepared by management. The following discussion and analysis of the financial performance of The City of Winnipeg ("City") should be read in conjunction with the audited consolidated financial statements ("Statements") and their accompanying notes and schedules, which are prepared in accordance with Canadian generally accepted accounting principles for governments established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The Statements provide information about the economic resources, obligations and accumulated surplus of the City. They include departments of the City, special operating agencies, utilities, and corporations that are controlled by the City, as well as its investment in government businesses. Below is a brief description of the major funds, entities and investments that are included in the Statements.

Funds, Entities, and Investment in Government Businesses

Funds

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements.

The General Revenue Fund reports on property tax-supported operations, which entails such services to citizens as police, fire, ambulance, library and street maintenance. The General Capital Fund was created to account for tax-supported capital projects. The tax-supported capital program is made up of, but is not limited to, the reporting on the acquisition and/or construction of streets, bridges, parks and recreation facilities. The utility operations are comprised of the Transit System, Waterworks System, Sewage Disposal System and Solid Waste Disposal Funds.

There are five Special Operating Agency ("SOA") Funds established within the City's organization. Animal Services (2000), Glacial Sand and Gravel (2001), Winnipeg Golf Services (2002), Fleet Management (2003) and Winnipeg Parking Authority (2005) provide services as special units of the City.

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 operate 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.

City Council has approved the establishment of Reserve Funds that can be categorized into three types. Capital Reserves were established to finance current and anticipated future capital projects that reduce or eliminate the need to issue debt. Special Purpose Reserves were established to account for the use of designated revenue to fund the Reserves' permitted costs. Stabilization Reserves were created to assist in the funding of major unexpected expenses or deficits recorded in the General Revenue Fund.

Entities and Investment in Government Businesses

The civic corporations included in the Statements are the Winnipeg Public Library Board, The Convention Centre Corporation, Destination Winnipeg Inc., Winnipeg Enterprises Corporation ("WEC"), Winnipeg Arts Council Inc., and CentreVenture Development Corporation. These corporations are involved in various activities including economic development, recreation, tourism, entertainment and conventions. North Portage Development Corporation and Winnipeg Housing Rehabilitation Corporation are included in the Statements as an investment in government businesses.

Results of Operations

The Consolidated Statement of Operations and Accumulated Surplus reports the City's changes in economic resources and accumulated surplus for 2007, on a comparative basis. As the annual excess of revenues over expenses is positive, it indicates that the City increased its accumulated surplus during the year.

During 2007, the City recorded consolidated revenues of \$1,220.8 million (2006 - \$1,105.5 million), including capital grants and developer contributions-in-kind, and consolidated expenses of \$1,033.5 million (2006 - \$985.2 million). As a result, accumulated surplus increased by \$187.3 million (2006 - \$120.3 million).

Consolidated Revenues

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

	2007	2006	Variance
Taxation	\$ 515,197	\$ 518,661	\$ (3,464)
Sales of services and regulatory fees	381,273	356,761	24,512
Government transfers			
Operating	117,195	109,236	7,959
Capital	71,368	43,064	28,304
Investment, land sales and other revenue	85,143	62,507	22,636
Developer contributions-in-kind	50,638	15,304	35,334
	<u>\$1,220,814</u>	<u>\$1,105,533</u>	<u>\$ 115,281</u>

Revenues improved by \$115.3 million in 2007 from 2006 due to several factors. Government transfers related to the purchase of tangible capital assets increased by \$28.3 million, of which \$25.5 million was from the Province of Manitoba ("Province"). The Province provided the Transit System with \$9.0 million primarily for the acquisition of buses. The Sewage Disposal System's provincial transfer rose by \$7.8 million under the Canadian Strategic Infrastructure Fund ("CSIF"), and the General Capital Fund reported \$8.7 million of additional revenue under the Urban Capital Projects Allocation program and the Manitoba/Winnipeg Infrastructure Program.

Government transfers related to operating activities increased by \$8.0 million. The increase is primarily due to additional funding from the Province for 14 new police officers, including five in the City's stolen auto unit, and additional firefighters and paramedics.

Sales of services and regulatory fees include revenue sources such as water and sewage services, transit fares, and ambulance services. Increased revenue was generated by sewer service rates that rose to 4.46 per 100 cubic feet from 3.87 per 100 cubic feet and increased water rates. Also, transit ridership increased during the year by 2.5%.

Investment, land sales and other revenue increased as a result of the sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge facilities, equipment and reserve assets for \$11.0 million. As well, additional revenue of approximately \$4.6 million was derived from property disposed of through the Land Operating Reserve.

Developer contributions-in-kind rose because of construction activity resulting in increased roads and underground water and waste networks.

The major components of taxation revenue are property, business, local improvements, electricity and natural gas taxes. Business tax revenue decreased by \$5.0 million resulting from a reduced rate of 7.75% across the entire city, down from 9.75% for businesses outside of the downtown area.

Consolidated Expenses

For the years ended December 31

(in thousands of dollars)

	2007	2006	Variance
Protection and community services	\$ 336,743	\$ 319,705	\$ 17,038
Public works	249,323	224,390	24,933
Utility operations	242,797	231,306	11,491
Property and development	90,001	80,017	9,984
Finance and administration	56,262	59,677	(3,415)
General government	33,403	45,964	(12,561)
Civic corporations	25,000	24,174	826
	<u>\$1,033,529</u>	<u>\$ 985,233</u>	<u>\$ 48,296</u>

Consolidated expenses grew by \$48.3 million from the previous year resulting from additional spending of \$17.0 million on protection and community services, which includes the Police Services and Fire Paramedic Service departments. The increase mainly resulted from salaries and employee benefits. Expenses related to public works rose by \$24.9 million primarily related to roadway snow and ice control and parks and urban forestry work.

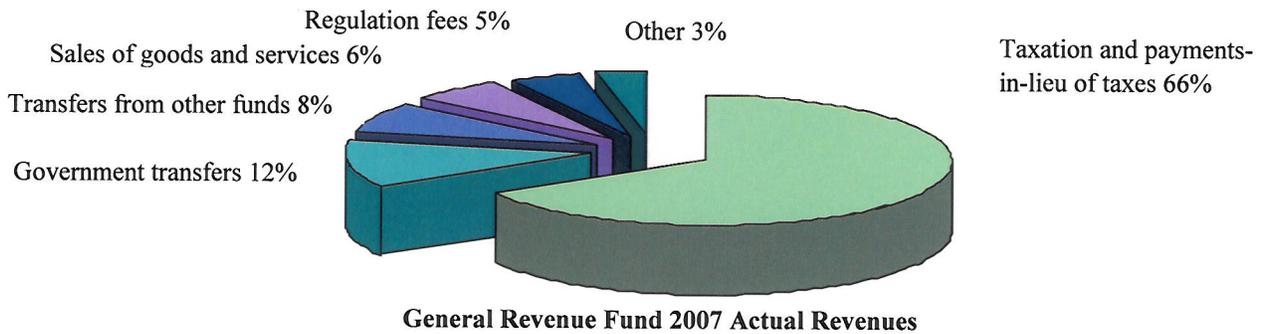
Consolidated Expenses By Object

For the years ended December 31

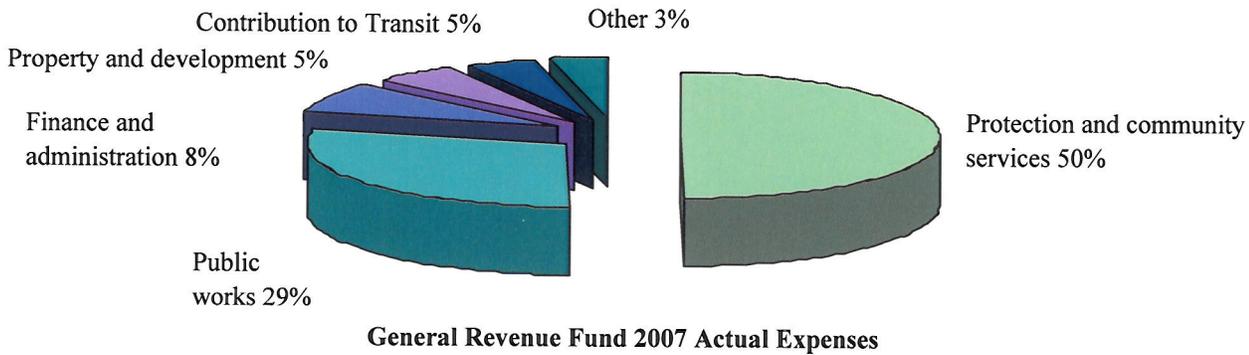
(in thousands of dollars)

	2007	2006	Variance
Salaries and benefits	\$ 539,405	\$ 530,881	\$ 8,524
Goods and services	291,032	271,530	19,502
Amortization	133,635	125,681	7,954
Interest	46,950	45,665	1,285
Other expenses	22,507	11,476	11,031
	<u>\$1,033,529</u>	<u>\$ 985,233</u>	<u>\$ 48,296</u>

As previously indicated, the Statements incorporate the revenues and services reported in the General Revenue Fund. During 2007, municipal realty tax revenues funded 52% (2006 - 52%) of these services. The 2007 budget for property tax-supported operations was adopted by City Council on March 20, 2007. During the budget process, the City faced several challenges to produce a balanced budget while maintaining its commitment to a competitive tax environment. The result was the tenth consecutive approved budget without an increase to property tax rates. The budget included increased funding for clean and green services, public safety, infrastructure, and the emphasis continued on efficiencies in service delivery.

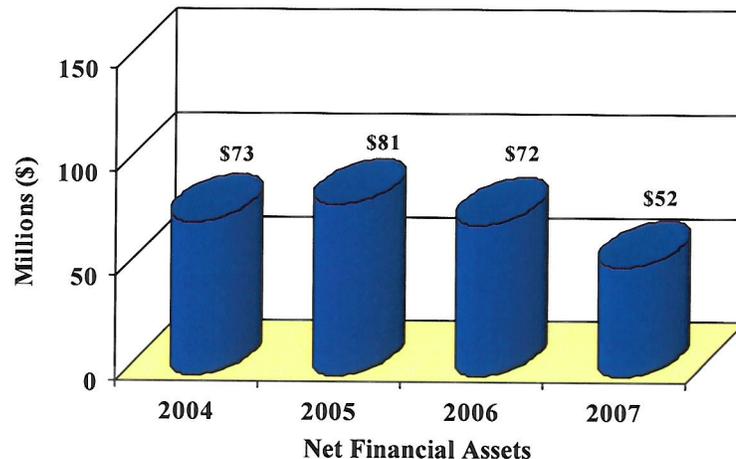


During 2007, the General Revenue Fund incurred revenues and expenses of \$756.3 million (2006 - \$724.6 million). Several unexpected events occurred that impacted the financial results of property tax-supported operations at the City, including increased snow clearing and fire paramedic service costs. These increases were offset by savings achieved in other departments, and increased revenue from investments and government transfers. At the end of the year, the General Revenue Fund reported a net surplus of \$1.6 million, which was transferred to the Mill Rate Stabilization Reserve.



Financial Position

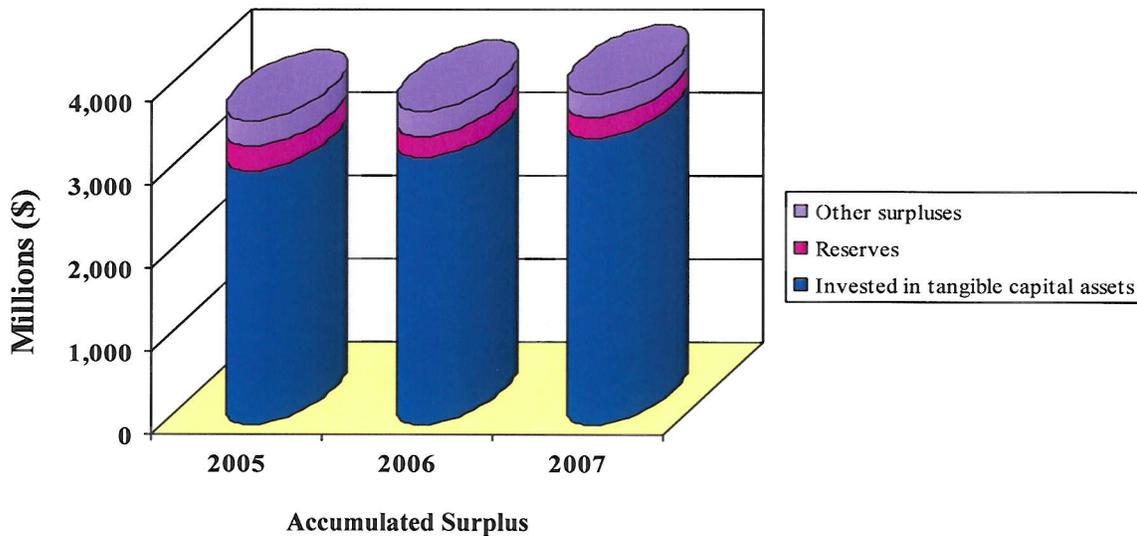
The Consolidated Statement of Financial Position reports the City's financial and non-financial resources, obligations and accumulated surplus as at December 31, 2007, on a comparative basis. This statement is used to evaluate the City's ability to finance its activities



and to meet its liabilities and commitments. An important indicator on the Consolidated Statement of Financial Position is the City's net financial assets.

Net financial assets is the difference between financial assets and liabilities, which provides an indication of the affordability of additional spending. As at December 31, 2007, the City was in a net financial asset position of \$52.4 million (2006 - \$71.8 million). The change in net financial assets during the year resulted from the purchase of tangible capital assets, totalling \$352.1 million, partially offset by the excess of revenues over expenses of \$187.3 million and amortization of tangible capital assets of \$133.6 million.

Another important indicator on the Consolidated Statement of Financial Position is the accumulated surplus position. Accumulated surplus represents the net assets of the City and the yearly change in the accumulated surplus is equal to the annual excess of revenues over expenses for the year (results of operations). In 2007, accumulated surplus increased primarily as a result of surpluses realized in the Utility operations and investments made in tangible capital assets.



The following is a discussion on some of the items that are included in the Consolidated Statement of Financial Position.

Accounts Receivable

As at December 31, 2007, property, payments-in-lieu of taxes and business tax receivables, net of the estimated uncollectible amounts, represented 20% (2006 - 25%) of total receivables. Taxation revenue is 42% (2006 - 47%) of total consolidated revenues.

Accounts Receivable As at December 31 (in thousands of dollars)	2007	2006	2005	2004	2003
Taxes receivable	\$ 38,038	\$ 41,350	\$ 37,698	\$ 40,436	\$ 42,761
Allowance for tax arrears	(6,228)	(6,326)	(6,364)	(6,394)	(5,056)
	\$ 31,810	\$ 35,024	\$ 31,334	\$ 34,042	\$ 37,705

Section 371 of The City of Winnipeg Charter provides the Public Service with the authority to collect taxes due on real property in the city.

Investments

In 2002, Manitoba Hydro acquired Winnipeg Hydro from the City. The resulting long-term receivable from the sale includes payments of \$20 million per annum for 2007 to 2010 and \$16 million annually thereafter in perpetuity. The investment is determined based on the discounted sum of future cash flows that have been guaranteed by the Province of Manitoba.

Marketable securities are generally long-term in nature. These securities are being held to finance future anticipated costs such as perpetual maintenance at the three cemeteries that are maintained by the City. City Council has approved an Investment Policy to provide the Public Service with a framework for managing its investment program. Safety of principal is the overriding consideration for investment decisions. Consideration is also given to risk/return, liquidity and the duration and convexity of the portfolio.

As at December 31 (in thousands of dollars)	2007	2006
Marketable securities		
Government of Canada	\$ 10,883	\$ 12,100
Provincial	7,317	8,466
Municipal	1,850	1,457
	20,050	22,023
Manitoba Hydro long-term receivable	238,376	243,751
Other	2,288	914
	\$ 260,714	\$ 266,688
Market value of marketable securities	\$ 21,545	\$ 23,757

Debt

As at December 31
(in thousands of dollars)

	2007	2006
Net debt		
Sinking fund debentures	\$ 488,500	\$ 488,500
Equity in Sinking Fund	(248,686)	(222,723)
	<u>239,814</u>	<u>265,777</u>
Serial and installment debt	98,539	130,855
Bank loans	38,113	28,497
Capital lease obligations	<u>20,996</u>	<u>22,478</u>
	<u>\$ 397,462</u>	<u>\$ 447,607</u>

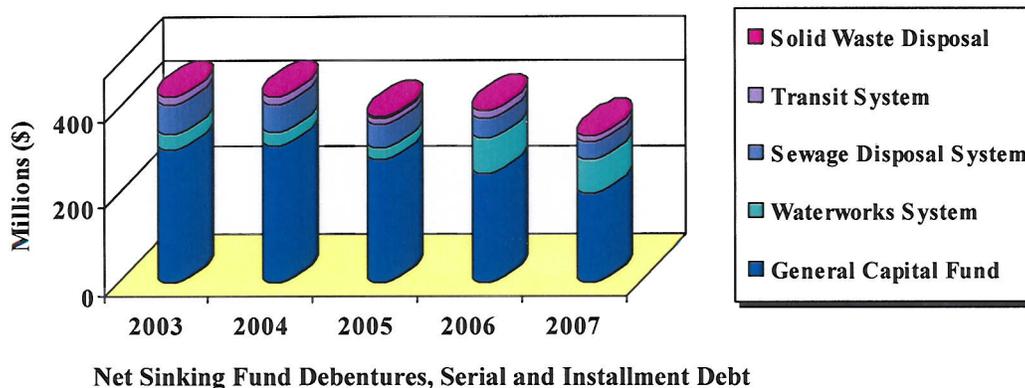
The City of Winnipeg has several types of debt obligations. The largest component of debt is sinking fund debentures. Under The City of Winnipeg Charter the City is required to make annual payments towards the retirement of sinking fund debt. These annual payments are invested primarily in government 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, the City reduces its credit risk. Credit risk arises from the potential for an investee to fail or to default on its contractual obligations.

The City did not issue sinking fund debt during 2007. However, in 2006 the City issued a \$60.0 million 30-year debenture for water utility projects, which matures on July 17, 2036. Except for the debt issued in 2006, the remaining outstanding sinking fund debt will mature by 2017. 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 and it is anticipated it will be refinanced.

The City has also incurred serial and installment debt that have varying maturities up to 2014 and carry a weighted average interest rate of 4.6% (2006 - 4.8%). Annual interest and principal payments are made on the debt to the investors. Of the \$32.3 million of serial and installment debt that matured in 2007, there was a maturity shortfall of \$17.5 million. It is anticipated this will also be refinanced. In addition, the City has guaranteed the payment of principal and interest on capital loans for several third parties that totalled \$5.6 million (2006 - \$6.3 million). The City does not anticipate incurring future payments relating to these guarantees.

In 2007, Standard & Poor's advised the City that its credit rating would be maintained at AA. Moody's Investors Service also announced it would be maintaining the City's credit rating at Aa1. These debt ratings contribute to the City's ability to access capital markets and should result in low borrowing costs in the future.

Beginning in 1998, the City discontinued 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 \$272.9 million from 1999, and is expected to decrease continuously over the next few years along with the associated debt-servicing costs. Within the utilities, in the next year the City anticipates issuing \$100.0 million in debt to finance the water treatment plant, estimated to cost \$300 million. The Water Treatment Reserve funded a significant proportion of the cost of this project. As at December 31, 2007, this Reserve has been depleted, as planned.



In addition, the 2004 to 2008 utilities capital budget and the 2009 to 2013 capital forecast includes an additional \$563.9 million of future debt 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 \$1.2 billion. Other major funding sources for these improvements will be provided by the Environmental Projects Reserve, which had a balance at December 31, 2007 of \$37.5 million, CSIF, and retained earnings.

Tangible Capital Assets

The challenge in creating a capital budget is balancing infrastructure needs, protecting the environment and fiscal responsibility. The 2007 capital budget and the 2008 to 2012 five-year forecast was adopted by City Council on January 25, 2007. The capital investment plan detailed \$2.0 billion in spending over the next six years with \$427.3 million in 2007. The focus on investment occurred in sewer and water systems, roads and bridges, transit, police systems and infrastructure, and community facilities. Areas of major capital investment included in the six-year plan are \$826.0 million for the sewage disposal projects; \$498.0 million for roads and bridges; \$164.0 million for the water system; \$145.0 million for the transit system; \$82.0 million for land drainage and flood control; \$43.0 million for police systems and infrastructure; and \$31.0 million to complete the implementation of the recreation and leisure facilities initiative.

The capital investment plan incorporated Public Private Partnership ("P3") opportunities by way of \$91.0 million for the Disraeli Bridge and Overpass facility and \$16.9 million for Police Service's four district model building replacement program. Also included in the capital investment plan is \$56.0 million of funding from the senior levels of government through the CSIF, which was applied towards the Nutrient Removal/Expansion South End Water Pollution Control Centre - \$39.0 million and the recreation and leisure facilities - \$17.0 million. It is anticipated that \$70.0 million will be provided under the Manitoba/Winnipeg Infrastructure Program, \$78.0 million under the Federal Gas Tax Agreement, and \$150.0 million from unallocated Provincial funding.

During 2007, the City spent \$352.1 million on capital projects (2006 - \$263.1 million), which included \$144.5 million for tax-supported projects. Spending on tax-supported projects was made primarily on roads and bridges, water and waste infrastructure, buildings and information technology.

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

from 5 to 100 years.

During the year there were no write-downs of tangible capital assets. Roads and underground networks contributed to the City totalled \$50.6 million (2006 - \$15.3 million) and were capitalized at their fair value at the time of receipt along with \$1.8 million (2006 - \$1.8 million) of interest.

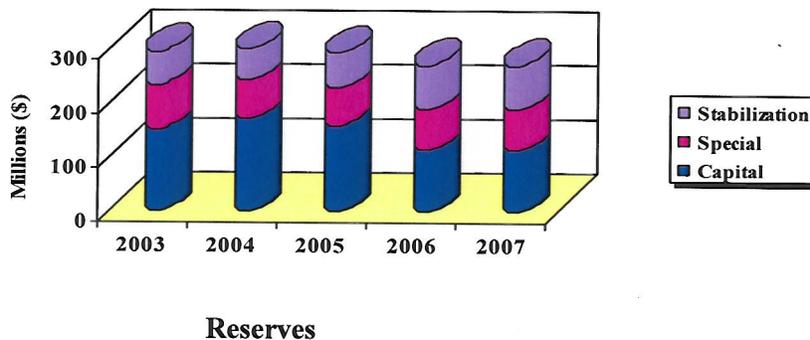
In 2006, the City early adopted PSAB section PS 3150 - Tangible Capital Assets. This was an important step in the City's plan to develop its systems of managing capital assets. The City will be improving this area in the future through enhanced reporting, including capturing information on asset condition. Information would include a physical condition rating assessment and remaining average life expectancy of tangible capital assets.

Tangible Capital Assets
As at December 31
(in thousands of dollars)

	2007	2006
General		
Land	\$ 173,030	\$ 171,400
Buildings	238,341	234,070
Vehicles	127,124	125,225
Computer	42,651	45,092
Other	52,214	39,406
Infrastructure		
Plants and facilities	250,928	228,320
Roads	767,508	723,638
Underground and other networks	1,657,343	1,633,958
Bridges and other structures	307,211	315,176
	3,616,350	3,516,285
Assets under construction	260,840	153,460
	\$3,877,190	\$3,669,745

Reserves

Reserve balances have decreased overall by \$26.8 million (2006 - \$22.5 million) from the prior year. The City's Capital Reserves have dropped by \$24.4 million. In particular, the Water Treatment Reserve declined by \$25.2 million as work continued on the water treatment plant. Special Purpose Reserves rose by \$0.2



million, while the Stabilization Reserves decreased by \$2.6 million. The Stabilization Reserves' accumulated surpluses have reached their individual targeted level of 5% of the General Revenue Fund's adopted budget expenses. During 2007, one new

reserve fund was consolidated into the financial statements. The Permit Reserve was created to mitigate permit revenue shortfalls during slower economic growth periods; fund additional temporary staff resources to respond to annual fluctuations in construction activity; and fund service and system improvements.

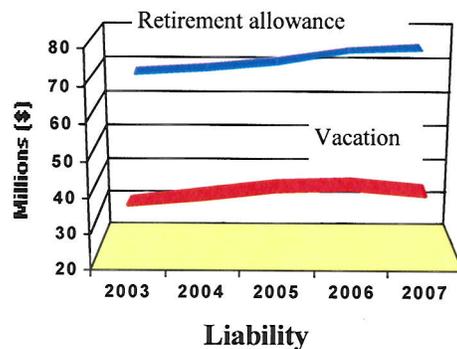
Accounting Policies

The significant accounting policies used in preparing the City's consolidated financial statements are summarized in Note 2 to the Statements. The accounting policies section of the 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 contributes to 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 funded 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 because it is a multi-employer contributory plan governed by an independent board of directors. As a defined contribution pension plan it eliminates the City's exposure to future unfunded liabilities. The Winnipeg Police Pension 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 Statements.



Tangible Capital Assets

The City's management makes estimates about the expected useful lives, projected residual values and the potential for impairment of its tangible capital assets. In estimating the lives and expected residual values of assets, reliance is placed mainly on experience with the asset. Revisions to the estimates of the asset can be caused by maintenance and renewal expenditures that may result in a change in service levels and can affect the life expectancy of the asset. Management evaluates these estimates and potential impairment on all tangible capital assets annually and when events and circumstances indicate that the assets may be impaired. The effects of maintenance and renewal costs on estimated useful lives is not reported until the reduction in future economic benefits is expected to be permanent.

Business Risks

Environmental Matters

As indicated previously, the City is subject to environmental laws including the regulation of water consumption and treatment by the CEC that will result in significant future capital acquisitions. As well, The City of Winnipeg operates one landfill, the Brady Landfill Site, and is required to monitor and maintain several former landfill sites. 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.

Labour Negotiations

For the year ended December 31, 2007, 52% (2006 - 54%) of the City's expenses related to salaries and employee benefits. The City employed approximately 8,500 staff, the majority being represented by eight unions and associations. The City has in place labour agreements with its unions and associations as follows:

Union/Association	Number of Staff	Agreement Expiry Date
ATU	934	January 12, 2008
CUPE	3,912	December 31, 2010
PPAW	208	February 13, 2007
UFFW	899	December 26, 2007
WAPSO	603	October 11, 2008
WFPSOA	35	February 22, 2007
WPA	1,647	December 23, 2006
WPSOA	26	December 19, 2006

ATU - Amalgamated Transit Union Local 1505; CUPE - Canadian Union of Public Employees Local 500; PPAW - Professional Paramedics Association of Winnipeg; UFFW - United Fire Fighters of Winnipeg Local 867; WAPSO - Winnipeg Association of Public Service Officers; WFPSOA - Winnipeg Fire Paramedic Senior Officers' Association; WPA - Winnipeg Police Association; and WPSOA - Winnipeg Police Senior Officers' Association

The collective agreements provide a process to revise wage and employee benefit levels through negotiations. In addition, collective bargaining disputes with certain of the bargaining units are resolved through compulsory arbitration at the request of either or both parties.

Human Resources

The City's workforce has steadily decreased to its current level from 11,000 in 1990. There is potential for significant turnover within the civic service due to the high percentage of the workforce that will be eligible to retire within the next few years. The workforce of the future will require diverse skills to effectively meet the work challenges of tomorrow.

During July 2001, City Council approved the "Human Resource Strategic Plan" that will guide the City as it moves to a smaller, more flexible, more highly skilled workforce. This plan identifies a long-term vision, supporting success factors, and the most immediate priorities needed to achieve the business strategy. It also provides a long-term strategy for managing human resources that is aligned to the City's corporate goals.

Organizational Changes

On September 27, 2006, City Council approved the cash sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge facilities, equipment, and reserve assets for the price of \$11.0 million. The closing date of the sale was January 3, 2007. As part of the sale agreement, the City is entitled to purchase material for its own purpose at prices paid by preferential clients and to be supplied with emergency materials at preferred rates.

On April 25, 2007, City Council approved the amendments to the City Organization By-law to support the implementation of the shared services model and administrative restructuring. Under the shared services model, the Corporate Services and Corporate Information Technology departments will be consolidated into one department effective January 1, 2008.

On June 20, 2007, City Council approved that the facilities maintenance and security function (Building Services Fund) be moved from the Public Works department to the Planning, Property and Development department.

On November 21, 2007, City Council approved that effective January 1, 2008, the Property Assessment department and the Taxation and Revenue branch of the Corporate Finance department be merged into a single department named the Assessment and Taxation department. The citizens of Winnipeg will receive the benefits of the merger through a single service window that deals with all matters related to assessment and taxation. It is anticipated the amalgamation of these two functions will achieve savings of approximately \$1.7 million over five years, excluding one-time transition costs.

Service Based Budget and Segmented Information Reporting

During 2005, Executive Policy Committee directed the preparation of a Service Based Budgeting Report including an overview of each municipal service, its goals and performance information. The 2007 Operating Budget was prepared in this view.

The service based budget provides a more direct link between investments and results. The service based view is an additional tool to assist in City Council's budget decision-making process and may assist City Council in strategic policy-based discussions. The City's first non-consolidated Service Based Operating Budget included Tax-Supported, Utilities, Special Purpose Funds and Special Operating Agencies services.

In 2006, the City adopted PSAB section PS 2700 - Segment Disclosures. In 2007, the Statements include budget information by segment for the General Revenue Fund.

Controls and Procedures

Over the past year a number of reviews were conducted by the City Auditor. Reviews included audits of the City's methods and processes used to early adopt the recommendations of PSAB section PS 3150 - Tangible Capital Assets. As well, reviews were conducted on various revenue streams. The Public Service 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

Section 284(1) of The City of Winnipeg Charter requires City Council to approve the tax-supported budget before March 31 of each fiscal year. On March 26, 2008, City Council approved the 2008 operating budget that provides for the 11th year of property tax freezes or reductions. The budget plan continues to focus investment on public safety and the infrastructure while maintaining enhanced clean and green programs.

General Revenue Fund - Budget For the years ended December 31 (in thousands of dollars)

	2008	2007	2006	2005	2004
Revenues					
Property tax	\$ 424,422	\$ 419,035	\$ 404,828	\$ 399,507	\$ 391,657
Government transfers	90,237	81,172	87,991	77,617	73,066
Sale of goods and services	66,810	63,312	65,720	69,900	68,682
Transfer from other funds	62,361	59,918	45,557	31,450	28,278
Business tax	57,584	57,584	62,240	62,273	62,662
Regulation fees	30,349	26,948	23,573	31,678	34,431
Other taxation	25,253	22,943	22,158	22,423	20,975
Interest	9,326	9,310	7,796	11,344	13,608
Other	1,280	1,020	1,096	807	875
	<u>767,622</u>	<u>741,242</u>	<u>720,959</u>	<u>706,999</u>	<u>694,234</u>
Expenses					
Police service	169,936	160,223	153,312	146,695	140,570
Public works	165,502	161,890	153,567	149,798	147,639
Fire paramedic service	123,613	113,899	108,753	103,785	103,165
Community services	97,150	97,228	88,588	85,814	83,030
Corporate	66,343	61,435	71,203	66,229	65,503
Planning, property and development	37,120	37,186	35,146	38,730	39,294
Water and waste	29,373	30,674	32,140	33,433	33,468
Internal services	27,053	26,049	-	-	-
Assessment and taxation	13,378	14,139	-	-	-
City clerks	12,133	11,847	11,256	11,356	10,565
Street lighting	10,533	10,492	10,128	9,522	9,610
Corporate finance	6,642	6,831	9,832	12,883	14,980
Other departments	8,846	9,349	9,432	9,396	8,965
Corporate information technology	-	-	16,918	16,519	16,260
Property assessment	-	-	11,413	12,418	11,972
Corporate services	-	-	9,271	10,421	9,213
	<u>767,622</u>	<u>741,242</u>	<u>720,959</u>	<u>706,999</u>	<u>694,234</u>
	\$ -	\$ -	\$ -	\$ -	\$ -

The 2008 and 2007 figures include department restructuring and reallocation of financing charges. The 2004 - 2006 expense figures have not been restated.

Section 284(2) of The City of Winnipeg Charter requires City Council to approve the capital budget for that year and a capital forecast for the next five fiscal years before December 31 of each fiscal year. On December 18, 2007, City Council approved the 2008 capital budget and the 2009 to 2013 forecast. Due to construction inflation levels, the City undertook a complete review of capital authorizations and capital spending over the past several years. As a result, a \$10.5 million tax-supported capital surplus from older capital projects was identified and will be used to fund 2008 tax-supported capital projects. In addition, the City will set aside funding to respond to ongoing and future inflationary pressures, with spending authority delegated to the Standing Policy Committee on Finance.

The capital budget continues to invest in priority road, bridge and other infrastructure projects. P3s provide opportunity to accelerate projects and maximize program outcomes for the citizens of Winnipeg. The first new police station is under construction as a result of a P3 arrangement recently authorized. The P3 approach is planned for the new north and west district stations, the rehabilitation of the Disraeli Freeway, and the Chief Peguis Trail.

Request for Information

The Financial Statement Discussion and Analysis and the Statements are designed to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show accountability for the funding it receives. Both the Annual Financial Report and the Detailed Financial Statements Document are available on-line at www.winnipeg.ca. Questions concerning the information provided in these reports should be addressed to the Corporate Controller's Office, Corporate Finance Department, 4-510 Main Street, Winnipeg, Manitoba, R3B 1B9.



Michael Ruta, FCA
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.



Michael Ruta, FCA
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, 2007 and the consolidated statements of operations, accumulated surplus, 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, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Winnipeg, Canada,
April 7, 2008.

Ernst & Young LLP

Chartered Accountants

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

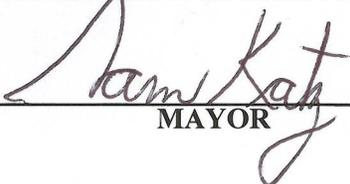
*As at December 31
(in thousands of dollars)*

	<u>2007</u>	<u>2006</u>
FINANCIAL ASSETS		
Cash and cash equivalents (Note 3)	\$ 404,742	\$ 445,049
Accounts receivable (Note 4)	160,796	141,204
Land held for resale	10,627	13,054
Investments (Note 5)	260,714	266,688
Investment in government businesses (Note 6)	22,609	22,096
	<u>859,488</u>	<u>888,091</u>
LIABILITIES		
Accounts payable and accrued liabilities (Note 7)	185,130	158,140
Deferred revenue (Note 8)	43,637	29,639
Debt (Note 9)	397,462	447,607
Other liabilities (Note 10)	37,665	38,841
Retirement allowance, vacation, compensated absences and other (Note 11)	143,154	142,097
	<u>807,048</u>	<u>816,324</u>
NET FINANCIAL ASSETS	<u>52,440</u>	<u>71,767</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 13)	3,877,190	3,669,745
Inventories	13,937	13,731
Prepaid expenses	2,930	3,969
	<u>3,894,057</u>	<u>3,687,445</u>
ACCUMULATED SURPLUS (Note 14)	<u>\$ 3,946,497</u>	<u>\$ 3,759,212</u>

Commitments and contingencies (Notes 10, 15 and 16)

See accompanying notes and schedules to the consolidated financial statements

Approved on behalf of the Audit Committee:


MAYOR


CHAIRPERSON
STANDING POLICY COMMITTEE
ON FINANCE

**THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF
OPERATIONS AND ACCUMULATED SURPLUS**

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

	<u>2007</u>	<u>2006</u>
REVENUES		
Taxation (Note 16)	\$ 515,197	\$ 518,661
Sales of services and regulatory fees (Note 17)	381,273	356,761
Government transfers (Note 18)	117,195	109,236
Investment income	50,118	47,123
Land sales and other revenue (Notes 6 and 23)	<u>35,025</u>	<u>15,384</u>
Total Revenues	<u>1,098,808</u>	<u>1,047,165</u>
EXPENSES (Note 19)		
Protection and community services	336,743	319,705
Public works	249,323	224,390
Utility operations	242,797	231,306
Property and development	90,001	80,017
Finance and administration	56,262	59,677
General government	33,403	45,964
Civic corporations	<u>25,000</u>	<u>24,174</u>
Total Expenses	<u>1,033,529</u>	<u>985,233</u>
Excess Revenues Over Expenses Before Other	<u>65,279</u>	<u>61,932</u>
OTHER		
Government transfers related to capital (Note 18)	71,368	43,064
Developer contributions-in-kind related to capital	<u>50,638</u>	<u>15,304</u>
	<u>122,006</u>	<u>58,368</u>
Excess Revenues Over Expenses	187,285	120,300
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>3,759,212</u>	<u>3,638,912</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ 3,946,497</u>	<u>\$ 3,759,212</u>

See accompanying notes and schedules to the consolidated financial statements

**THE CITY OF WINNIPEG
CONSOLIDATED STATEMENT OF CASH FLOWS**

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

	<u>2007</u>	<u>2006</u>
<i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i>		
<i>OPERATING</i>		
Excess Revenues Over Expenses	\$ 187,285	\$ 120,300
Non-cash charges to operations		
Amortization	133,635	125,681
Other	<u>(7,867)</u>	<u>6,364</u>
	313,053	252,345
Net change in non-cash working capital balances related to operations	<u>29,116</u>	<u>45,479</u>
Cash provided by operating transactions	<u>342,169</u>	<u>297,824</u>
<i>CAPITAL</i>		
Acquisition of tangible capital assets	(352,149)	(263,066)
Proceeds on disposal of tangible capital assets	<u>12,544</u>	<u>5,406</u>
Cash used in capital transactions	<u>(339,605)</u>	<u>(257,660)</u>
<i>FINANCING</i>		
Increase in sinking fund investments	(25,963)	(23,758)
Debenture and serial debt retired	(32,316)	(21,871)
Sinking fund debenture issued	-	60,000
Other	<u>8,622</u>	<u>17,084</u>
Cash (used in) provided by financing activities	<u>(49,657)</u>	<u>31,455</u>
<i>INVESTING</i>		
Reduction of investments	<u>6,786</u>	<u>82,216</u>
Cash provided by investing activities	<u>6,786</u>	<u>82,216</u>
(Decrease) increase in cash and cash equivalents	(40,307)	153,835
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>445,049</u>	<u>291,214</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u>\$ 404,742</u>	<u>\$ 445,049</u>

See accompanying notes and schedules 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>2007</u>	<u>2006</u>
<i>EXCESS REVENUES OVER EXPENSES</i>	\$ 187,285	\$ 120,300
Amortization of tangible capital assets	133,635	125,681
Proceeds on disposal of tangible capital assets	12,544	5,406
Change in inventories and prepaid expenses	833	(718)
Gain on sale of tangible capital assets	(6,425)	(2,672)
Acquisition of tangible capital assets	(352,149)	(263,066)
Other	4,950	5,816
<i>DECREASE IN NET FINANCIAL ASSETS</i>	(19,327)	(9,253)
<i>NET FINANCIAL ASSETS, BEGINNING OF YEAR</i>	<u>71,767</u>	<u>81,020</u>
<i>NET FINANCIAL ASSETS, END OF YEAR</i>	<u><u>\$ 52,440</u></u>	<u><u>\$ 71,767</u></u>

See accompanying notes and schedules to the consolidated financial statements

THE CITY OF WINNIPEG

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

1. *Status of The City of Winnipeg*

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

2. *Significant Accounting Policies*

These consolidated financial statements have been prepared by management in accordance with Canadian 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) **Basis of consolidation**

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

i) **Consolidated entities**

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

CentreVenture Development Corporation	Winnipeg Arts Council Inc.
Destination Winnipeg Inc.	Winnipeg Enterprises Corporation
The Convention Centre Corporation	Winnipeg Public Library Board

ii) **Government businesses**

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

iii) **Other organizations**

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.

2. *Significant Accounting Policies (continued)*

b) Basis of accounting

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

c) School taxes

The City is required by The Public Schools Act to bill, collect and remit provincial education support levies in respect of residential and other properties on behalf of the Province, and school division special levies on behalf of school divisions. The City has no jurisdiction or control over the school divisions' operations or their mill rate increases. Therefore, the taxation, other revenues, expenses, assets and liabilities with respect to the operations of school boards are not reflected in these consolidated financial statements.

d) Cash equivalents

Cash equivalents consist of Government of Canada treasury bills and crown corporation commercial paper; provincial government bonds, floating rate notes, promissory notes and treasury bills; City of Winnipeg municipal bond; schedule A bankers acceptances; floating rate notes; and bearer deposit notes. Cash equivalents are recorded at cost, which approximates their quoted market value and are redeemable on demand.

e) Land held for resale

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

f) 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.

g) Assessment appeal costs

Assessment appeal costs are estimated at the beginning of the four year assessment cycle and are amortized over the cycle. The liability is net of the unamortized costs.

h) 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 site's capacity is used.

2. *Significant Accounting Policies (continued)*

i) 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.

j) Deferred revenue

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

k) Employee benefit plans

The Winnipeg Civic Employees' Benefits Program is a multi-employer contributory defined benefit program with contributions expensed as incurred. The costs of other 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. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. The liabilities are discounted using current interest rates on long-term bonds.

l) 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 consolidated Change in Net Financial Assets for the year.

i) Tangible capital assets

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

Buildings	10 to 50 years
Vehicles	
Transit buses	18 years
Vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Other	
Machinery and equipment	10 years
Land improvements	15 years

2. *Significant Accounting Policies (continued)*

Water and waste plants and networks	
Underground networks	50 to 100 years
Sewage treatment plants and lift stations	50 to 75 years
Water pumping stations and reservoirs	50 to 75 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

ii) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

iii) 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. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

iv) Inventories

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

m) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

n) 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. *Cash and Cash Equivalents*

	<u>2007</u>	<u>2006</u>
Cash	\$ 4,917	\$ 2,347
Cash equivalents	399,825	442,702
	<u>\$ 404,742</u>	<u>\$ 445,049</u>

Cash equivalents have an effective average interest rate of 4.4% (2006 - 4.3%).

Cash and cash equivalents are net of \$203.6 million (2006 - \$113.2 million), which have been received from various entities including the Board of Trustees of the Winnipeg Civic Employees' Benefits Program. The funds are invested on a pooled basis to obtain maximum investment returns.

Cash received for interest during the year is \$49.7 million (2006 - \$46.3 million).

4. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Property, payments-in-lieu and business taxes receivable	\$ 38,038	\$ 41,350
Allowance for property, payments-in-lieu and business tax arrears	(6,228)	(6,326)
	<u>31,810</u>	<u>35,024</u>
Trade accounts and other receivables	80,960	74,150
Province of Manitoba	35,017	27,229
Government of Canada	19,001	9,586
Allowance for doubtful accounts	(5,992)	(4,785)
	<u>128,986</u>	<u>106,180</u>
	<u>\$ 160,796</u>	<u>\$ 141,204</u>

5. *Investments*

	<u>2007</u>	<u>2006</u>
Marketable securities		
Government of Canada bonds, bond residues, and coupons	\$ 10,883	\$ 12,100
Provincial bonds and coupons	7,317	8,466
Municipal bonds	1,850	1,457
	<u>20,050</u>	<u>22,023</u>
Manitoba Hydro long-term receivable	238,376	243,751
Other investments	2,288	914
	<u>\$ 260,714</u>	<u>\$ 266,688</u>

The aggregate market value of marketable securities at December 31, 2007 is \$21.5 million (2006 - \$23.8 million).

On February 27, 2002, City Council approved Manitoba Hydro's 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 through 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%.

6. *Investment in Government Businesses*

a) **North Portage Development Corporation**

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

The condensed supplementary financial information of NPDC is as follows:

	<u>2007</u>	<u>2006</u>
Financial position		
Capital assets and investment in properties and infrastructure enhancements	\$ 79,584	\$ 88,947
Current and other assets	<u>11,166</u>	<u>3,747</u>
	<u>\$ 90,750</u>	<u>\$ 92,694</u>
Deferred contributions	\$ 24,780	\$ 26,463
Current and other liabilities	<u>6,788</u>	<u>7,005</u>
	<u>31,568</u>	33,468
Net assets	<u>59,182</u>	<u>59,226</u>
	<u>\$ 90,750</u>	<u>\$ 92,694</u>
Results of operations		
Revenues	\$ 9,427	\$ 9,008
Expenditures	<u>8,622</u>	<u>8,040</u>
	<u>805</u>	968
Depreciation and amortization	<u>(1,626)</u>	<u>(1,477)</u>
Gain on disposal of assets	<u>777</u>	<u>-</u>
Deficiency of revenues over expenditures for the year	<u>\$ (44)</u>	<u>\$ (509)</u>

b) **Winnipeg Housing Rehabilitation Corporation**

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

6. Investment in Government Businesses (continued)

The condensed supplementary financial information of WHRC is as follows:

	<u>2007</u>	<u>2006</u>
Financial position		
Capital assets	\$ 30,197	\$ 31,431
Current and other assets	6,573	4,258
	<u>\$ 36,770</u>	<u>\$ 35,689</u>
Long-term debt	\$ 29,852	\$ 30,945
Current and other liabilities	4,036	2,390
	<u>33,888</u>	<u>33,335</u>
Replacement Reserves	3,103	2,858
Net assets	(221)	(504)
	<u>2,882</u>	<u>2,354</u>
	<u>\$ 36,770</u>	<u>\$ 35,689</u>
	<u>2007</u>	<u>2006</u>
Results of operations		
Revenues	\$ 6,950	\$ 6,858
Expenditures	6,902	6,902
Excess (Deficiency) of revenues over expenditures for the year	48	(44)
Gain on sale of capital assets	235	-
Change to Replacement Reserves during the year	245	192
	<u>\$ 528</u>	<u>\$ 148</u>

During the year, the City paid WHRC an operating grant of \$200 thousand (2006 - \$200 thousand). In addition, the City has guaranteed WHRC's operating line of credit to a value of \$2.0 million (2006 - \$2.0 million).

Summary of investment in government businesses

	<u>2007</u>	<u>2006</u>
North Portage Development Corporation (1/3 share)	\$ 19,727	\$ 19,742
Winnipeg Housing Rehabilitation Corporation	2,882	2,354
	<u>\$ 22,609</u>	<u>\$ 22,096</u>

Summary of results of operations

	<u>2007</u>	<u>2006</u>
North Portage Development Corporation (1/3 share)	\$ (15)	\$ (170)
Winnipeg Housing Rehabilitation Corporation	528	148
	<u>\$ 513</u>	<u>\$ (22)</u>

The results of operations are included in the Consolidated Statement of Operations and Accumulated Surplus as land sales and other revenue. These organizations report their activities based on a March 31 year-end.

7. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Accrued liabilities	\$ 97,357	\$ 83,741
Trade accounts payable	75,335	61,754
Accrued interest payable	12,438	12,645
	<u>\$ 185,130</u>	<u>\$ 158,140</u>

8. *Deferred Revenue*

	<u>2007</u>	<u>2006</u>
Federal public transit transfer	\$ 35,766	\$ 13,658
Federal gas tax transfer	1,141	4,649
Other	6,730	11,332
	<u>\$ 43,637</u>	<u>\$ 29,639</u>

9. *Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2007</u>	<u>2006</u>
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
2006-2036	July 17	5.200	VZ	183/2004 and 72/2006	<u>60,000</u>	<u>60,000</u>
					488,500	488,500
					<u>(248,686)</u>	<u>(222,723)</u>
					239,814	265,777

Other debt outstanding

Serial and installment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.56% (2006 - 4.83%)	98,539	130,855
Bank loans incurred primarily by Fleet Management - Special Operating Agency and Winnipeg Enterprises Corporation with varying maturities up to 2019 and a weighted average interest rate of 5.17% (2006 - 5.33%)	38,113	28,497
Capital lease obligations (Note 9c)	<u>20,996</u>	<u>22,478</u>
	<u>\$ 397,462</u>	<u>\$ 447,607</u>

9. *Debt (continued)*

Debt segregated by fund/organization:

	<u>2007</u>	<u>2006</u>
General Capital Fund	\$ 226,028	\$ 272,656
Waterworks System	79,410	82,890
Sewage Disposal System	45,053	51,510
Solid Waste Disposal	788	976
Special operating agencies	32,402	20,785
Transit System	12,687	15,286
Other	1,094	3,504
	<u>\$ 397,462</u>	<u>\$ 447,607</u>

Debt to be retired over the next five years:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013+</u>
Sinking fund debentures \$	-	\$ 135,500	-	-	-	\$ 353,000
Other debt	21,040	19,956	20,938	21,293	23,624	50,797
	<u>\$ 21,040</u>	<u>\$ 155,456</u>	<u>\$ 20,938</u>	<u>\$ 21,293</u>	<u>\$ 23,624</u>	<u>\$ 403,797</u>

a) Sinking fund assets have a market value of \$254.6 million (2006 - \$234.3 million). Sinking fund assets are mainly comprised of government and government-guaranteed bonds and debentures, which include City of Winnipeg debentures with a carrying value of \$37.4 million (2006 - \$27.8 million) and a market value of \$38.3 million (2006 - \$29.0 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. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one percent or greater on its outstanding sinking fund debentures. These annual payments are invested for the retirement of the debenture issues on their maturity dates.

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

<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

9. *Debt (continued)*

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>
2008	\$ 3,321
2009	3,424
2010	3,424
2011	3,424
2012	2,324
Thereafter	<u>24,598</u>
Total future minimum lease payments	40,515
Amount representing interest at a weighted average rate of 9.49%	<u>(19,519)</u>
Capital lease liability	<u><u>\$ 20,996</u></u>

d) Interest on debt recorded in the Consolidated Statement of Operations and Accumulated Surplus in 2007 is \$46.9 million (2006 - \$45.7 million).

e) Cash paid for interest during the year is \$47.2 million (2006 - \$44.5 million).

10. *Other Liabilities*

	<u>2007</u>	<u>2006</u>
Other liabilities	\$ 9,898	\$ 15,789
Developer deposits	<u>6,767</u>	<u>6,052</u>
	16,665	21,841
Environmental liabilities	<u>21,000</u>	<u>17,000</u>
	<u><u>\$ 37,665</u></u>	<u><u>\$ 38,841</u></u>

In 2007, the City has accrued an overall liability for environmental matters in the amount of \$21.0 million (2006 - \$17.0 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.

Included in environmental liabilities is \$16.3 million (2006 - \$14.4 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% (2006 - 5.3%).

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.

10. Other Liabilities (continued)

The estimated capacity of the City's one remaining landfill, the Brady Landfill Site, is 96% 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, 2007, the reserve had a balance of \$2.6 million (2006 - \$2.4 million).

11. Retirement Allowance, Vacation, Compensated Absences and Other

	<u>2007</u>	<u>2006</u>
Retirement allowance - accrued obligation	\$ 82,299	\$ 83,409
Unamortized net actuarial loss	<u>(6,886)</u>	<u>(9,011)</u>
Retirement allowance - accrued liability	75,413	74,398
Vacation	39,522	41,213
Compensated absences	7,502	7,359
Other	<u>20,717</u>	<u>19,127</u>
	<u>\$ 143,154</u>	<u>\$ 142,097</u>

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). 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. An actuarial valuation report of the obligation was prepared effective December 31, 2005. The results of this valuation were extrapolated to December 31, 2007.

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

	<u>2007</u>	<u>2006</u>
Retirement allowance - accrued liability		
Balance, beginning of year	\$ 74,398	\$ 71,236
Current service cost	4,117	4,171
Interest cost	3,669	3,594
Amortization of net actuarial loss	1,035	975
Benefit payments	<u>(7,806)</u>	<u>(5,578)</u>
Balance, end of year	<u>\$ 75,413</u>	<u>\$ 74,398</u>

Retirement allowance expense consists of the following:

	<u>2007</u>	<u>2006</u>
Current service cost	\$ 4,117	\$ 4,171
Interest cost	3,669	3,594
Amortization of net actuarial loss	<u>1,035</u>	<u>975</u>
	<u>\$ 8,821</u>	<u>\$ 8,740</u>

11. Retirement Allowance, Vacation, Compensated Absences and Other (continued)

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

	<u>2007</u>	<u>2006</u>
Discount rate on liability	4.70%	4.50%
General increases in pay	3.00%	3.00%

Demographic assumptions such as utilization of sick leave credits, salary increases as a result of increments and promotion, continuation of employment and the probability of retirement or death in future years are based on employment experience.

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

12. Pension Costs and Obligations

a) Winnipeg Civic Employees' Benefits Program

The 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. 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, members 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 prepared on December 31, 2006, which indicated an excess of actuarial value of program assets over actuarial liabilities of \$475.1 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, 2007 was \$119.3 million (2006 - \$129.6 million). Total contributions by the City to the program in 2007 were \$13.0 million (2006 - \$13.1 million), which were expensed as incurred.

b) Winnipeg Police Pension Plan

Effective January 1, 2003, the City entered into an agreement with its two Police Associations concerning the sharing of surpluses and risks under the Winnipeg Police Pension Plan. Under the terms of the agreement, the existing Regular Account (which financed the plan's defined pension benefits other than cost-of-living adjustments) and the Supplementary Account (which financed cost-of-living adjustments to pensioners) were merged into a single account and the actuarial surplus was used to fully fund future cost-of-living adjustments on all accrued pension and deferred pension benefits at the rate of 75% of the inflation rate, as well as establish a contribution stabilization reserve to maintain the City's contribution rate at 8% of pensionable earnings, which is the same rate as that 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.

12. Pension Costs and Obligations (continued)

An actuarial valuation of the plan was prepared on December 31, 2006 and the results were extrapolated to December 31, 2007. The principal long-term assumptions on which the valuation was based were: discount rate of 6.00% 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>2007</u>	<u>2006</u>
Pension fund assets, at actuarial value	<u>\$ 893,194</u>	<u>\$ 844,838</u>
Accrued pension obligations	<u>\$ 828,911</u>	<u>\$ 762,922</u>
Contribution stabilization reserve	<u>52,442</u>	<u>61,225</u>
	<u>\$ 881,353</u>	<u>\$ 824,147</u>

The market value of the pension fund assets as at December 31, 2007 was \$916.1 million (2006 - \$915.0 million).

Total contributions made by the City to the plan in 2007 were \$7.6 million (2006 - \$7.7 million). Total employee contributions to the plan in 2007 were \$7.7 million (2006 - \$7.7 million). Benefits paid from the plan in 2007 were \$32.5 million (2006 - \$30.3 million).

The expected rate of return on plan assets in 2007 was 6.00% (2006 - 6.25%). The actual rate of return, net of investment expenses, on plan assets in 2007 was 2.05% (2006 - 12.7%).

c) Councillors' Pension Plan

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

On November 2, 1992, the pension plan provided to members of City Council was terminated, thereby not allowing new members to be accepted to the plan and current members being entitled to receive retirement benefits once they become eligible. In 2007, the City paid out \$0.3 million (2006 - \$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 City 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.

13. Tangible Capital Assets

	Net Book Value	
	2007	2006
General		
Land	\$ 173,030	\$ 171,400
Buildings	238,341	234,070
Vehicles	127,124	125,225
Computer	42,651	45,092
Other	52,214	39,406
Infrastructure		
Plants and facilities	250,928	228,320
Roads	767,508	723,638
Underground and other networks	1,657,343	1,633,958
Bridges and other structures	307,211	315,176
	3,616,350	3,516,285
Assets under construction	260,840	153,460
	\$ 3,877,190	\$ 3,669,745

For additional information, see the Consolidated Schedule of Tangible Capital Assets (Schedule 1).

During the year there were no write-downs of assets (2006 - \$nil). Interest capitalized during 2007 was \$1.8 million (2006 - \$1.8 million). In addition, roads and underground networks contributed to the City totalled \$50.6 million in 2007 (2006 - \$15.3 million) and were capitalized at their fair value at the time of receipt.

14. Accumulated Surplus

Accumulated surplus consists of individual fund surplus/(deficit) and reserves as follows:

	2007	2006
Surplus		
Invested in tangible capital assets	\$ 3,434,876	\$ 3,181,870
Unamortized gain on Winnipeg Hydro sale	238,376	243,751
Waterworks System	61,400	104,272
Sewage Disposal System	55,234	43,856
North Portage Development Corporation	19,727	19,742
Fleet Management - Special Operating Agency	14,884	20,390
Equipment and Material Services	11,119	1,001
CentreVenture Development Corporation	9,645	10,087
Solid Waste Disposal	7,865	7,342
Other	13,881	12,274
Winnipeg Parking Authority - Special Operating Agency	(6,212)	(3,581)
Unfunded		
Environmental liabilities	(20,280)	(16,280)
Retirement allowance, vacation, compensated absences and other	(137,444)	(135,779)
Total Surplus	3,703,071	3,488,945

14. Accumulated Surplus (continued)

Reserves	<u>2007</u>	<u>2006</u>
Capital Reserves		
Environmental Projects Reserve	37,471	46,942
Sewer System Rehabilitation Reserve	28,711	25,619
Transit Bus Replacement Reserve	11,732	7,068
Water Treatment Reserve	-	25,217
Other	11,973	9,513
	<u>89,887</u>	<u>114,359</u>
Special Purpose Reserves		
General Purpose Reserve	11,367	13,122
Land Operating Reserve	11,059	9,038
Perpetual Maintenance Fund - Brookside Cemetery	10,418	10,485
Heritage Investment Reserve	8,408	9,259
Insurance Reserve (Note 20)	7,985	7,952
Workers Compensation Reserve	4,971	7,705
Other	20,712	17,118
	<u>74,920</u>	<u>74,679</u>
Stabilization Reserves		
Fiscal Stabilization Reserve	41,557	49,259
Mill Rate Stabilization Reserve	37,062	31,970
	<u>78,619</u>	<u>81,229</u>
Total Reserves	<u>243,426</u>	<u>270,267</u>
Accumulated Surplus	<u>\$ 3,946,497</u>	<u>\$ 3,759,212</u>

15. Commitments and Contingencies

The significant commitments and contingencies that existed at December 31, 2007 are as follows:

- a) The City had 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:

	<u>Operating Leases</u>
2008	\$ 4,174
2009	2,831
2010	2,367
2011	1,953
2012 and thereafter	4,078
	<u>\$ 15,403</u>

- b) The City is a defendant in two significant lawsuits as at December 31, 2007. Where the occurrence of future events is considered likely to result in a loss with respect to an existing condition and the amount of loss can be reasonably estimated, amounts have been recorded in the consolidated financial statements.

15. Commitments and Contingencies (continued)

- 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, 2007 is \$5.6 million (2006 - \$6.3 million).

16. Taxation

	<u>2007</u>	<u>2006</u>
Municipal and school property taxes	\$ 820,635	\$ 804,232
Payments-in-lieu of property (municipal and school) and business taxes	<u>39,376</u>	<u>39,209</u>
	860,011	843,441
Payments to Province and school divisions	<u>(452,937)</u>	<u>(437,317)</u>
Net property taxes and payments-in-lieu of property taxes available for municipal purposes	407,074	406,124
Business tax and license-in-lieu of business taxes	56,057	61,029
Local improvement and frontage levies	28,695	28,439
Electricity and natural gas sales taxes	17,125	16,941
Amusement tax and mobile home license	<u>6,246</u>	<u>6,128</u>
	<u>\$ 515,197</u>	<u>\$ 518,661</u>

The property tax roll includes school taxes of \$430.1 million (2006 - \$415.4 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Payments-in-lieu of school taxes assessed in 2007 totalled \$22.8 million (2006 - \$21.9 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.

17. Sales of Services and Regulatory Fees

	<u>2007</u>	<u>2006</u>
Water sales and sewage services	\$ 186,559	\$ 169,265
Other sales of goods and services	90,828	88,472
Transit fares	58,132	57,319
Regulatory fees	<u>45,754</u>	<u>41,705</u>
	<u>\$ 381,273</u>	<u>\$ 356,761</u>

18. Government Transfers

	<u>2007</u>	<u>2006</u>
Operating		
Province of Manitoba		
Building Manitoba Fund	\$ 53,204	\$ 49,368
Ambulance, libraries and other	34,034	31,136
Transit	23,795	22,895
Unconditional	19,888	19,887
Support	9,895	9,483
Support for Provincial programs	<u>(23,650)</u>	<u>(23,650)</u>
	117,166	109,119
Government of Canada		
Dutch elm disease program and other	<u>29</u>	<u>117</u>
Total Operating	<u>117,195</u>	<u>109,236</u>
Capital		
Province of Manitoba	<u>40,052</u>	14,581
Government of Canada		
Federal gas tax revenue	19,935	18,659
Other capital funding	8,699	9,154
Public transit	<u>2,682</u>	<u>670</u>
	<u>31,316</u>	28,483
Total Capital	<u>71,368</u>	<u>43,064</u>
	<u>\$ 188,563</u>	<u>\$ 152,300</u>

19. Expenses by Object

	<u>2007</u>	<u>2006</u>
Salaries and benefits	\$ 539,405	\$ 530,881
Goods and services	291,032	271,530
Amortization	133,635	125,681
Interest	46,950	45,665
Other expenses	<u>22,507</u>	<u>11,476</u>
	<u>\$ 1,033,529</u>	<u>\$ 985,233</u>

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 (Note 14) 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, 2007 is \$8.0 million (2006 - \$8.0 million).

21. Segmented Information

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

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

Protection

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

Community Services

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

Planning

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

Public Works and Water

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

Transit System Fund

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

21. *Segmented Information (continued)*

Water and Waste Funds

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

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

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 2. For additional information see the Consolidated Schedule of Segment Disclosure - Service (Schedule 2) and Schedule of Segment Disclosure with Budget Information (Schedule 3).

22. *Funds Held in Trust*

Trust funds administered by the City for the benefit of external parties of \$0.3 million (2006 - \$0.2 million) are not included in the consolidated financial statements.

23. *Glacial Sand and Gravel - Special Operating Agency*

On September 27, 2006, City Council approved the sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge facilities, equipment, and reserve assets for \$11.0 million. The closing date of the sale was January 3, 2007, with transfer of ownership occurring February 5, 2007.

24. *Comparative Figures*

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

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF TANGIBLE CAPITAL ASSETS

As at December 31
(in thousands of dollars)

	General				
	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Computer</u>	<u>Other</u>
Cost					
Balance, beginning of year	\$ 171,400	\$ 431,603	\$ 235,713	\$ 97,515	\$ 82,095
Add:					
Additions during the year	8,356	17,703	18,957	7,425	19,770
Less:					
Disposals during the year	1,776	682	4,047	261	4,367
Other	<u>(4,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>173,030</u>	<u>448,624</u>	<u>250,623</u>	<u>104,679</u>	<u>97,498</u>
Accumulated amortization					
Balance, beginning of year	-	197,533	110,488	52,423	42,689
Add:					
Amortization	-	13,374	16,182	9,839	5,795
Less:					
Accumulated amortization on disposals	<u>-</u>	<u>624</u>	<u>3,171</u>	<u>234</u>	<u>3,200</u>
Balance, end of year	<u>-</u>	<u>210,283</u>	<u>123,499</u>	<u>62,028</u>	<u>45,284</u>
Net Book Value of Tangible Capital Assets	<u>\$ 173,030</u>	<u>\$ 238,341</u>	<u>\$ 127,124</u>	<u>\$ 42,651</u>	<u>\$ 52,214</u>

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	2007	2006
\$ 389,633	\$ 1,468,184	\$ 2,385,828	\$ 481,093	\$ 153,460	\$ 5,896,524	\$ 5,666,254
30,080	82,797	57,724	1,957	107,380	352,149	263,066
-	17,724	8,408	-	-	37,265	26,980
-	-	-	-	-	(4,950)	(5,816)
<u>419,713</u>	<u>1,533,257</u>	<u>2,435,144</u>	<u>483,050</u>	<u>260,840</u>	<u>6,206,458</u>	<u>5,896,524</u>
161,313	744,546	751,870	165,917	-	2,226,779	2,125,344
7,472	38,868	32,183	9,922	-	133,635	125,681
-	17,665	6,252	-	-	31,146	24,246
<u>168,785</u>	<u>765,749</u>	<u>777,801</u>	<u>175,839</u>	<u>-</u>	<u>2,329,268</u>	<u>2,226,779</u>
<u>\$ 250,928</u>	<u>\$ 767,508</u>	<u>\$ 1,657,343</u>	<u>\$ 307,211</u>	<u>\$ 260,840</u>	<u>\$ 3,877,190</u>	<u>\$ 3,669,745</u>

THE CITY OF WINNIPEG
CONSOLIDATED SCHEDULE OF SEGMENT DISCLOSURE - SERVICE

For the year ended December 31, 2007
(in thousands of dollars)

	General Revenue Fund			
	Protection	Community Services	Planning	Public Works and Water
REVENUES				
Taxation	\$ 180,690	\$ 56,389	\$ 14,427	\$ 161,724
Sales of services and regulatory fees	36,513	15,782	14,767	3,713
Government transfers (Note 18)	42,423	10,676	3,101	18,545
Transfer from other funds	17,113	4,653	6,070	25,956
Other	8,758	2,697	1,304	6,004
	285,497	90,197	39,669	215,942
EXPENSES				
Salaries and benefits	235,286	42,806	19,144	56,314
Goods and services	34,611	12,714	3,105	89,170
Interest	1,609	1,343	2,416	41,545
Transfer to other funds	8,939	26,905	10,295	5,528
Other	5,052	6,429	4,709	23,385
	285,497	90,197	39,669	215,942
NET SURPLUS	\$ -	\$ -	\$ -	\$ -

For the year ended December 31, 2006
(in thousands of dollars)

	General Revenue Fund			
	Protection	Community Services	Planning	Public Works and Water
REVENUES				
Taxation	\$ 179,782	\$ 55,820	\$ 11,696	\$ 148,039
Sales of services and regulatory fees	35,770	15,377	13,110	3,491
Government transfers (Note 18)	32,642	11,291	3,246	19,023
Transfer from other funds	12,767	2,404	5,637	21,606
Other	9,351	3,189	1,484	7,149
	270,312	88,081	35,173	199,308
EXPENSES				
Salaries and benefits	221,526	42,773	18,947	53,893
Goods and services	32,547	11,709	3,841	77,731
Interest	1,782	1,269	2,035	40,904
Transfer to other funds	8,627	25,309	6,396	5,599
Other	5,830	7,021	3,954	21,181
	270,312	88,081	35,173	199,308
NET SURPLUS (DEFICIT)	\$ -	\$ -	\$ -	\$ -

Schedule 2

<u>Finance and Administration</u>	<u>Transit System Fund</u>	<u>Water and Waste Funds</u>	<u>Other Funds and Corporations</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 88,038	\$ -	\$ -	\$ 30,120	\$ (16,191)	\$ 515,197
10,169	59,988	206,612	70,767	(37,038)	381,273
13,404	34,096	17,864	91,560	(43,106)	188,563
6,312	38,782	68,681	224,307	(391,874)	-
7,064	818	29,597	114,385	(34,846)	135,781
<u>124,987</u>	<u>133,684</u>	<u>322,754</u>	<u>531,139</u>	<u>(523,055)</u>	<u>1,220,814</u>
32,118	72,435	46,149	35,153	-	539,405
12,815	34,661	58,813	79,992	(34,849)	291,032
3,781	3,017	15,726	55,752	(78,239)	46,950
43,562	5,521	60,424	157,466	(318,640)	-
32,711	8,115	26,929	123,081	(74,269)	156,142
<u>124,987</u>	<u>123,749</u>	<u>208,041</u>	<u>451,444</u>	<u>(505,997)</u>	<u>1,033,529</u>
<u>\$ -</u>	<u>\$ 9,935</u>	<u>\$ 114,713</u>	<u>\$ 79,695</u>	<u>\$ (17,058)</u>	<u>\$ 187,285</u>

<u>Finance and Administration</u>	<u>Transit System Fund</u>	<u>Water and Waste Funds</u>	<u>Other Funds and Corporations</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ 96,128	\$ -	\$ -	\$ 42,832	\$ (15,636)	\$ 518,661
9,529	59,355	186,997	67,022	(33,890)	356,761
14,760	24,292	4,573	85,547	(43,074)	152,300
3,450	35,197	87,738	214,080	(382,879)	-
7,875	507	13,500	74,968	(40,212)	77,811
<u>131,742</u>	<u>119,351</u>	<u>292,808</u>	<u>484,449</u>	<u>(515,691)</u>	<u>1,105,533</u>
38,015	70,947	43,493	34,181	7,106	530,881
13,312	34,326	58,185	72,443	(32,564)	271,530
6,039	2,755	14,214	57,527	(80,860)	45,665
43,503	7,081	49,964	159,822	(306,301)	-
30,873	8,551	20,594	108,862	(69,709)	137,157
<u>131,742</u>	<u>123,660</u>	<u>186,450</u>	<u>432,835</u>	<u>(482,328)</u>	<u>985,233</u>
<u>\$ -</u>	<u>\$ (4,309)</u>	<u>\$ 106,358</u>	<u>\$ 51,614</u>	<u>\$ (33,363)</u>	<u>\$ 120,300</u>

THE CITY OF WINNIPEG
SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET
INFORMATION - GENERAL REVENUE FUND

Schedule 3

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

PROTECTION	2007		2006
	Budget	Actual	Actual
REVENUES			
Taxation	\$ 181,226	\$ 180,690	\$ 179,782
Sales of services and regulatory fees	34,294	36,513	35,770
Government transfers	35,590	42,423	32,642
Transfer from other funds	17,014	17,113	12,767
Other	7,438	8,758	9,351
	<u>275,562</u>	<u>285,497</u>	<u>270,312</u>
EXPENSES			
Salaries and benefits	228,053	235,286	221,526
Goods and services	35,279	34,611	32,547
Interest	1,613	1,609	1,782
Transfer to other funds	6,733	8,939	8,627
Other	3,884	5,052	5,830
	<u>275,562</u>	<u>285,497</u>	<u>270,312</u>
NET SURPLUS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
COMMUNITY SERVICES			
REVENUES			
Taxation	\$ 57,752	\$ 56,389	\$ 55,820
Sales of services and regulatory fees	16,411	15,782	15,377
Government transfers	10,650	10,676	11,291
Transfer from other funds	4,632	4,653	2,404
Other	2,607	2,697	3,189
	<u>92,052</u>	<u>90,197</u>	<u>88,081</u>
EXPENSES			
Salaries and benefits	43,631	42,806	42,773
Goods and services	13,004	12,714	11,709
Interest	1,343	1,343	1,269
Transfer to other funds	26,709	26,905	25,309
Other	7,365	6,429	7,021
	<u>92,052</u>	<u>90,197</u>	<u>88,081</u>
NET SURPLUS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE CITY OF WINNIPEG
SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET
INFORMATION - GENERAL REVENUE FUND (continued)

Schedule 3

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

PLANNING	2007		2006
	Budget	Actual	Actual
REVENUES			
Taxation	\$ 15,040	\$ 14,427	\$ 11,696
Sales of services and regulatory fees	12,077	14,767	13,110
Government transfers	3,091	3,101	3,246
Transfer from other funds	5,808	6,070	5,637
Other	1,223	1,304	1,484
	<u>37,239</u>	<u>39,669</u>	<u>35,173</u>
EXPENSES			
Salaries and benefits	19,939	19,144	18,947
Goods and services	3,465	3,105	3,841
Interest	2,416	2,416	2,035
Transfer to other funds	8,260	10,295	6,396
Other	3,159	4,709	3,954
	<u>37,239</u>	<u>39,669</u>	<u>35,173</u>
NET SURPLUS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
PUBLIC WORKS AND WATER			
REVENUES			
Taxation	\$ 155,658	\$ 161,724	\$ 148,039
Sales of services and regulatory fees	3,583	3,713	3,491
Government transfers	18,471	18,545	19,023
Transfer from other funds	27,383	25,956	21,606
Other	6,304	6,004	7,149
	<u>211,399</u>	<u>215,942</u>	<u>199,308</u>
EXPENSES			
Salaries and benefits	54,908	56,314	53,893
Goods and services	87,337	89,170	77,731
Interest	41,545	41,545	40,904
Transfer to other funds	4,748	5,528	5,599
Other	22,861	23,385	21,181
	<u>211,399</u>	<u>215,942</u>	<u>199,308</u>
NET SURPLUS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE CITY OF WINNIPEG
SCHEDULE OF SEGMENT DISCLOSURE WITH BUDGET
INFORMATION - GENERAL REVENUE FUND (continued)

Schedule 3

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

FINANCE AND ADMINISTRATION	2007		2006
	Budget	Actual	Actual
REVENUES			
Taxation	\$ 90,252	\$ 88,038	\$ 96,128
Sales of services and regulatory fees	10,012	10,169	9,529
Government transfers	13,371	13,404	14,760
Transfer from other funds	5,982	6,312	3,450
Other	5,373	7,064	7,875
	<u>124,990</u>	<u>124,987</u>	<u>131,742</u>
EXPENSES			
Salaries and benefits	30,986	32,118	38,015
Goods and services	13,795	12,815	13,312
Interest	5,434	3,781	6,039
Transfer to other funds	39,123	43,562	43,503
Other	35,652	32,711	30,873
	<u>124,990</u>	<u>124,987</u>	<u>131,742</u>
NET SURPLUS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

THE CITY OF WINNIPEG CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW

As at December 31

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

(Unaudited)

	2007	2006	2005	2004	2003
1. Population (as restated per Statistics Canada)	653,400	649,300	647,400	646,700	642,700
Unemployment rate (per Statistics Canada)					
- Winnipeg	4.7%	4.6%	4.8%	5.5%	5.2%
- National average	6.0%	6.3%	6.8%	7.2%	7.6%
2. Average total employees	8,566	8,836	8,749	8,788	8,385
3. Number of taxable properties	209,127	206,658	206,170	205,366	204,494
Payments-in-lieu of taxes					
Number of properties	945	922	874	853	940
4. Assessment - Residential	\$ 23,223,839	22,800,354	18,460,471	18,277,925	18,069,819
(see notes) - Commercial and industrial	8,095,206	7,959,866	7,209,121	7,132,230	7,099,635
- Farm and golf	156,357	162,390	102,742	101,769	104,099
	\$ 31,475,402	30,922,610	25,772,334	25,511,924	25,273,553
Assessment per capita (in dollars)	\$ 48,172	47,625	39,809	39,449	39,324
Commercial and industrial as a percentage of assessment	25.72%	25.74%	27.97%	27.96%	28.09%
5. Tax arrears	\$ 38,038	41,350	37,698	40,436	42,761
6. Tax arrears - per capita (in dollars)	\$ 58.22	63.68	58.23	62.53	66.53
7. Municipal mill rate	25.448	25.448	29.686	29.686	29.686
- Percentage change adjusted for portioning and reassessment	0.00%	0.00%	0.00%	0.00%	0.00%
8. Winnipeg consumer price index (per Statistics Canada) (annual average)					
- 2002 base year 100	110.8	108.5	106.5	103.7	101.8
- Percentage increase	2.1%	1.9%	2.7%	1.9%	1.8%
9. Consolidated revenues (see notes)					
- Taxation	\$ 515,197	518,661	503,594	491,698	489,996
- User charges	381,273	356,761	339,539	328,206	318,605
- Government transfers	188,563	152,300	120,725	94,100	97,082
- Interest and other revenue	135,781	77,811	75,266	54,879	55,746
	\$ 1,220,814	1,105,533	1,039,124	968,883	961,429
10. Consolidated expenses by function (see notes)					
- Municipal operations	\$ 765,732	729,753	712,630	681,533	662,902
- Public utilities	242,797	231,306	225,133	217,171	218,246
- Civic corporations	25,000	24,174	25,636	31,214	29,855
	\$ 1,033,529	985,233	963,399	929,918	911,003
11. Growth in accumulated surplus (see notes)	\$ 187,285	120,300	75,725	38,965	50,426

(Note: In 2006, the City conducted a general reassessment which moved from a 1999 level of value to a 2003 level of value.)

(Note: For 2003, the revenues, expenses, accumulated surplus, and net financial assets (liabilities) figures have not been restated for compensated absences.)

(Note: For 2003 - 2004, the revenues, expenses, net financial assets (liabilities), accumulated surplus and acquisition of tangible capital assets figures have not been restated to reflect the change in accounting policy concerning tangible capital assets, revenues from contributed assets and government transfers related to tangible capital assets acquisitions, and to record the City's investment in government businesses.)

THE CITY OF WINNIPEG CONSOLIDATED FINANCIAL STATEMENTS

FIVE-YEAR REVIEW - continued

As at December 31

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

(Unaudited)

	2007	2006	2005	2004	2003
12. Consolidated expenses by object					
(see notes)					
Salaries and benefits	\$ 539,405	530,881	510,928	496,048	465,442
Goods and services	291,032	271,530	270,707	285,594	290,573
Amortization	133,635	125,681	122,718	-	-
Interest	46,950	45,665	50,283	-	-
Other expenses	22,507	11,476	8,763	19,234	21,451
Debt interest and repayment	-	-	-	129,042	133,537
	\$ 1,033,529	985,233	963,399	929,918	911,003
13. Payments to school authorities	\$ 452,937	437,317	435,205	439,062	425,053
14. Debt					
Tax-supported	\$ 379,836	411,043	429,287	486,790	489,974
Transit	25,464	26,813	27,520	35,092	33,606
City-owned utilities	206,261	207,581	151,700	175,050	177,429
Other	34,587	24,893	5,160	5,743	6,293
Total gross debt	646,148	670,330	613,667	702,675	707,302
Less: Sinking Funds	248,686	222,723	198,965	239,831	245,709
Total net long-term debt	\$ 397,462	447,607	414,702	462,844	461,593
Percentage of total assessment	1.26%	1.45%	1.61%	1.81%	1.83%
15. Acquisition of tangible capital assets					
Acquisitions (see notes)	\$ 352,149	263,066	199,313	143,286	164,384
16. Net financial assets (liabilities)					
(see notes)	\$ 52,440	71,767	81,020	72,620	(46,874)
17. Accumulated surplus (see notes)					
Surpluses					
Invested in tangible capital assets	\$ 3,434,876	3,181,870	3,038,586	335,267	305,951
Unamortized gain on Winnipeg Hydro sale	238,376	243,751	253,539	262,772	271,483
Other surpluses	187,543	215,383	192,331	145,050	137,575
Unfunded liabilities	(157,724)	(152,059)	(138,345)	(129,490)	(118,725)
	3,703,071	3,488,945	3,346,111	613,599	596,284
Reserves					
Capital	89,887	114,359	159,772	179,679	152,804
Stabilization	78,619	81,229	64,004	62,325	60,588
Special Purpose	74,920	74,679	69,025	72,224	82,364
Other	-	-	-	2,240	2,145
	243,426	270,267	292,801	316,468	297,901
	\$ 3,946,497	3,759,212	3,638,912	930,067	894,185
18. Area in square kilometers at the end of the year	476	476	476	476	476
19. Construction					
- Permits issued	8,742	8,987	8,931	8,977	8,344
- Value	\$ 843,591	849,758	656,350	674,619	649,071



THE CITY OF WINNIPEG GENERAL REVENUE FUND

The City of Winnipeg ("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, 2007, the General Revenue Fund reported a net surplus of \$1.6 million (2006 - \$0.7 million), which was transferred to the Mill Rate Stabilization Reserve. Factors that contributed to the General Revenue Fund's position were as follows:

- Public Works department's expenses were \$6.2 million over budget mainly due to increased snow clearing costs. This was partially offset by a reduction in Public Works departmental expenditures including salaries and benefits;
- The Province of Manitoba announced \$1.6 million of additional funding through the provincial video lottery terminal/casino revenue sharing to enhance public safety and to fully fund 14 new police officers, including five in the City's stolen auto unit;
- Corporate expenses were \$1.5 million over budget primarily due to higher than expected costs, net of \$0.9 million in rebates;
- Fire Paramedic Service department's expenses exceeded budget by \$8.6 million, offset by additional revenues of \$7.2 million. The residual amount of \$1.4 million represents additional costs primarily associated with overtime, sick leave severance and the allowance for doubtful accounts;
- Property Assessment department's expenses were \$1.4 million under budget mainly as a result of salary and benefit savings arising from unfilled positions;
- Community Services department's expenses were under budget by \$1.9 million, offset by program revenue that was \$0.8 million under budget. The residual amount of \$1.1 million represents salary and benefit savings arising from unfilled positions;
- Short-term interest revenue improved by \$1.1 million due to the investment strategies that had produced higher than expected returns;
- Corporate Finance department's expenses were \$1.1 million under budget mainly as a result of salary and benefit savings arising from unfilled positions; and
- Other departmental revenues and expenses provided \$4.4 million to the bottom line.

THE CITY OF WINNIPEG GENERAL REVENUE FUND

FIVE-YEAR REVIEW

As at December 31

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

(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<i>Planning, Property and Development</i>					
Construction					
-Permits issued	8,742	8,987	8,931	8,977	8,344
-Value	\$ 843,591	\$ 849,758	\$ 656,350	\$ 674,619	\$ 649,071
Housing starts	3,067	3,289	2,177	2,335	2,208
<hr/>					
<i>Community Services</i>					
Libraries Provincial					
Grant	\$ 1,910	\$ 1,910	\$ 1,910	\$ 1,910	\$ 1,963
Library circulation	5,431,786	5,532,720	5,228,670	5,518,469	5,730,808
<hr/>					
<i>Taxes Receivable</i>					
Property, payments-in-lieu					
and business taxes	\$ 38,038	\$ 41,350	\$ 37,698	\$ 40,436	\$ 42,761
Allowance for tax arrears	(6,228)	(6,326)	(6,364)	(6,394)	(5,056)
	\$ 31,810	\$ 35,024	\$ 31,334	\$ 34,042	\$ 37,705
<hr/>					
<i>Tax Revenues</i>					
Municipal realty					
taxes	\$ 389,913	\$ 374,268	\$ 373,187	\$ 365,486	\$ 360,248
Payments-in-lieu of taxes	\$ 30,421	\$ 31,575	\$ 32,040	\$ 30,334	\$ 29,918
Business and licenses-in-					
lieu of business taxes	\$ 56,057	\$ 61,029	\$ 61,243	\$ 60,891	\$ 60,853
<hr/>					
<i>Statement of Operations</i>					
Revenues	\$ 756,292	\$ 724,616	\$ 711,529	\$ 697,668	\$ 681,512
Expenses	754,710	723,933	711,529	697,668	681,512
	1,582	683	-	-	-
Contribution to the Mill					
Rate Stabilization Reserve	(1,582)	(683)	-	-	-
Surplus	\$ -	\$ -	\$ -	\$ -	\$ -
<hr/>					
Debt and finance					
charges	\$ 98,712	\$ 103,850	\$ 108,887	\$ 112,265	\$ 116,983
% of total					
expenses	13.05%	14.33%	15.30%	16.09%	17.17%
<hr/>					

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash and short-term investments	\$ 599,417	\$ 547,563
Accounts receivable (Note 3)	71,160	73,894
Materials and supplies	6,823	6,418
Prepaid expenses	948	1,529
	<u>678,348</u>	<u>629,404</u>
Contributed surplus and other assets (Note 4)	<u>45,013</u>	<u>45,521</u>
	<u>\$ 723,361</u>	<u>\$ 674,925</u>
LIABILITIES		
Current		
Notes payable (Note 5)	\$ 210,148	\$ 140,730
Due to other funds (Note 6)	341,056	371,428
Accounts payable and accrued liabilities (Note 7)	126,208	119,934
Deferred revenue (Note 8)	36,909	37,069
Performance and other deposits	9,040	5,764
	<u>\$ 723,361</u>	<u>\$ 674,925</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)*

	2007 Budget	2007 Actual	2006 Actual
	(Note 16)		
REVENUES (Schedule 1)			
Taxation (Note 10)	\$ 469,507	\$ 470,847	\$ 459,890
Government transfers	81,173	88,149	80,962
Contributions and transfers	60,819	60,104	45,864
Sale of goods and services (Note 11)	43,296	45,260	43,216
Regulation fees	33,081	35,684	34,061
Payments-in-lieu of taxes (Note 10)	30,421	30,421	31,575
Sale of Winnipeg Hydro and other	21,035	22,390	25,855
Interest	1,910	3,437	3,193
Total Revenues	<u>741,242</u>	<u>756,292</u>	724,616
EXPENSES (Schedules 2 and 3)			
Protection and community services	368,355	376,458	359,134
Public works	211,399	215,942	199,308
Finance and administration	67,464	63,421	65,655
Property and development	37,239	39,669	35,173
Contribution to Transit System	33,743	33,743	34,479
Employee benefits and payroll tax	10,937	11,307	12,829
Grants and payments to other authorities	7,863	8,903	8,874
Debt and finance charges	7,465	6,708	10,254
Other	(3,223)	(1,441)	(1,773)
Total Expenses	<u>741,242</u>	<u>754,710</u>	723,933
Surplus for the year before the contribution to the Mill Rate Stabilization Reserve	-	1,582	683
Contribution to the Mill Rate Stabilization Reserve	-	(1,582)	(683)
Surplus for the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG GENERAL REVENUE FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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 significant accounting policies summarized below.

a) Basis of presentation

The General Revenue Fund follows the fund basis of reporting. 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 relating to accrued vacation costs, compensated absences, legal claims, retirement allowance, workers compensation claims, insurance claims, councillors' pension plan costs, and environmental costs which are recorded when payment is incurred.

c) Short-term investments

Short-term investments consist of Government of Canada treasury bills and crown corporation commercial paper; provincial government bonds, floating rate notes, promissory notes and treasury bills; City of Winnipeg municipal bond; schedule A bankers acceptances; floating rate notes; and bearer deposit notes. Short-term investments are recorded at cost, which approximates their quoted market value. These investments have varying maturities up to February 2, 2009, and have an effective average interest rate of 4.4% (2006 - 4.3%).

d) Materials and supplies

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

e) Assessment appeal costs

Assessment appeal costs are estimated at the beginning of the four year assessment cycle and are amortized over the cycle. The liability is net of the unamortized costs.

1. Significant Accounting Policies (continued)

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.

g) Corporate debt and finance charges

Tax-supported tangible capital assets financed by debt including internal financing through the Equity in Capital Assets Fund, are recorded along with the outstanding debt obligation in the General Capital Fund. Interest and payments on debt are funded by the General Revenue Fund and the interest expense is recorded in the General Capital 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 board and divisions and are not included as revenues and expenses in the General Revenue Fund's 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 funded by the City. 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.

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.

1. *Significant Accounting Policies (continued)*

m) **Government transfers**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

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>2007</u>	<u>2006</u>
Property, payments-in-lieu and business taxes	\$ 38,038	\$ 41,350
Allowance for tax arrears	<u>(6,228)</u>	<u>(6,326)</u>
	<u>31,810</u>	35,024
Trade accounts and other receivables	17,173	20,549
Province of Manitoba	14,285	12,148
Government of Canada	6,594	5,657
Accrued interest receivable	3,135	2,724
The Sinking Fund Trustees of The City of Winnipeg	903	702
The Convention Centre Corporation	<u>169</u>	<u>214</u>
	42,259	41,994
Allowance for doubtful accounts	<u>(2,909)</u>	<u>(3,124)</u>
	<u>39,350</u>	<u>38,870</u>
	<u>\$ 71,160</u>	<u>\$ 73,894</u>

4. *Contributed Surplus and Other Assets*

	<u>2007</u>	<u>2006</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	172
Loans receivable:		
Winnipeg Parking Authority - Special Operating Agency, start-up loan, interest at 6%, with no specific terms of repayment	12,218	12,218
Golf Services - Special Operating Agency, interest at 6%, repayable in annual payments of \$264 thousand	3,113	3,133
Deferred election costs	973	1,460
Deferred charges, other	22	23
	<u>\$ 45,013</u>	<u>\$ 45,521</u>

Interest revenue received on the loan to Golf Services - Special Operating Agency during the year was \$188 thousand (2006 - \$188 thousand).

Interest revenue received on the loan to Winnipeg Parking Authority - Special Operating Agency during the year was \$733 thousand (2006 - \$733 thousand).

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 4.30% (2006 - 4.0%). These notes are callable by the issuers.

	<u>2007</u>	<u>2006</u>
Winnipeg Civic Employees' Benefits Program (Pension Fund)	\$ 121,659	\$ 67,462
Winnipeg Police Pension Plan	38,991	21,782
The Sinking Fund Trustees of The City of Winnipeg	31,552	22,036
The Civic Employees' Group Life Insurance Plan	11,331	1,927
Insurance Reserve	3,364	1,404
Workers Compensation Reserve	2,966	4,935
Perpetual Maintenance Reserve Funds:		
- Brookside Cemetery	158	2,381
- St. Vital Cemetery	41	(12)
- Transcona Cemetery	31	197
Brady Landfill Site Rehabilitation Reserve	29	92
Sinking Fund	26	-
Water Treatment Reserve	-	18,526
	<u>\$ 210,148</u>	<u>\$ 140,730</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. Where appropriate, 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, which is a function of the Bank of Canada rate.

6. *Due to Other Funds (continued)*

	<u>2007</u>	<u>2006</u>
Capital Reserves	\$ 123,570	\$ 109,004
Stabilization Reserves	78,619	81,229
Waterworks System	64,938	98,910
Special Purpose Reserves	52,335	46,233
Sewage Disposal System	34,322	29,442
Equity in Capital Assets	23,190	12,532
Equipment and Material Services	9,971	77
Solid Waste Disposal	7,646	6,408
General Revenue Enterprises	5,243	6,119
Building Services	639	341
Fleet Management - Special Operating Agency	289	2,392
Trusts	252	223
Civic Accommodations	63	83
Sinking Fund	4	-
Glacial Sand and Gravel - Special Operating Agency	-	(1,412)
Animal Services - Special Operating Agency	(361)	(275)
Winnipeg Enterprises Corporation	(1,335)	73
Golf Services - Special Operating Agency	(2,008)	(1,436)
Transit System	(8,441)	(995)
Winnipeg Parking Authority - Special Operating Agency	(8,829)	(7,757)
General Capital	(39,051)	(9,763)
	<u>\$ 341,056</u>	<u>\$ 371,428</u>

7. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 48,140	\$ 45,995
Provincial education support and school division special levies payable	27,956	25,341
Wages and employee benefits payable	21,780	22,751
Provision for assessment appeals	12,171	11,724
Other accrued liabilities	10,277	8,061
Accrued interest on long-term debt	5,884	6,062
	<u>\$ 126,208</u>	<u>\$ 119,934</u>

8. *Deferred Revenue*

	<u>2007</u>	<u>2006</u>
Deferred gain on sale of assets to:		
Golf Services - Special Operating Agency	\$ 22,528	\$ 22,692
Winnipeg Parking Authority - Special Operating Agency	11,052	11,323
Province of Manitoba, Federal Government and other	2,350	2,006
Registration fees	909	963
Rentals	70	85
	<u>\$ 36,909</u>	<u>\$ 37,069</u>

9. *Commitments and Contingent Liabilities*

The following significant commitments and contingencies existed at December 31, 2007:

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:

2008	\$	174
2009		146
2010		87
2011		45
		<hr/>
	\$	452
		<hr/> <hr/>

b) **Loan guarantees**

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

	<u>2007</u>	<u>2006</u>
Dakota Community Centre Inc.	\$ 2,267	\$ 2,376
Winnipeg Enterprises Corporation	2,084	4,866
Gateway Recreation Centre Inc.	1,596	1,812
Garden City Community Centre Inc.	588	651
St. Norbert Community Centre	349	396
Maples Recreation Association Inc.	276	305
Glenwood Community Centre Inc.	218	248
Granite Curling Club	76	81
Springer's Gymnastics Club Inc.	71	88
St. Norbert Children's Centre Inc.	59	77
Charleswood Broncos Football Club	46	-
Richmond Kings Community Centre Inc.	46	49
East Side Eagles Football Club	5	11
Winnipeg Housing Rehabilitation Corporation	-	719
Kirkfield-Westwood Community Centre Inc.	-	96
Manitoba Opera Association Inc.	-	90
	<hr/>	<hr/>
	\$ 7,681	\$ 11,865
	<hr/> <hr/>	<hr/> <hr/>

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, 2007, an accrual has not been made to the financial statements.

c) **Lawsuits**

The City is defendant in two significant lawsuits as at December 31, 2007. The expense is recorded when settlement occurs.

Normal contingent liabilities exist consisting of routine claims for street and sidewalk accidents, property damage, etc.. Any 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 \$820.1 million (2006 - \$789.6 million). This included school taxes of \$430.1 million (2006 - \$415.4 million) assessed and levied on behalf of the Province of Manitoba and school divisions. Total payments-in-lieu of taxes for the year were \$53.2 million (2006 - \$53.5 million). Included were payments-in-lieu of school taxes assessed in 2007 of \$22.8 million (2006 - \$21.9 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 expenses 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.

Included in payments-in-lieu of taxes and business taxes are 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>2007</u>	<u>2006</u>
Sewage Disposal System	\$ 9,185	\$ 9,716
Waterworks System	3,056	3,009
Winnipeg Parking Authority - Special Operating Agency	750	758
Transit System	541	537
Golf Services - Special Operating Agency	247	240
Solid Waste Disposal	39	32
	<u>\$ 13,818</u>	<u>\$ 14,292</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>2007</u>	<u>2006</u>
Transit System	\$ 777	\$ 777
Waterworks System	612	612
Sewage Disposal System	467	467
Fleet Management - Special Operating Agency	421	421
Civic Accommodations	306	306
Building Services	252	252
Solid Waste Disposal	79	79
Animal Services - Special Operating Agency	70	70
Golf Services - Special Operating Agency	61	62
Winnipeg Parking Authority - Special Operating Agency	36	28
	<u>\$ 3,081</u>	<u>\$ 3,074</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 are transfers to various funds as follows: Library Reserve \$279 thousand (2006 - \$281 thousand); Animal Services - Special Operating Agency net transfer \$938 thousand (2006 - \$940 thousand); Concession Equipment Reserve \$19 thousand (2006 - \$13 thousand); Insect Control Urgent Expenditures Reserve \$1.2 million (2006 - \$600 thousand); and Recreation Programming Reserve \$159 thousand (2006 - \$490 thousand).

Included in Planning, Property and Development department's expenses is a net transfer from the Perpetual Maintenance Reserve Funds in the amount of \$397 thousand (2006 - \$236 thousand), a transfer to the Permit Reserve of \$2.4 million (2006 - \$nil) and the Housing Rehabilitation Investment Reserve of \$1.0 million (2006 - \$nil).

Included in Corporate Finance department's expenses are recoveries from various funds for investment management fees. This includes \$247 thousand (2006 - \$130 thousand) from the Stabilization Reserves, \$225 thousand (2006 - \$104 thousand) from the Special Purpose Reserves, \$345 thousand (2006 - \$277 thousand) from the Capital Reserves, \$39 thousand (2006 - \$31 thousand) from the Equity in Capital Assets Fund and \$1 thousand (2006 - \$nil) from the Sinking Fund.

Included in various department expense categories are a transfer to the Civic Accommodations Fund of \$29.2 million (2006 - \$28.3 million) for facilities costs, a transfer to the Computer Replacement Reserve of \$585 thousand (2006 - \$566 thousand), and a transfer to the Building Services Fund of \$18.2 million (2006 - \$16.7 million).

Included in various expense categories in 2007 are a contribution to the Commitment Reserve of \$2.7 million (2006 - \$2.6 million), a transfer to the Insurance Reserve of \$978 thousand (from 2006 - \$107 thousand), and a transfer to the General Capital Fund of \$2.0 million (2006 - \$3.5 million).

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 \$23.1 million (2006 - \$22.3 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, 2007 has been estimated to be \$4.5 million (2006 - \$4.5 million). In 2007, the City paid out \$0.3 million (2006 - \$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 2007, the City paid out \$0.2 million (2006 - \$0.1 million).

14. Other Employee Benefits

- a) 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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$63.9 million (2006 - \$64.5 million).
- b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$5.5 million (2006 - \$5.4 million).
- c) 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, 2007 is estimated at \$30.2 million (2006 - \$31.4 million).
- d) 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, 2007 is estimated at \$5.7 million (2006 - \$5.6 million).
- e) 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 revenue 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 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. Budget

The budget has been adjusted for Corporate and Fire Paramedic Service department's expenses to reflect the negotiated settlement of the collective agreement.

17. Comparative Figures

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)*

	2007 Budget	2007 Actual	2006 Actual
	(Note 16)		
Taxation			
Municipal realty taxes	\$ 389,913	\$ 389,913	\$ 374,268
Business and licenses-in-lieu of business taxes	56,284	56,057	61,029
Electricity and natural gas sales taxes	16,679	17,125	16,941
Entertainment taxes	4,925	5,624	5,638
Local improvement taxes	1,265	1,506	1,524
Licenses-in-lieu of realty taxes	367	354	352
Local improvement taxes commuted	29	222	94
Billboard taxes	45	46	44
	469,507	470,847	459,890
Government transfers			
Provincial			
Building Manitoba Fund	49,368	53,204	49,368
Unconditional	19,888	19,888	19,887
Video lottery terminal	8,820	8,820	8,820
Ambulance	6,260	7,545	6,081
Support	7,094	7,298	6,945
Other transfers	6,110	6,118	6,216
Casino	4,458	6,087	4,458
Libraries	1,910	1,910	1,910
Dutch elm disease control	900	900	900
Services transferred to the Province	(23,650)	(23,650)	(23,650)
	81,158	88,120	80,935
Federal government grants	15	29	27
	81,173	88,149	80,962

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 1

REVENUES

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

	2007 Budget	2007 Actual	2006 Actual
	(Note 16)		
Contributions and transfers			
Sewage Disposal System	18,689	18,422	14,970
Waterworks System	12,580	12,580	12,123
Fiscal Stabilization Reserve	9,000	9,000	-
Fleet Management - Special Operating Agency	5,574	5,594	6,965
Winnipeg Parking Authority - Special Operating Agency	5,300	5,300	6,070
Civic Accommodations	3,558	3,880	2,884
Workers Compensation Reserve	-	2,936	-
The Sinking Fund Trustees of the City of Winnipeg	900	900	700
Solid Waste Disposal	1,636	407	876
Idea Bank Reserve	58	358	-
Golf Services - Special Operating Agency	305	305	312
Assiniboine Park Enterprises Reserve	-	177	-
General Capital	-	113	-
Building Services	66	70	54
General Revenue Enterprises	40	62	79
Other	3,113	-	-
Glacial Sand and Gravel - Special Operating Agency	-	-	519
Commitment Reserve	-	-	300
Transit System	-	-	12
	60,819	60,104	45,864
Sale of goods and services	43,296	45,260	43,216
Regulation fees			
Fines	14,344	15,245	15,496
Permits and fees	9,132	10,978	9,991
Tax penalties	6,500	6,348	5,467
Licenses	3,105	3,113	3,107
	33,081	35,684	34,061
Payments-in-lieu of taxes	30,421	30,421	31,575
Sale of Winnipeg Hydro and other			
Manitoba Hydro	20,000	20,000	25,000
Accounts payable write-offs, commissions, etc.	1,035	2,390	855
	21,035	22,390	25,855

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 1

REVENUES

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

	<u>2007 Budget</u> (Note 16)	<u>2007 Actual</u>	<u>2006 Actual</u>
Interest			
Interest earned	590	1,831	1,654
Interest capitalized	820	1,106	1,039
Debt charges recovered	500	500	500
	<u>1,910</u>	<u>3,437</u>	<u>3,193</u>
Total Revenues	<u>\$ 741,242</u>	<u>\$ 756,292</u>	<u>\$ 724,616</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 2

EXPENSES

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

	2007 Budget (Note 16)	2007 Actual	2006 Actual
Protection and community services			
Police services	\$ 159,468	\$ 160,756	\$ 158,157
Fire paramedic service	116,094	124,741	112,155
Community services	92,052	90,197	88,081
Museums	741	764	741
	368,355	376,458	359,134
Public works			
Public works	169,703	175,879	157,546
Water and waste	31,204	29,754	31,672
Street lighting	10,492	10,309	10,090
	211,399	215,942	199,308
Finance and administration			
Corporate information technology	15,609	15,307	16,832
City clerks	11,809	11,209	11,137
Property assessment	11,428	10,011	10,369
Corporate services	10,067	9,753	9,442
Corporate finance	9,736	8,678	9,603
Council	2,657	2,609	2,597
CAO secretariat	2,891	2,458	2,799
Audit	1,099	1,510	960
EPC secretariat	1,648	1,372	1,436
Mayor's office	520	514	480
	67,464	63,421	65,655
Property and development			
Planning, property and development	37,239	39,669	35,173
Contribution to Transit System	33,743	33,743	34,479
Employee benefits and payroll tax			
Provincial payroll tax	7,358	7,614	7,277
Employee benefits	3,579	3,693	5,552
	10,937	11,307	12,829

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
	(Note 16)		
Grants and payments to other authorities			
Grants	4,265	5,305	5,333
The Convention Centre Corporation	2,075	2,075	2,075
Destination Winnipeg	1,313	1,313	1,288
Children's Museum and other payments	135	135	140
Winnipeg Enterprises Corporation	75	75	38
	7,863	8,903	8,874
Debt and finance charges			
Transfer to General Capital	97,044	94,985	97,494
Transfer to Equity in Capital Assets	-	2,059	4,627
Other interest and finance charges	2,419	1,668	1,729
Transfer to departments	(91,998)	(92,004)	(93,596)
	7,465	6,708	10,254
Other			
Insurance and damage claims	3,600	3,600	3,568
Government affairs, pension contribution and other	(6,823)	(5,041)	(5,341)
	(3,223)	(1,441)	(1,773)
Contribution to the Mill Rate Stabilization Reserve	-	1,582	683
Total Expenses	\$ 741,242	\$ 756,292	\$ 724,616

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 3

EXPENSES BY OBJECT

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

	<u>2007 Budget</u> (Note 16)	<u>2007 Actual</u>	<u>2006 Actual</u>
Salaries and employee benefits	\$ 377,517	\$ 385,668	\$ 375,154
Services	115,074	118,587	105,399
Debt and finance charges - departmental and corporate	99,607	98,921	104,047
Transfers	85,573	95,229	89,434
Materials, parts and supplies	29,090	26,885	26,100
Grants and payments to other authorities - departmental and corporate	20,239	22,295	20,634
Municipal tax, amortization, and other expenses	12,631	10,644	7,269
Provincial payroll tax	7,357	7,613	7,277
Assets - purchases and renovations	8,716	6,943	7,641
Assessment appeals	3,100	3,100	1,992
Recoveries	(17,662)	(19,593)	(20,331)
	<u>\$ 741,242</u>	<u>\$ 756,292</u>	<u>\$ 724,616</u>

**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, City 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 2007 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 2007 with 2006 comparative figures are as follows:

	<u>2007</u>	<u>2006</u>
Provincial education support program levy		
Other property	\$ 74,723,333	\$ 74,484,507
Special levies (by school division)		
Winnipeg No. 1	129,033,323	125,562,776
Pembina Trails No. 7	65,579,031	62,929,729
Louis Riel No. 51	63,809,189	60,343,702
River East - Transcona No. 72	51,002,935	48,691,998
St. James - Assiniboia No. 2	38,178,365	36,042,769
Seven Oaks No. 10	27,647,102	26,459,801
Seine River No. 14	2,946,396	2,789,550
Interlake No. 21	17,600	11,797
	<u>378,213,941</u>	<u>362,832,122</u>
	<u>\$ 452,937,274</u>	<u>\$ 437,316,629</u>
Allocated as follows:		
Realty taxes	\$ 430,146,018	\$ 415,362,512
Payments-in-lieu of taxes	22,791,256	21,954,117
	<u>\$ 452,937,274</u>	<u>\$ 437,316,629</u>

**THE CITY OF WINNIPEG
GENERAL REVENUE FUND**

Schedule 5

PROJECTED 2007 ASSESSMENT PORTIONED BY PROPERTY CLASSIFICATION

*As at April 20, 2007
(unaudited)*

	Portion	Taxable	Exempt Subject to Payments-in-Lieu	Exempt	Total
Residential 1	45.0%	\$ 8,862,058,799	\$ 30,813,667	\$ 19,160,792	\$ 8,912,033,258
Residential 2	45.0%	869,274,180	104,937,269	1,683,490	975,894,939
Residential 3	45.0%	583,645,100	-	81,541	583,726,641
Farm	26.0%	15,365,855	1,242,020	8,161,811	24,769,686
Institutional	65.0%	350,502,284	66,450,345	1,158,772,286	1,575,724,915
Pipelines	50.0%	8,385,300	-	-	8,385,300
Railways	25.0%	22,681,614	-	-	22,681,614
Designated recreational facilities	10.0%	9,116,665	131,400	1,053,410	10,301,475
⇒ Other	65.0%	4,156,862,266	388,488,695	729,700,799	5,275,051,760
⇒ Legislative buildings	65.0%	-	5,195,405	-	5,195,405
		<u>\$ 14,877,892,063</u>	<u>\$ 597,258,801</u>	<u>\$ 1,918,614,129</u>	<u>\$ 17,393,764,993</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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Internal service operations and other programs:					
Revenues	\$ 3,649	\$ 3,282	\$ 4,228	\$ 5,649	\$ 3,081
Expenditures	<u>4,058</u>	<u>3,322</u>	<u>4,645</u>	<u>4,651</u>	<u>2,881</u>
 (Deficit)/Surplus	 <u>\$ (409)</u>	 <u>\$ (40)</u>	 <u>\$ (417)</u>	 <u>\$ 998</u>	 <u>\$ 200</u>

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 5,243	\$ 6,119
Inventories	14	13
Accounts receivable	3	-
	<u>5,260</u>	<u>6,132</u>
	<u>\$ 5,260</u>	<u>\$ 6,132</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 18	\$ -
Interest payable - Idea Bank Reserve	3	5
Current portion of loan payable (Note 4)	45	45
Deferred revenue	575	1,014
	<u>641</u>	<u>1,064</u>
Loan payable (Note 4)	<u>40</u>	<u>80</u>
	<u>681</u>	<u>1,144</u>
RETAINED EQUITY	<u>4,579</u>	<u>4,988</u>
	<u>\$ 5,260</u>	<u>\$ 6,132</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>2007</u>	<u>2006</u>
REVENUES		
Permits and fees	\$ 2,667	\$ 2,172
Transfer from Land Operating Reserve	571	668
Sales of goods and services	409	439
Other revenue	2	3
	<u>3,649</u>	<u>3,282</u>
EXPENDITURES		
Street cuts operations (Note 5)	3,542	2,695
Printing and duplicating operations (Note 5)	271	316
Riverbank management operations	137	37
Libraries programs	71	240
Real estate enterprises	20	34
Transfer to General Capital Fund	17	-
	<u>4,058</u>	<u>3,322</u>
DEFICIT FROM OPERATIONS	(409)	(40)
RETAINED EQUITY, BEGINNING OF YEAR	<u>4,988</u>	<u>5,028</u>
RETAINED EQUITY, END OF YEAR	<u>\$ 4,579</u>	<u>\$ 4,988</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG GENERAL REVENUE ENTERPRISES FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007
(in thousands of dollars)
(unaudited)

1. *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 reporting. 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.

d) **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.

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.

4. *Loan Payable*

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>2007</u>	<u>2006</u>
Goods and services	\$ 3,845	\$ 3,169
Grants	88	30
Transfer to General Revenue Fund	62	79
Transfer to Idea Bank Reserve	46	44
Transfer to General Capital Fund	17	-
	<u>\$ 4,058</u>	<u>\$ 3,322</u>

Included in street cuts operations expenditures is a transfer to the General Revenue Fund of \$22 thousand (2006 - \$22 thousand).

Included in printing and duplicating operations expenditures is a transfer to the General Revenue Fund of \$40 thousand (2006 - \$57 thousand) and a transfer to the Idea Bank Reserve of \$46 thousand (2006 - \$44 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.

By December 31 of each year, Council is required under The City of Winnipeg Charter to approve a budget for the General Capital Fund. The 2007 budget for the General Capital Fund of \$245.7 million was a 81.60% increase from the 2006 budget of \$135.3 million. Capital expenditures in 2007 relating to 2007 and previous years capital budgets, increased from \$135.9 million in 2006 to \$149.5 million in 2007.

Of the \$149.5 million of total capital expenditures, \$84.8 million was for Roads and Bridges, \$29.1 million was for Water and Waste infrastructure, \$15.5 million related to Buildings and \$5.1 million related to Information Technology.

Included in the additions to major Roads and Bridges projects during the year were the following:

- Developer contributions-in-kind	\$	29.1	million
- Regional Streets Renewal program	\$	24.9	million
- Local Streets Renewal program	\$	19.8	million

THE CITY OF WINNIPEG GENERAL CAPITAL FUND

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
				*	*
Tangible Capital Assets	\$ 2,261,115	\$ 2,200,807	\$ 2,153,671	\$ 662,784	\$ 690,503
% change in tangible capital assets	2.74%	2.19%	224.94%	-4.01%	0.49%
Debt					
Internal financing	\$ 387,388	\$ 366,792	\$ 338,188	\$ 298,481	\$ 278,546
External financing (net of Sinking Fund)	205,032	250,178	281,968	315,523	306,991
Other long-term debt	29,996	36,428	43,420	45,302	48,719
Total long-term debt	\$ 622,416	\$ 653,398	\$ 663,576	\$ 659,306	\$ 634,256
% change in total debt	-4.74%	-1.53%	0.65%	3.95%	9.29%
Internal Debt as a % of Total Debt	62.24%	56.14%	50.96%	45.27%	43.92%
External Debt as a % of Total Debt	37.76%	43.86%	49.04%	54.73%	56.08%
Interest Expense					
Internal	\$ 26,514	\$ 24,499	\$ 21,843	\$ 20,527	\$ 20,228
External	27,203	28,714	32,684	36,789	38,017
Interest Expense	\$ 53,717	\$ 53,213	\$ 54,527	\$ 57,316	\$ 58,245
% change in external interest expense	-5.26%	-12.15%	-11.16%	-3.23%	N/A

Summary of Cash Flows

Operating activities	\$ 146,098	\$ 137,402	\$ 113,783	\$ 49,230	\$ 44,482
Long-term debt (retired) issued, net	\$ (9,129)	\$ 11,502	\$ (16,715)	\$ 17,969	\$ (40,308)
Payments to The Sinking Fund Trustees, net	\$ (8,272)	\$ (8,274)	\$ 29,948	\$ 18,369	\$ 103,290
Due to General Revenue Fund	\$ 29,288	\$ 513	\$ (2,103)	\$ (43,080)	\$ (35,930)
Capital acquisitions	\$ (149,471)	\$ (135,902)	\$ (117,083)	\$ (91,433)	\$ (110,075)
Other	\$ (8,514)	\$ (5,241)	\$ (7,830)	\$ 48,945	\$ 38,541

* Balances prior to January 1, 2005 have not been restated to comply with the provisions of Section 3150 of the Public Sector Accounting Board Handbook.

**THE CITY OF WINNIPEG
GENERAL CAPITAL FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
FINANCIAL ASSETS		
Accounts receivable (Note 3)	\$ 17,122	\$ 16,471
LIABILITIES		
Due to General Revenue Fund (Note 4)	39,051	9,763
Accounts payable and accrued liabilities (Note 5)	1,439	1,992
Deferred revenue	1,000	3,856
Debt (Note 6)	622,416	653,398
Deferred liabilities	898	1,168
Developer deposits	6,767	6,052
	<u>671,571</u>	<u>676,229</u>
NET FINANCIAL LIABILITIES	<u>(654,449)</u>	<u>(659,758)</u>
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 7)	<u>2,261,115</u>	<u>2,200,807</u>
ACCUMULATED SURPLUS (Note 8)	<u>\$ 1,606,666</u>	<u>\$ 1,541,049</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>2007</u>	<u>2006</u>
REVENUES		
Transfer from General Revenue Fund		
Debt and finance	\$ 94,985	\$ 97,494
Other	1,999	3,520
Developer contributions-in-kind	37,771	14,315
Province of Manitoba capital transfer	21,394	12,724
Transfer from Federal Gas Tax Revenue Reserve	16,865	16,776
Transfer from Sewer System Rehabilitation Reserve	12,547	240
Transfer from Sewage Disposal System	9,378	958
Transfer from Civic Accommodations Fund	7,330	7,491
Interest income	7,149	6,414
Other	6,063	2,877
Transfer from General Purpose Reserve	2,319	629
Government of Canada capital transfer	1,354	7,297
Frontage levies	1,091	19,580
Developer deposit	504	466
Transfer from Commitment Reserve	347	464
Transfer from Waterworks System	19	105
Transfer from General Revenue Enterprises Fund	17	-
Gain on sale of assets	-	1,919
	<u>221,132</u>	<u>193,269</u>
EXPENSES		
Amortization	88,926	82,520
Interest - External debt	27,203	28,714
Interest - Equity in Capital Assets Fund	26,514	24,499
Infrastructure maintenance	7,068	4,399
Loss on disposal of assets	2,833	-
Grants	1,859	2,087
Other	539	2,453
Transfer to Housing Rehabilitation Investment Reserve	430	550
Transfer to General Revenue Fund	113	-
Transfer to General Purpose Reserve	30	-
Transfer to Winnipeg Enterprises Corporation	-	2,134
Transfer to Land Operating Reserve	-	180
Transfer to Combined Sewer Renewal Reserve	-	60
	<u>155,515</u>	<u>147,596</u>
NET SURPLUS FOR THE YEAR	65,617	45,673
ACCUMULATED SURPLUS, BEGINNING OF YEAR	1,541,049	1,495,376
ACCUMULATED SURPLUS, END OF YEAR	\$ 1,606,666	\$ 1,541,049

See accompanying notes and schedule to the consolidated 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>2007</u>	<u>2006</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	\$ 65,617	\$ 45,673
Non-cash charges to operations		
Amortization	88,926	82,520
Net assets transferred from Sewage Disposal System (Schedule 1)	(7,663)	-
Loss (Gain) on disposal of assets	2,833	(1,919)
	<u>149,713</u>	<u>126,274</u>
Working capital from operations		
Net change in working capital	(1,204)	6,772
Net change in deferred liabilities, deferred revenue and deposits	(2,411)	4,356
	<u>146,098</u>	<u>137,402</u>
FINANCING		
Debenture debt retired	(29,725)	(17,102)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(7,149)	(6,414)
Payments to The Sinking Fund Trustees for outstanding long-term debt	(8,272)	(8,274)
Net increase in Equity in Capital Assets Fund debt	20,596	28,604
Due to General Revenue Fund	29,288	513
Other	(6,432)	(6,992)
	<u>(1,694)</u>	<u>(9,665)</u>
INVESTING		
Net purchase of capital assets (Schedule 1)	(149,471)	(135,902)
Net capital asset settlements and other (Schedule 1)	4,950	5,850
Net proceeds on disposal of tangible capital assets	117	2,315
	<u>(144,404)</u>	<u>(127,737)</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

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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 reporting. 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) Tangible capital assets

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

Land improvements	15 years
Buildings	10 to 50 years
Machinery and equipment	10 years
Vehicles	5 to 10 years
Computer hardware and software	5 to 10 years
Water and waste	
Underground networks	75 to 100 years
Flood stations and other infrastructure	50 to 75 years
Transportation	
Roads	10 to 50 years
Bridges and structures	25 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

In certain circumstances, capital project work is charged an administration fee equal to 1% of specific costs of the project to a maximum of \$100 thousand on any individual project. In addition, interim financing charges of 2% are also capitalized as part of the project cost funded by The City of Winnipeg.

1. *Significant Accounting Policies (continued)*

d) **Contributions of tangible capital assets**

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt.

e) **Deferred revenue**

The City receives funds dedicated to the acquisition of specific tangible capital assets. Where capital funding is received but has not been used in the year to acquire tangible capital assets, the funding is reported as deferred revenue and taken into income in future years when the cost is incurred.

f) **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.

g) **Deferred liabilities**

Deferred liabilities consist of developer repayments as well as contributions received 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.

h) **Revenue recognition**

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

2. *Status of the General Capital Fund*

The General Capital Fund was created to account for tax-supported capital transactions (excluding Transit) 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>2007</u>	<u>2006</u>
Province of Manitoba	\$ 12,982	\$ 11,150
Local improvements - Fairfield Park	2,377	893
Government of Canada	1,301	3,850
Other	462	578
	<u>\$ 17,122</u>	<u>\$ 16,471</u>

4. 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.

5. Accounts Payable and Accrued Liabilities

	<u>2007</u>	<u>2006</u>
Contractors' holdbacks	\$ 1,275	\$ 1,969
Trade accounts payable	164	23
	<u>\$ 1,439</u>	<u>\$ 1,992</u>

6. Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					<u>2007</u>	<u>2006</u>
1999-2009	Feb. 2	5.350	VV	7368/99	\$ 50,000	\$ 50,000
1989-2009	Dec. 14	10.000	VH	5286/89	68,065	68,065
1993-2013	Feb. 11	9.375	VN	6090/93	40,000	40,000
1994-2014	Jan. 20	8.000	VQ	6300/94	30,500	30,500
1995-2015	May 12	9.125	VR	6620/95	55,000	55,000
1997-2017	Nov. 17	6.250	VU	7000/97	30,000	30,000
					<u>273,565</u>	<u>273,565</u>
Equity in Sinking Fund (Note 6c)					<u>(153,808)</u>	<u>(138,387)</u>
Net sinking fund debentures outstanding					119,757	135,178
Other long-term debt outstanding						
Serial and instalment debt issued by the City with varying maturities up to 2014 and a weighted average interest rate of 4.43% (2006 - 4.75%)					85,275	115,000
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2024 and a weighted average interest rate of 5.93% (2006 - 5.91%)					387,388	366,792
Capital lease obligations with varying maturities up to 2028 and a weighted average interest rate of 9.49% (2006 - 9.40%) (Note 6d)					20,996	22,478
Other long-term debt					<u>9,000</u>	<u>13,950</u>
					<u>\$ 622,416</u>	<u>\$ 653,398</u>

6. *Debt (continued)*

Debt to be retired over the next five years:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Thereafter</u>
Sinking fund debentures \$	-	\$ 118,065	\$ -	\$ -	\$ -	\$ 155,500
Serial, other and instalment debt	11,854	12,434	13,044	13,684	14,354	28,905
Equity in Capital Assets Fund	26,503	25,472	22,913	22,568	22,988	266,944
Capital lease obligations	<u>1,379</u>	<u>1,604</u>	<u>1,743</u>	<u>1,896</u>	<u>962</u>	<u>13,412</u>
	<u>\$ 39,736</u>	<u>\$ 157,575</u>	<u>\$ 37,700</u>	<u>\$ 38,148</u>	<u>\$ 38,304</u>	<u>\$ 464,761</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

During the year a serial debenture matured with a maturity shortfall of \$16.8 million. City Council subsequently authorized refinancing of this debenture pursuant to By-law 7054/97. As at December 31, 2007, the debenture is being temporarily financed through the due to the General Revenue Fund.

- 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. Sinking fund arrangements after December 31, 2002 are 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.

6. Debt (continued)

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

	2008	\$	3,321
	2009		3,424
	2010		3,424
	2011		3,424
	2012		2,324
	thereafter		<u>24,598</u>
Total future minimum lease payments			40,515
Amount representing interest at a weighted average interest rate of 9.49%			<u>(19,519)</u>
Balance of the capital lease obligations		\$	<u><u>20,996</u></u>

7. Tangible Capital Assets

	<u>2007</u>	<u>2006</u>
Land	\$ 163,188	\$ 161,649
Buildings	211,565	207,484
Vehicles	6,483	9,206
Computer	36,469	39,855
Other	26,689	22,359
Plants and facilities	12,771	11,713
Roads	767,508	723,638
Underground and other networks	721,368	700,320
Bridges and other structures	307,211	315,176
Assets under construction	<u>7,863</u>	<u>9,407</u>
	<u><u>\$ 2,261,115</u></u>	<u><u>\$ 2,200,807</u></u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, there were no write-downs of tangible capital assets (2006 - \$nil). Administration fees and interim financing charges capitalized during 2007 were \$1.4 million (2006 - \$1.5 million). In addition, land, roads and underground networks contributed to the City and recorded in the General Capital Fund totalled \$37.8 million in 2007 (2006 - \$14.3 million) and were capitalized at their fair value at the time of receipt.

8. Accumulated Surplus

Accumulated surplus is comprised of amounts invested in tangible capital assets.

9. Accounting Presentation

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

**THE CITY OF WINNIPEG
GENERAL CAPITAL FUND**

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General				
	<u>Land</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Computer</u>	<u>Other</u>
Cost					
Balance, beginning of year	\$ 161,649	\$ 371,035	\$ 34,499	\$ 75,368	\$ 41,962
Add: Additions during the year	8,137	15,543	461	5,056	7,972
Add: Transferred from Sewage Disposal System	-	-	-	-	-
Less: Disposals during the year	1,648	611	1,995	173	2,661
Settlements and other	<u>(4,950)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>163,188</u>	<u>385,967</u>	<u>32,965</u>	<u>80,251</u>	<u>47,273</u>
Accumulated amortization					
Balance, beginning of year	-	163,551	25,293	35,513	19,603
Add: Amortization	-	11,462	2,768	8,442	3,642
Add: Transferred from Sewage Disposal System	-	-	-	-	-
Less: Accumulated amortization on disposals	<u>-</u>	<u>611</u>	<u>1,579</u>	<u>173</u>	<u>2,661</u>
Balance, end of year	<u>-</u>	<u>174,402</u>	<u>26,482</u>	<u>43,782</u>	<u>20,584</u>
Net Book Value of Tangible Capital Assets	<u>\$ 163,188</u>	<u>\$ 211,565</u>	<u>\$ 6,483</u>	<u>\$ 36,469</u>	<u>\$ 26,689</u>

Infrastructure					Totals	
Plants and Facilities	Roads	Underground and Other Networks	Bridges and Other Structures	Assets Under Construction	2007	2006
\$ 16,548	\$ 1,468,184	\$ 988,215	\$ 481,093	\$ 9,407	\$ 3,647,960	\$ 3,540,101
1,317	82,797	27,775	1,957	(1,544)	149,471	135,902
-	-	13,849	-	-	13,849	-
-	17,724	2,174	-	-	26,986	22,193
-	-	-	-	-	(4,950)	(5,850)
17,865	1,533,257	1,027,665	483,050	7,863	3,779,344	3,647,960
4,835	744,546	287,895	165,917	-	1,447,153	1,386,430
259	38,868	13,563	9,922	-	88,926	82,520
-	-	6,186	-	-	6,186	-
-	17,665	1,347	-	-	24,036	21,797
5,094	765,749	306,297	175,839	-	1,518,229	1,447,153
\$ 12,771	\$ 767,508	\$ 721,368	\$ 307,211	\$ 7,863	\$ 2,261,115	\$ 2,200,807



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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Fiscal Stabilization Reserve Fund					
Net realty taxes added to the assessment roll	\$ 946	\$ 13,981	\$ 167	\$ 511	\$ 604
Interest earned net of investment management fee	\$ 1,989	\$ 1,352	\$ 843	\$ 694	\$ 970
Transfer to General Revenue Fund	\$ 9,000	\$ -	\$ -	\$ -	\$ -
Transfer to Mill Rate Stabilization Reserve	\$ 1,637	\$ 1,424	\$ 372	\$ 739	\$ 456
Mill Rate Stabilization Reserve Fund					
Transfer from Fiscal Stabilization Reserve	\$ 1,637	\$ 1,424	\$ 372	\$ 739	\$ 456
Transfer from General Revenue Fund	\$ 1,582	\$ 683	\$ -	\$ -	\$ -
Transfer from Commitment Reserve	\$ 572	\$ 113	\$ -	\$ -	\$ -
Interest earned net of investment management fee	\$ 1,301	\$ 1,096	\$ 669	\$ 532	\$ 735

**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 2007</u>	<u>Totals 2006</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	<u>\$ 41,557</u>	<u>\$ 37,062</u>	<u>\$ 78,619</u>	<u>\$ 81,229</u>
EQUITY				
Unallocated	<u>\$ 41,557</u>	<u>\$ 37,062</u>	<u>\$ 78,619</u>	<u>\$ 81,229</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 2007	Totals 2006
Balance, beginning of year	\$ 49,259	\$ 31,970	\$ 81,229	\$ 64,004
Add:				
Interest earned	2,138	1,399	3,537	2,578
Transfer from Fiscal Stabilization Reserve	-	1,637	1,637	1,424
Transfer from General Revenue	-	1,582	1,582	683
Net realty taxes added to the assessment roll	946	-	946	13,981
Transfer from Commitment Reserve	-	572	572	113
	3,084	5,190	8,274	18,779
Deduct:				
Transfer to General Revenue Fund	9,000	-	9,000	-
Transfer to Mill Rate Stabilization Reserve	1,637	-	1,637	1,424
Transfer to General Revenue Fund - investment management fee	149	98	247	130
	10,786	98	10,884	1,554
Balance, end of year	\$ 41,557	\$ 37,062	\$ 78,619	\$ 81,229

See accompanying notes to the financial statements

THE CITY OF WINNIPEG STABILIZATION RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. *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 reporting. 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).



THE CITY OF WINNIPEG CAPITAL RESERVES

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

Water Main Renewal Reserve Fund

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

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

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 water mains.

On January 30, 2002, City 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.

Sewer System Rehabilitation Reserve

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds. These Reserves were established for the renewal and rehabilitation of combined sewers and wastewater sewers, respectively, 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 Reserves is to provide a consistent approach to financing infrastructure renewal and rehabilitate combined sewers and to renew and rehabilitate wastewater sewers (as defined by the Sewer Utility By-law 5058/88).

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

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

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

The Director of Water and Waste is the Fund Manager.

THE CITY OF WINNIPEG CAPITAL RESERVES (continued)

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 then at \$204 million. The Reserve is financed through a monthly transfer from the Waterworks System Fund based on the amount of water consumption billed.

In 1999, the Executive Policy Committee held public consultations regarding the need for a proposed water treatment plant, and City Council approved the water treatment program on November 22, 2000. On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant.

On June 25, 2003, City 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. On March 23, 2005, City Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation, and on November 23, 2005, City 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 construction of the ultraviolet disinfection facility at the Deacon Booster Pumping Station started in 2004 and became operational in 2007. The water treatment plant capital cost estimate is currently \$300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is early 2009.

Contributions to the reserve ended in December 2007 and as at December 31, 2007, the reserve fund has been depleted.

The Director of Water and Waste is the Fund Manager.

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

THE CITY OF WINNIPEG CAPITAL RESERVES (continued)

Environmental Projects Reserve Fund (continued)

River quality is under the jurisdiction of the Province 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 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. On March 3, 2006, similar license (No. 2716) was issued for the South End Water Pollution Control Centre. This Reserve partially funds capital projects to bring the City in compliance with the license requirements.

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 the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City 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

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 Director of Transit is the Fund Manager.

THE CITY OF WINNIPEG 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 and replacement of concession 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 Aqueduct project will end in early 2008.

The Director of Water and Waste is the Fund Manager.

Federal Gas Tax Revenue Reserve Fund

City Council, on January 25, 2006, authorized the establishment of the Federal Gas Tax Revenue Reserve Fund. The purpose of the Reserve is to account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under this deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are intended specifically for eligible projects such as: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement was effective as of April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

The agreement stipulates the future payments to The City of Winnipeg as follows:

2007/08	\$ 16.0 million
2008/09	\$ 21.0 million
2009/10	\$ 41.0 million

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Water and Waste is the Fund Manager.

THE CITY OF WINNIPEG CAPITAL RESERVES (continued)

Public Transit Reserve Fund

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve Fund dedicated for eligible projects to be funded by the Government of Canada through Bill C-66. The Government of Canada and the Province have entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives.

Subsequent to this, the Province and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010. The Province has committed to extend the existing agreement to provide additional funding. This is pursuant to the Government of Canada also providing additional funding to the Province through the Public Transit Capital Trust.

As approved by City Council, this reserve will be dissolved once eligible projects have been completed.

The Director of Transit is the Fund Manager.

THE CITY OF WINNIPEG CAPITAL RESERVES

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	2007	2006	2005	2004	2003
Water Main Renewal Reserve Fund					
Frontage levy revenue	\$ 7,002	\$ 6,912	\$ 6,871	\$ 6,805	\$ 6,753
Water main renewals funded	\$ 6,470	\$ 7,836	\$ 7,299	\$ 6,281	\$ 6,541
Kilometres of water mains	2,464	2,447	2,436	2,427	2,420
Water main repairs	691	727	484	511	1,009
Sewer System Rehabilitation Reserve Fund					
Frontage levy revenue	\$ 19,096	* \$ 423	\$ 19,805	\$ 19,249	\$ 19,999
Sewer renewals funded	\$ 17,376	* \$ 568	\$ 21,986	\$ 16,582	\$ 15,945
Kilometres of sewers	2,473	2,463	2,513	2,505	2,490
Kilometres of sewers renewed	15.59	5.90	5.61	6.78	6.05
Water Treatment Reserve Fund					
Transfer from					
Waterworks System	\$ 10,515	\$ 10,089	\$ 10,098	\$ 11,174	\$ 10,114
Transfer to Waterworks					
System - capital projects	\$ 36,301	\$ 61,457	\$ 23,846	\$ 8,385	\$ -
Environmental Projects Reserve Fund					
Transfer from Sewage					
Disposal System	\$ 8,006	\$ 8,501	\$ 13,533	\$ 12,109	\$ 7,047
Transfer to Sewage Disposal					
System - capital projects	\$ 19,294	\$ 15,839	\$ 13,755	\$ 950	\$ 1,187
Brady Landfill Site Rehabilitation Reserve Fund					
Transfer from Solid					
Waste Disposal	\$ 174	\$ 175	\$ 192	\$ 196	\$ 168
Golf Course Reserve Fund					
Equity	\$ 1,951	\$ 1,860	\$ 1,773	\$ 1,714	\$ 1,683
Library Reserve Fund					
Transfer from General					
Revenue	\$ 279	\$ 281	\$ 230	\$ 44	\$ 392
Transit Bus Replacement Reserve Fund					
Transfer from/(to)					
Transit System, net	\$ 4,197	\$ 6,530	\$ 217	\$ (1,123)	\$ (3,708)
Number of buses financed	12	-	40	40	50
Concession Equipment Replacement Reserve Fund					
Transfer from General					
Revenue	\$ 19	\$ 13	\$ 12	\$ 11	\$ 13
Purchase of equipment	\$ 11	\$ 8	\$ 20	\$ 2	\$ 13

* In 2007, the Sewer System Rehabilitation Reserve Fund frontage levy revenue was reinstated. In 2006, capital projects in the Sewer System Rehabilitation Reserve Fund were funded by the Federal Gas Tax Revenue Reserve Fund.

THE CITY OF WINNIPEG CAPITAL RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	2007	2006	2005	2004	2003
Computer Replacement Reserve Fund					
Allocation of equity:					
Corporate Finance	\$ 971	\$ 878	\$ 776	\$ 724	\$ 617
Community Services	336	365	271	190	413
Public Works	327	264	249	156	84
Planning, Property and Development	181	140	101	-	-
Corporate Information Technology	178	57	-	-	-
Corporate Services	48	22	-	-	-
EPC Secretariat	10	10	7	7	9
Audit	9	8	-	-	-
Mayor's Office	4	3	6	-	-
CAO Secretariat	3	9	3	15	20
	\$ 2,067	\$ 1,756	\$ 1,413	\$ 1,092	\$ 1,143

Aqueduct Rehabilitation Reserve Fund

Transfer from

Waterworks System	\$ -	\$ -	\$ -	\$ -	\$ 2,639
Transfer to Waterworks System - capital projects	\$ 38	\$ 68	\$ 416	\$ 1,120	\$ 3,458

Federal Gas Tax Revenue Reserve Fund

Government of

Canada funding	\$ 16,427	\$ 23,308	\$ -	\$ -	\$ -
Transfer to General Capital Fund	\$ 16,865	\$ 16,776	\$ -	\$ -	\$ -
Transfer to Sewage Disposal System - capital projects	\$ 1,726	\$ 1,883	\$ -	\$ -	\$ -
Transfer to Transit System - capital projects	\$ 1,344	\$ -	\$ -	\$ -	\$ -

Public Transit Reserve Fund

Government of

Canada funding	\$ 24,790	\$ 14,328	\$ -	\$ -	\$ -
Transfer to Transit System - capital projects	\$ 2,682	\$ 670	\$ -	\$ -	\$ -

**THE CITY OF WINNIPEG
CAPITAL RESERVES**

STATEMENT OF FINANCIAL POSITION

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

	<u>Water Main Renewal Reserve</u>	<u>Sewer System Rehabilitation Reserve</u>	<u>Water Treatment Reserve</u>	<u>Environmental Projects Reserve</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	\$ 1,672	\$ 28,711	\$ -	\$ 37,471
Call loans - General Revenue Fund	-	-	-	-
Accounts receivable	-	-	-	-
	<u>1,672</u>	<u>28,711</u>	<u>-</u>	<u>37,471</u>
Investments (Note 4)	-	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	-	-	-	-
	<u>\$ 1,672</u>	<u>\$ 28,711</u>	<u>\$ -</u>	<u>\$ 37,471</u>
LIABILITIES				
Deferred revenue	\$ -	\$ -	\$ -	\$ -
EQUITY				
Allocated	1,340	23,686	-	37,471
Unallocated	332	5,025	-	-
	<u>1,672</u>	<u>28,711</u>	<u>-</u>	<u>37,471</u>
	<u>\$ 1,672</u>	<u>\$ 28,711</u>	<u>\$ -</u>	<u>\$ 37,471</u>

See accompanying notes to the financial statements

<u>Brady Landfill Reserve</u>	<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>Sub-total</u>
\$ 382	\$ 1,203	\$ 1,234	\$ 11,732	\$ 126	\$ 2,067	\$ 84,598
29	-	-	-	-	-	29
4	-	211	-	-	-	215
<u>415</u>	<u>1,203</u>	<u>1,445</u>	<u>11,732</u>	<u>126</u>	<u>2,067</u>	<u>84,842</u>
2,232	-	-	-	-	-	2,232
-	748	-	-	-	-	748
<u>\$ 2,647</u>	<u>\$ 1,951</u>	<u>\$ 1,445</u>	<u>\$ 11,732</u>	<u>\$ 126</u>	<u>\$ 2,067</u>	<u>\$ 87,822</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2,647	-	-	11,732	-	2,067	78,943
-	1,951	1,445	-	126	-	8,879
<u>2,647</u>	<u>1,951</u>	<u>1,445</u>	<u>11,732</u>	<u>126</u>	<u>2,067</u>	<u>87,822</u>
<u>\$ 2,647</u>	<u>\$ 1,951</u>	<u>\$ 1,445</u>	<u>\$ 11,732</u>	<u>\$ 126</u>	<u>\$ 2,067</u>	<u>\$ 87,822</u>

**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>Aqueduct Rehabilitation Reserve</u>	<u>Federal Gas Tax Reserve</u>	<u>Public Transit Reserve</u>
ASSETS				
Current				
Due from General Revenue Fund (Note 3)	\$ 84,598	\$ 384	\$ 1,703	\$ 36,885
Call loans - General Revenue Fund	29	-	-	-
Accounts receivable	215	-	-	-
	<u>84,842</u>	<u>384</u>	<u>1,703</u>	<u>36,885</u>
Investments (Note 4)	2,232	-	-	-
Due from Golf Services - Special Operating Agency (Note 5)	748	-	-	-
	<u>\$ 87,822</u>	<u>\$ 384</u>	<u>\$ 1,703</u>	<u>\$ 36,885</u>
LIABILITIES				
Deferred revenue	\$ -	\$ -	\$ 1,141	\$ 35,766
EQUITY				
Allocated	78,943	384	562	-
Unallocated	8,879	-	-	1,119
	<u>87,822</u>	<u>384</u>	<u>562</u>	<u>1,119</u>
	<u>\$ 87,822</u>	<u>\$ 384</u>	<u>\$ 1,703</u>	<u>\$ 36,885</u>

See accompanying notes to the financial statements

<u>Totals 2007</u>	<u>Totals 2006</u>
\$ 123,570	\$ 109,004
29	18,618
<u>215</u>	<u>432</u>
123,814	128,054
2,232	3,836
<u>748</u>	<u>776</u>
<u>\$ 126,794</u>	<u>\$ 132,666</u>
\$ 36,907	\$ 18,307
79,889	104,318
<u>9,998</u>	<u>10,041</u>
<u>89,887</u>	<u>114,359</u>
<u>\$ 126,794</u>	<u>\$ 132,666</u>

THE CITY OF WINNIPEG CAPITAL RESERVES

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31

(in thousands of dollars)

(unaudited)

	Water Main Renewal Reserve	Sewer System Rehabilitation Reserve	Water Treatment Reserve	Environmental Projects Reserve
Balance, beginning of year	\$ 970	\$ 25,619	\$ 25,217	\$ 46,942
Add:				
Frontage levies	7,002	19,096	-	-
Government of Canada transfers	-	-	-	-
Transfer from Waterworks System	-	-	10,515	-
Transfer from Sewage Disposal System	-	-	-	8,006
Interest earned	183	1,475	606	1,953
Transfer from Transit System	-	-	-	-
Transfer from General Revenue Fund	-	-	-	-
Transfer from Solid Waste Disposal	-	-	-	-
Transfer from Building Services Fund	-	-	-	-
Transfer from Combined Sewer Renewal Reserve	-	-	-	-
Transfer from Wastewater Sewer Renewal Reserve	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Other	-	-	-	-
	8,155	46,190	36,338	56,901
Deduct:				
Transfer to Waterworks System	6,470	-	36,301	-
Transfer to General Capital Fund	-	12,547	-	-
Transfer to Sewage Disposal System	-	4,829	-	19,294
Transfer to Transit System	-	-	-	-
Purchase of equipment	-	-	-	-
Transfer to General Revenue Fund - investment management fee	13	103	37	136
Other	-	-	-	-
Transfer to Sewer System Rehabilitation Reserve	-	-	-	-
	6,483	17,479	36,338	19,430
Balance, end of year	\$ 1,672	\$ 28,711	\$ -	\$ 37,471

See accompanying notes to the financial statements

<u>Brady Landfill Reserve</u>	<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>Sub-total</u>
\$ 2,376	\$ 1,860	\$ 1,520	\$ 7,068	\$ 113	\$ 1,756	\$ 113,441
-	-	-	-	-	-	26,098
-	-	-	-	-	-	-
-	-	-	-	-	-	10,515
-	-	-	-	-	-	8,006
104	94	52	502	5	74	5,048
-	-	-	5,161	-	-	5,161
-	-	279	-	19	585	883
174	-	-	-	-	-	174
-	-	-	-	-	11	11
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,654</u>	<u>1,954</u>	<u>1,851</u>	<u>12,731</u>	<u>137</u>	<u>2,426</u>	<u>169,337</u>
-	-	-	-	-	-	42,771
-	-	-	-	-	-	12,547
-	-	-	-	-	-	24,123
-	-	-	964	-	-	964
-	-	402	-	11	345	758
7	3	4	35	-	6	344
-	-	-	-	-	8	8
-	-	-	-	-	-	-
<u>7</u>	<u>3</u>	<u>406</u>	<u>999</u>	<u>11</u>	<u>359</u>	<u>81,515</u>
<u>\$ 2,647</u>	<u>\$ 1,951</u>	<u>\$ 1,445</u>	<u>\$ 11,732</u>	<u>\$ 126</u>	<u>\$ 2,067</u>	<u>\$ 87,822</u>

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	Aqueduct Rehabilitation Reserve	Federal Gas Tax Reserve	Public Transit Reserve
Balance, beginning of year	\$ 113,441	\$ 407	\$ 246	\$ 265
Add:				
Frontage levies	26,098	-	-	-
Government of Canada transfers	-	-	19,935	2,682
Transfer from Waterworks System	10,515	-	-	-
Transfer from Sewage Disposal System	8,006	-	-	-
Interest earned	5,048	16	328	854
Transfer from Transit System	5,161	-	-	-
Transfer from General Revenue Fund	883	-	-	-
Transfer from Solid Waste Disposal	174	-	-	-
Transfer from Building Services Fund	11	-	-	-
Transfer from Combined Sewer Renewal Reserve	-	-	-	-
Transfer from Wastewater Sewer Renewal Reserve	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Other	-	-	-	-
	169,337	423	20,509	3,801
Deduct:				
Transfer to Waterworks System	42,771	38	-	-
Transfer to General Capital Fund	12,547	-	16,865	-
Transfer to Sewage Disposal System	24,123	-	1,726	-
Transfer to Transit System	964	-	1,344	2,682
Purchase of equipment	758	-	-	-
Transfer to General Revenue Fund - investment management fee	344	1	-	-
Other	8	-	12	-
Transfer to Sewer System Rehabilitation Reserve	-	-	-	-
	81,515	39	19,947	2,682
Balance, end of year	\$ 87,822	\$ 384	\$ 562	\$ 1,119

See accompanying notes to the financial statements

<u>Totals 2007</u>	<u>Totals 2006</u>
\$ 114,359	\$ 159,772
26,098	7,335
22,617	19,419
10,515	10,089
8,006	8,501
6,246	7,610
5,161	6,530
883	860
174	175
11	11
-	24,769
-	812
-	60
-	3
194,070	245,946
42,809	69,361
29,412	17,016
25,849	18,110
4,990	670
758	571
345	277
20	1
-	25,581
104,183	131,587
\$ 89,887	\$ 114,359

THE CITY OF WINNIPEG CAPITAL RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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 reporting. 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:

Water Main Renewal Reserve Fund	Transit Bus Replacement Reserve Fund
Sewer System Rehabilitation 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	Federal Gas Tax Revenue Reserve Fund
Golf Course Reserve Fund	Public Transit Reserve Fund
Library 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 coupons

Bond 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) Deferred revenue

The City of Winnipeg ("the City") receives funds dedicated to the acquisition of specific tangible capital assets. When capital funds are received but the funding has not been used in the year to acquire tangible capital assets, the funding will be reported as deferred revenue and taken into income in future years when the cost is incurred.

1. Significant Accounting Policies (continued)

f) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

2. Status of the Capital Reserves

Water Main Renewal Reserve Fund

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

On January 30, 2002, City 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.

Sewer System Rehabilitation Reserve Fund

City Council, on May 27, 1992, authorized the establishment of a Combined Sewer Renewal Reserve Fund for the rehabilitation of combined sewers. City Council also authorized the establishment of a Wastewater Sewer Renewal Reserve Fund for the renewal and rehabilitation of wastewater sewers. Funding for both Reserves was 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, City Council passed By-law No. 7958/2002 "Frontage Levy By-law" to include the repair and replacement of streets and sidewalks in residential areas.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective on October 1, 2006.

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 2007 water rates include a provision of 40.63 cents (2006 - 40.63 cents) per 100 cubic feet of billed water consumption to fund this transfer.

Contributions to the Reserve ended in December 2007 and as at December 31, 2007, the Reserve has been depleted.

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 has funded ammonia, nitrification and combined sewer overflow ("CSO") studies. It now funds a portion of the wastewater collection and treatment system improvements as directed by the Province of Manitoba ("the Province"). 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 2007 sewer rate includes a provision of 31.3 cents (2006 - 31.3 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 (2006 - 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 Fund 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 the Library Reserve Fund to provide for upgrading the Library's technological base and other special Library projects. On March 26, 1998, City 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 and replacement of concession 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 Aqueduct project will end in early 2008.

The Director of Water and Waste is the Fund Manager.

Federal Gas Tax Revenue Reserve Fund

City Council, on January 25, 2006, authorized the establishment of Federal Gas Tax Revenue Reserve. The purpose of the reserve is to administer and account for funds received from the Province under the Federal Gas Tax Funding Agreement.

On November 18, 2005, the Government of Canada and the Province entered into an agreement on the Transfer of Federal Gas Tax Revenue under the New Deal for Cities and Communities. Under the deal, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government. The funds are specifically for eligible projects in the areas of: Public Transit; Water; Wastewater; Solid Waste; Community Energy Systems; and Active Transportation Infrastructure.

On March 24, 2006, the Province and the City signed the Gas Tax Funding Agreement. The agreement is effective April 1, 2005 and continues until March 31, 2015 or unless terminated earlier in accordance with section 10 of the agreement.

On January 12, 2007, City Council authorized that Infrastructure Levies (Gas Tax) be allocated to the Public Works Department for road and bridge projects through the 2007 capital budget process.

The Director of Water and Waste is the Fund Manager.

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

Public Transit Reserve Fund

On February 21, 2006, City Council authorized the establishment of the Public Transit Reserve Fund dedicated for eligible projects to be funded by the Government of Canada through Bill C-66.

The Government of Canada and the Province entered into the Public Transit Funding Agreement. Under this agreement, the Province agreed to administer the funds on behalf of the Federal Government and to conditionally provide the funds to the City, subject to receipt of funding from the Federal Government.

These funds are to be used for eligible costs of public transit infrastructure projects, primarily to support environmental sustainability objectives.

Subsequent to this, the Province of Manitoba and the City entered into a Municipal Transit Funding Agreement. The agreement is in effect as of March 31, 2006 and continues until March 31, 2010.

As approved by City Council, this Reserve will terminate once eligible projects have been completed.

The Director of Transit 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. *Investments*

	<u>2007</u>	<u>2006</u>
Marketable securities		
Provincial bonds and bond coupons	\$ 1,242	\$ 2,933
Government of Canada bonds and bond coupons	990	903
	<u>\$ 2,232</u>	<u>\$ 3,836</u>

The aggregate market value of marketable securities at December 31, 2007 was \$2,602 thousand (2006 - \$4,258 thousand).

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

	<u>2007</u>	<u>2006</u>
Golf course improvements loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 50	\$ 57
- 2005	57	63
- 2006	97	106
- 2007	226	245
- 2008	305	305
- 2009	13	-
	<u>\$ 748</u>	<u>\$ 776</u>

Included in interest earned is \$47 thousand (2006 - \$39 thousand) that has been received from Golf Services - Special Operating Agency on the golf course improvement loans.



THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

The City of Winnipeg ("the City") operates nineteen 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 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. 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 City's administration.

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 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 Reserve Fund 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 Fund 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 Reserve and Zoo Purposes Reserve Funds 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 Fund.

Due to restructuring, City Council also approved the Concession Equipment Reserve Fund balances accumulated for golf courses and Assiniboine Park be transferred to the Golf Course Reserve Fund and the Assiniboine Park Enterprise Reserve Fund 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 was contingent upon approval by City Council.

On May 23, 2001, City Council approved the amalgamation of the Pension Stabilization Reserve and Pension Surplus Reserve Funds and be renamed the General Purpose Reserve Fund.

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.

Insect Control Urgent Expenditures Reserve Fund

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City experiences above average response levels. The Reserve is funded annually by \$0.6 million and the amount of the unexpended insect control budget included in the General Revenue Fund. The Reserve balance should never exceed \$3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of \$3.0 million in the event of insufficient funds.

The Director of Community Services is the Fund Manager.

Permit Reserve Fund

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the Reserve is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The Reserve is funded by the excess of permit revenue in the General Revenue Fund compared to budget in any given year. The balance in the Reserve is capped at \$3.0 million and any surplus funds over and above the cap are to be transferred to the General Revenue Fund.

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)

	2007	2006	2005	2004	2003
Workers Compensation Reserve Fund					
Call loans - General					
Revenue Fund	\$ 2,966	\$ 4,935	\$ 2,072	\$ 3,765	\$ 2,712
Investments	\$ 1,999	\$ 2,750	\$ 4,733	\$ 2,360	\$ 2,866
Interest earned	\$ 341	\$ 291	\$ 229	\$ 236	\$ 251
Brookside Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 158	\$ 2,381	\$ 89	\$ 119	\$ 236
Investments	\$ 10,178	\$ 8,044	\$ 9,787	\$ 9,389	\$ 9,032
Interest earned	\$ 327	\$ 827	\$ 584	\$ 540	\$ 707
St. Vital Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 41	\$ (12)	\$ -	\$ 15	\$ 26
Investments	\$ 635	\$ 649	\$ 588	\$ 532	\$ 481
Interest earned	\$ 65	\$ 61	\$ 56	\$ 52	\$ 47
Transcona Cemetery Reserve Fund					
Call loans - General					
Revenue Fund	\$ 31	\$ 197	\$ 46	\$ 49	\$ 53
Investments	\$ 432	\$ 249	\$ 365	\$ 332	\$ 302
Interest earned	\$ 32	\$ 37	\$ 35	\$ 30	\$ 30
Insurance Reserve Fund					
Call loans - General					
Revenue Fund	\$ 3,364	\$ 1,404	\$ 811	\$ 1,252	\$ 697
Investments	\$ 4,574	\$ 6,495	\$ 6,476	\$ 5,445	\$ 6,416
Interest earned	\$ 394	\$ 383	\$ 378	\$ 415	\$ 460
Contributions in Lieu of Land Dedication Reserve Fund					
Cash dedications revenue	\$ 596	\$ 783	\$ 1,784	\$ 953	\$ 628
Interest earned	\$ 172	\$ 173	\$ 94	\$ 60	\$ 74
Park improvement expenses	\$ 712	\$ 1,317	\$ 955	\$ 499	\$ 906
Land Operating Reserve Fund					
Number of properties sold	143	156	174	89	88
Number acquired - tax sale	19	23	32	82	78
Number exchanged	2	1	1	1	2

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	2007	2006	2005	2004	2003
Recreation Programming Reserve Fund					
Transfer from					
General Revenue Fund	\$ 159	\$ 490	\$ -	\$ -	\$ -
Total approved					
projects/programs	\$ 329	\$ 504	\$ 28	\$ 22	\$ 75
Number approved	9	4	7	6	18
Snow Clearing Reserve Fund					
Transfer (to)/from					
General Revenue Fund	\$ -	\$ -	\$ (3,351)	\$ (6,075)	\$ 58
Idea Bank Reserve Fund					
Approved loans	\$ -	\$ -	\$ 500	\$ 200	\$ 108
Loan repayments	\$ 45	\$ 64	\$ 44	\$ 15	\$ 18
Commitment Reserve Fund					
Allocation of equity:					
Fire Paramedic Services	\$ 1,817	\$ 764	\$ 536	\$ 353	\$ 394
Planning, Property and Development	1,670	866	601	520	880
Corporate and other	697	660	1,387	1,044	737
Corporate Services	164	358	504	586	698
Property Assessment	109	95	-	330	-
Community Services	28	423	100	343	413
Police Service	-	723	-	-	960
Public Works	-	572	1,182	998	933
Corporate Finance	-	-	-	-	232
	\$ 4,485	\$ 4,461	\$ 4,310	\$ 4,174	\$ 5,247
Heritage Investment Reserve Fund					
Municipal realty tax revenue	\$ 971	\$ 1,438	\$ 1,270	\$ 756	\$ 850
Housing Rehabilitation Investment Reserve Fund					
Grant expense	\$ 785	\$ 1,330	\$ 746	\$ 683	\$ 1,105
Economic Development Investment Reserve Fund					
Municipal realty tax revenue	\$ 391	\$ 161	\$ 165	\$ 160	\$ 177

**THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES**

FIVE-YEAR REVIEW (continued)

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assiniboine Park Enterprise Reserve Fund					
Animals sold	59	68	77	55	58
Animals purchased	72	284	68	56	43
Exhibits	144	144	106	106	106
Zoo attendance (persons)	350,848	351,920	415,533	381,699	321,385
General Purpose Reserve Fund					
Transfer to (from) General					
Revenue Fund	\$ -	\$ -	\$ -	\$ 2,000	\$ 2,158
Net transfer General					
Capital Fund	\$ 2,289	\$ 629	\$ -	\$ 1,192	\$ 2,470
Transfer to Transit					
System Fund	\$ -	\$ -	\$ -	\$ -	\$ 1,700
Transfer to Housing Rehabilitation					
Investment Reserve	\$ -	\$ -	\$ 940	\$ -	\$ -
Grants	\$ -	\$ -	\$ 200	\$ -	\$ 3,500
Interest earned	\$ 574	\$ 534	\$ 351	\$ 362	\$ 669
Multiple-Family Dwelling Tax Investment Reserve Fund					
Municipal realty tax revenue	\$ 178	\$ 337	\$ 274	\$ 247	\$ -
Interest earned	\$ 29	\$ 18	\$ 7	\$ 3	\$ -
Insect Control Urgent Expenditures Reserve Fund					
Transfer from General					
Revenue Fund	\$ 1,202	\$ 600	\$ -	\$ -	\$ -
Permit Reserve Fund					
Transfer from General					
Revenue Fund	\$ 2,358	\$ -	\$ -	\$ -	\$ -

**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	2,966	158	41	31
Accounts receivable	6	82	-	2
Loan receivable (Note 4)	-	-	-	-
Prepaid expenses	-	-	-	-
Land held for resale	-	-	-	-
	<u>2,972</u>	<u>240</u>	<u>41</u>	<u>33</u>
Investments (Note 5)	1,999	10,178	635	432
Deferred charges	-	-	-	-
Inventory	-	-	-	-
	<u>\$ 4,971</u>	<u>\$ 10,418</u>	<u>\$ 676</u>	<u>\$ 465</u>
LIABILITIES				
Current				
Accounts payable	\$ -	\$ -	\$ -	\$ -
EQUITY				
Contributed surplus (Note 6)	-	-	-	-
Allocated	-	-	-	-
Unallocated	4,971	10,418	676	465
	<u>4,971</u>	<u>10,418</u>	<u>676</u>	<u>465</u>
	<u>\$ 4,971</u>	<u>\$ 10,418</u>	<u>\$ 676</u>	<u>\$ 465</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>
\$ -	\$ 3,796	\$ 13,122	\$ 73	\$ -	\$ 16,991
3,364	-	-	-	-	6,560
47	-	3,916	-	-	4,053
-	-	-	-	-	-
-	-	-	-	-	-
-	-	8,477	-	-	8,477
<u>3,411</u>	<u>3,796</u>	<u>25,515</u>	<u>73</u>	<u>-</u>	<u>36,081</u>
4,574	-	2,288	-	-	20,106
-	-	16	-	-	16
-	-	-	62	-	62
<u>\$ 7,985</u>	<u>\$ 3,796</u>	<u>\$ 27,819</u>	<u>\$ 135</u>	<u>\$ -</u>	<u>\$ 56,265</u>
<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 8,335</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,341</u>
<u>-</u>	<u>-</u>	<u>8,425</u>	<u>-</u>	<u>-</u>	<u>8,425</u>
<u>-</u>	<u>-</u>	<u>543</u>	<u>135</u>	<u>-</u>	<u>678</u>
<u>7,985</u>	<u>3,790</u>	<u>10,516</u>	<u>-</u>	<u>-</u>	<u>38,821</u>
<u>7,985</u>	<u>3,790</u>	<u>11,059</u>	<u>135</u>	<u>-</u>	<u>39,499</u>
<u>\$ 7,985</u>	<u>\$ 3,796</u>	<u>\$ 27,819</u>	<u>\$ 135</u>	<u>\$ -</u>	<u>\$ 56,265</u>

**THE CITY OF WINNIPEG
SPECIAL PURPOSE RESERVES**

STATEMENT OF FINANCIAL POSITION

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

	<u>Sub-Total Brought Forward</u>	<u>Idea Bank Reserve</u>	<u>Commitment Reserve</u>	<u>Heritage Investment Reserve</u>
ASSETS				
Current				
Due from General Revenue				
Fund (Note 3)	\$ 16,991	\$ 612	\$ 4,516	\$ 8,408
Call loans - General Revenue Fund	6,560	-	-	-
Accounts receivable	4,053	3	-	-
Loan receivable (Note 4)	-	85	-	-
Prepaid expenses	-	-	-	-
Land held for resale	8,477	-	-	-
	<u>36,081</u>	<u>700</u>	<u>4,516</u>	<u>8,408</u>
Investments (Note 5)	20,106	-	-	-
Deferred charges	16	-	-	-
Inventory	62	-	-	-
	<u>\$ 56,265</u>	<u>\$ 700</u>	<u>\$ 4,516</u>	<u>\$ 8,408</u>
LIABILITIES				
Current				
Accounts payable	\$ 8,341	\$ -	\$ 31	\$ -
EQUITY				
Contributed surplus (Note 6)	8,425	-	-	-
Allocated	678	-	-	-
Unallocated	38,821	700	4,485	8,408
	<u>39,499</u>	<u>700</u>	<u>4,485</u>	<u>8,408</u>
	<u>\$ 56,265</u>	<u>\$ 700</u>	<u>\$ 4,516</u>	<u>\$ 8,408</u>

See accompanying notes to the financial statements

<u>Housing Rehabilitation Reserve</u>	<u>Economic Development Reserve</u>	<u>Assiniboine Park Enterprise Reserve</u>	<u>General Purpose Reserve</u>	<u>Multiple-Family Dwelling Reserve</u>	<u>Insect Control Reserve</u>	<u>Sub-Total</u>
\$ 1,167	\$ 3,620	\$ 621	\$ 11,367	\$ 813	\$ 1,862	\$ 49,977
-	-	-	-	-	-	6,560
5	-	-	-	-	-	4,061
-	-	-	-	-	-	85
5	-	-	-	-	-	5
-	-	-	-	-	-	8,477
<u>1,177</u>	<u>3,620</u>	<u>621</u>	<u>11,367</u>	<u>813</u>	<u>1,862</u>	<u>69,165</u>
-	-	-	-	-	-	20,106
-	-	-	-	-	-	16
-	-	10	-	-	-	72
<u>\$ 1,177</u>	<u>\$ 3,620</u>	<u>\$ 631</u>	<u>\$ 11,367</u>	<u>\$ 813</u>	<u>\$ 1,862</u>	<u>\$ 89,359</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,372
-	-	-	-	-	-	8,425
-	-	-	-	-	-	678
<u>1,177</u>	<u>3,620</u>	<u>631</u>	<u>11,367</u>	<u>813</u>	<u>1,862</u>	<u>71,884</u>
<u>1,177</u>	<u>3,620</u>	<u>631</u>	<u>11,367</u>	<u>813</u>	<u>1,862</u>	<u>72,562</u>
<u>\$ 1,177</u>	<u>\$ 3,620</u>	<u>\$ 631</u>	<u>\$ 11,367</u>	<u>\$ 813</u>	<u>\$ 1,862</u>	<u>\$ 89,359</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	Permit Reserve	Totals 2007	Totals 2006
ASSETS				
Current				
Due from General Revenue				
Fund (Note 3)	\$ 49,977	\$ 2,358	\$ 52,335	\$ 46,233
Call loans - General Revenue Fund	6,560	-	6,560	8,905
Accounts receivable	4,061	-	4,061	2,615
Loan receivable (Note 4)	85	-	85	125
Prepaid expenses	5	-	5	2
Land held for resale	8,477	-	8,477	11,579
	69,165	2,358	71,523	69,459
Investments (Note 5)	20,106	-	20,106	19,101
Deferred charges	16	-	16	18
Inventory	72	-	72	322
	\$ 89,359	\$ 2,358	\$ 91,717	\$ 88,900
LIABILITIES				
Current				
Accounts payable	\$ 8,372	\$ -	\$ 8,372	\$ 5,796
EQUITY				
Contributed surplus (Note 6)	8,425	-	8,425	8,425
Allocated	678	-	678	913
Unallocated	71,884	2,358	74,242	73,766
	72,562	2,358	74,920	74,679
	\$ 89,359	\$ 2,358	\$ 91,717	\$ 88,900

See accompanying notes to the financial statements

**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	Sub-Total
Balance, beginning of year	<u>\$ 7,705</u>	<u>\$ 10,485</u>	<u>\$ 637</u>	<u>\$ 18,827</u>
Add:				
Land sales	-	-	-	-
Transfer from General Revenue Fund	-	47	7	54
Interest earned	341	327	65	733
Transfer from Civic Accommodations Fund	-	-	-	-
Municipal realty tax	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Cash payments-in-lieu of land dedication	-	-	-	-
Other	-	-	-	-
Transfer from Transit System Fund	-	-	-	-
Transfer from Winnipeg Parking Authority - SOA	-	-	-	-
Transfer from General Revenue Enterprises Fund	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	-	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from Sewage Disposal Fund	-	-	-	-
	<u>341</u>	<u>374</u>	<u>72</u>	<u>787</u>
Deduct:				
Other	115	-	-	115
Cost of sales	-	-	-	-
Transfer to General Revenue Fund	2,936	409	31	3,376
Grants	-	-	-	-
Transfer to General Capital Fund	-	-	-	-
Transfer to Sewage Disposal Fund	-	-	-	-
Transfer to Building Services Fund	-	-	-	-
Park land and improvements	-	-	-	-
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to General Revenue Enterprises Fund	-	-	-	-
Transfer to General Revenue Fund - investment management fee	24	32	2	58
Transfer to Waterworks System Fund	-	-	-	-
Transfer to Fleet Management - SOA	-	-	-	-
Transfer to Winnipeg Parking - SOA	-	-	-	-
Transfer to Golf Services - SOA	-	-	-	-
Transfer to Animal Services - SOA	-	-	-	-
Transfer to Land Dedication Reserve	-	-	-	-
Transfer to Glacial - SOA	-	-	-	-
	<u>3,075</u>	<u>441</u>	<u>33</u>	<u>3,549</u>
Balance, end of year	<u>\$ 4,971</u>	<u>\$ 10,418</u>	<u>\$ 676</u>	<u>\$ 16,065</u>

See accompanying notes to the financial statements

**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	Transcona Cemetery Reserve	Insurance Reserve	Land Dedication Reserve
Balance, beginning of year	<u>\$ 18,827</u>	<u>\$ 446</u>	<u>\$ 7,952</u>	<u>\$ 3,830</u>
Add:				
Land sales	-	-	-	-
Transfer from General Revenue Fund	54	7	978	-
Interest earned	733	32	394	172
Transfer from Civic Accommodations Fund	-	-	-	-
Municipal realty tax	-	-	-	-
Transfer from General Capital Fund	-	-	-	-
Cash payments-in-lieu of land dedication	-	-	-	596
Other	-	-	1	-
Transfer from Transit System Fund	-	-	129	-
Transfer from Winnipeg Parking Authority - SOA	-	-	-	-
Transfer from General Revenue Enterprises Fund	-	-	-	-
Transfer from Solid Waste Disposal Fund	-	-	19	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from Sewage Disposal Fund	-	-	-	-
	<u>787</u>	<u>39</u>	<u>1,521</u>	<u>768</u>
Deduct:				
Other	115	-	-	-
Cost of sales	-	-	-	-
Transfer to General Revenue Fund	3,376	18	-	-
Grants	-	-	-	84
Transfer to General Capital Fund	-	-	-	-
Transfer to Sewage Disposal Fund	-	-	1,028	-
Transfer to Building Services Fund	-	-	261	-
Park land and improvements	-	-	-	712
Transfer to Mill Rate Stabilization Reserve	-	-	-	-
Transfer to General Revenue Enterprises Fund	-	-	-	-
Transfer to General Revenue Fund - investment management fee	58	2	24	12
Transfer to Waterworks System Fund	-	-	124	-
Transfer to Fleet Management - SOA	-	-	44	-
Transfer to Winnipeg Parking - SOA	-	-	3	-
Transfer to Golf Services - SOA	-	-	3	-
Transfer to Animal Services - SOA	-	-	1	-
Transfer to Land Dedication Reserve	-	-	-	-
Transfer to Glacial - SOA	-	-	-	-
	<u>3,549</u>	<u>20</u>	<u>1,488</u>	<u>808</u>
Balance, end of year	<u>\$ 16,065</u>	<u>\$ 465</u>	<u>\$ 7,985</u>	<u>\$ 3,790</u>

See accompanying notes to the financial statements

Land Operating Reserve	Recreation Programming Reserve	Snow Clearing Reserve	Idea Bank Reserve	Commitment Reserve	Sub-Total
\$ 9,038	\$ 370	\$ -	\$ 981	\$ 4,461	\$ 45,905
10,945	-	-	-	-	10,945
-	159	-	-	2,689	3,887
500	16	-	33	-	1,880
-	-	-	-	1,561	1,561
-	-	-	-	-	-
580	-	-	-	-	580
-	-	-	-	-	596
19	-	-	-	-	20
-	-	-	-	-	129
48	-	-	-	-	48
-	-	-	46	-	46
-	-	-	-	-	19
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,092	175	-	79	4,250	19,711
2,161	227	-	-	2,962	5,465
6,352	-	-	-	-	6,352
-	-	-	358	-	3,752
948	-	-	-	11	1,043
-	-	-	-	347	347
-	-	-	-	-	1,028
-	182	-	-	334	777
-	-	-	-	-	712
-	-	-	-	572	572
571	-	-	-	-	571
39	1	-	2	-	138
-	-	-	-	-	124
-	-	-	-	-	44
-	-	-	-	-	3
-	-	-	-	-	3
-	-	-	-	-	1
-	-	-	-	-	-
-	-	-	-	-	-
10,071	410	-	360	4,226	20,932
\$ 11,059	\$ 135	\$ -	\$ 700	\$ 4,485	\$ 44,684

**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	Heritage Investment Reserve	Housing Rehabilitation Reserve	Economic Development Reserve
Balance, beginning of year	<u>\$ 45,905</u>	<u>\$ 9,259</u>	<u>\$ 533</u>	<u>\$ 3,467</u>
Add:				
Land sales	10,945	-	-	-
Transfer from General Revenue Fund	3,887	-	1,000	-
Interest earned	1,880	367	47	151
Transfer from Civic Accommodations Fund	1,561	-	-	-
Municipal realty tax	-	971	-	391
Transfer from General Capital Fund	580	-	430	-
Cash payments-in-lieu of land dedication	596	-	-	-
Other	20	-	-	-
Transfer from Transit System Fund	129	-	-	-
Transfer from Winnipeg Parking Authority - SOA	48	-	-	-
Transfer from General Revenue Enterprises Fund	46	-	-	-
Transfer from Solid Waste Disposal Fund	19	-	-	-
Transfer from Waterworks System Fund	-	-	-	-
Transfer from Land Operating Reserve	-	-	-	-
Transfer from Sewage Disposal Fund	-	-	-	-
	<u>19,711</u>	<u>1,338</u>	<u>1,477</u>	<u>542</u>
Deduct:				
Other	5,465	1,523	45	340
Cost of sales	6,352	-	-	-
Transfer to General Revenue Fund	3,752	-	-	-
Grants	1,043	640	785	38
Transfer to General Capital Fund	347	-	-	-
Transfer to Sewage Disposal Fund	1,028	-	-	-
Transfer to Building Services Fund	777	-	-	-
Park land and improvements	712	-	-	-
Transfer to Mill Rate Stabilization Reserve	572	-	-	-
Transfer to General Revenue Enterprises Fund	571	-	-	-
Transfer to General Revenue Fund - investment management fee	138	26	3	11
Transfer to Waterworks System Fund	124	-	-	-
Transfer to Fleet Management - SOA	44	-	-	-
Transfer to Winnipeg Parking - SOA	3	-	-	-
Transfer to Golf Services - SOA	3	-	-	-
Transfer to Animal Services - SOA	1	-	-	-
Transfer to Land Dedication Reserve	-	-	-	-
Transfer to Glacial - SOA	-	-	-	-
	<u>20,932</u>	<u>2,189</u>	<u>833</u>	<u>389</u>
Balance, end of year	<u>\$ 44,684</u>	<u>\$ 8,408</u>	<u>\$ 1,177</u>	<u>\$ 3,620</u>

See accompanying notes to the financial statements

Assiniboine Park Enterprise Reserve	General Purpose Reserve	Multiple-Family Dwelling Reserve	Insect Control Reserve	Permit Reserve	Totals 2007	Totals 2006
\$ 1,004	\$ 13,122	\$ 774	\$ 615	\$ -	\$ 74,679	\$ 69,025
-	-	-	-	-	10,945	6,302
-	-	-	1,202	2,358	8,447	3,778
32	574	29	48	-	3,128	3,183
-	-	-	-	-	1,561	666
-	-	178	-	-	1,540	1,936
-	30	-	-	-	1,040	730
-	-	-	-	-	596	783
189	-	-	-	-	209	834
-	-	-	-	-	129	321
-	-	-	-	-	48	20
-	-	-	-	-	46	44
-	-	-	-	-	19	20
-	-	-	-	-	-	205
-	-	-	-	-	-	158
-	-	-	-	-	-	21
221	604	207	1,250	2,358	27,708	19,001
-	-	-	-	-	7,373	3,972
415	-	-	-	-	6,767	2,738
177	-	-	-	-	3,929	739
-	-	166	-	-	2,672	2,045
-	2,319	-	-	-	2,666	1,093
-	-	-	-	-	1,028	-
-	-	-	-	-	777	185
-	-	-	-	-	712	1,317
-	-	-	-	-	572	113
-	-	-	-	-	571	668
2	40	2	3	-	225	104
-	-	-	-	-	124	-
-	-	-	-	-	44	195
-	-	-	-	-	3	6
-	-	-	-	-	3	5
-	-	-	-	-	1	1
-	-	-	-	-	-	158
-	-	-	-	-	-	8
594	2,359	168	3	-	27,467	13,347
\$ 631	\$ 11,367	\$ 813	\$ 1,862	\$ 2,358	\$ 74,920	\$ 74,679

THE CITY OF WINNIPEG SPECIAL PURPOSE RESERVES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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 reporting. 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
Perpetual Maintenance Reserve Funds
- Brookside Cemetery
- St. Vital Cemetery
- Transcona Cemetery
Insurance Reserve Fund
Contributions in Lieu of Land
Dedication Reserve Fund
Land Operating Reserve Fund
Recreation Programming Reserve Fund
Snow Clearing Reserve Fund

Idea Bank Reserve Fund
Commitment Reserve Fund
Heritage Investment Reserve Fund
Housing Rehabilitation Investment Reserve Fund
Economic Development Investment Reserve Fund
Assiniboine Park Enterprise Reserve Fund
General Purpose Reserve Fund
Multi-Family Dwelling Tax Investment
Reserve Fund
Insect Control Urgent Expenditures Reserve Fund
Permit 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) Land held for resale

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

d) Investment in bonds

Bonds 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.

e) 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.

1. Significant Accounting Policies (continued)

f) Inventory

Inventories 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 ("the City") 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. 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.

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

2. *Status of the 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

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 Fund 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.

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

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 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.

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 Reserve Fund 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 Fund 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, City Council approved the establishment of the Commitment Reserve Fund. The purpose of the Reserve 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, 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 Fund 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.

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

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 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.

Assiniboine Park Enterprise Reserve Fund

City Council, on September 15, 1982, approved the establishment of the Zoo Animals Reserve Fund for the purpose of funding the replacement of animal losses and the improvement of 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 Fund balances accumulated for golf courses and Assiniboine Park be transferred to the Golf Course Reserve and the Assiniboine Park Enterprises Reserve Funds respectively.

The Director of Community Services is the Fund Manager.

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

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 was contingent upon approval by City Council.

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

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".

Insect Control Urgent Expenditures Reserve Fund

On March 23, 2005, City Council approved the establishment of the Insect Control Urgent Expenditures Reserve Fund. The purpose of the fund is to absorb unexpected costs for mosquito control in years where the City of Winnipeg experiences above average response levels. The Reserve is funded annually by \$0.6 million and the amount of the unexpended insect control budget included in the General Revenue Fund. The Reserve balance should never exceed \$3.0 million and the Chief Administrative Officer has the authority to over-expend to a maximum of \$3.0 million in the event of insufficient funds.

The Director of Community Services is the Fund Manager.

Permit Reserve Fund

On March 20, 2007, City Council approved the establishment of the Permit Reserve Fund. The purpose of the fund is to mitigate revenue shortfalls and fund temporary staffing needs during busy periods through economic boom/bust cycles. The Reserve is also meant to provide a source of funds for service and system improvements. The source of funds for the Reserve are the excess of permit revenue in the General Revenue Fund compared to budget in any given year. That balance in the Reserve is capped at \$3.0 million and any surplus funds over and above the cap are to be transferred to the General Revenue Fund.

The Director of Planning, Property and Development 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. *Loan Receivable*

	<u>2007</u>	<u>2006</u>
General Revenue Enterprises Fund		
Interest at 4.5%, payments of \$45 thousand annually, due March 2009	<u>\$ 85</u>	<u>\$ 125</u>

Included in the Idea Bank Reserve's account receivable is \$3 thousand (2006 - \$5 thousand) for interest receivable from the General Revenue Enterprises Fund.

5. *Investments*

	<u>2007</u>	<u>2006</u>
Marketable securities		
Government of Canada bonds, bond residues, coupons and treasury bills	\$ 9,893	\$ 11,197
Provincial bonds and bond coupons	6,075	5,533
Municipal bonds	<u>1,850</u>	<u>1,457</u>
	17,818	18,187
Transcona Joint Venture	<u>2,288</u>	<u>914</u>
	<u>\$ 20,106</u>	<u>\$ 19,101</u>

Transcona Joint Venture:

The Transcona Joint Venture ("Joint Venture") was formed on January 25, 2005, between The City of Winnipeg and Genstar Development Partnership to develop and sell certain land owned by participants in the community of Transcona. Each participant has a 50% interest in the Joint Venture. The City's proportionate interest in the financial accounts of the Joint Venture as at December 31, 2007 was as follows:

	<u>2007</u>	<u>2006</u>
Assets	\$ 3,567	\$ 1,236
Liabilities	1,279	322
Revenues	3,091	1,715
Expenses	2,217	1,099
Cash flow provided by (used in):		
Operating activities	(1,842)	292
Investing activities	-	-
Financing activities	500	300

The aggregate market value of marketable securities at December 31, 2007 was \$18,943 thousand (2006 - \$19,500 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 Fund 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 \$426.0 million as at December 31, 2007 (2006 - \$395.8 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 2007, \$45.9 million (2006 - \$57.9 million) of new capital works were financed through the Fund at terms ranging from five to twenty years.

FIVE-YEAR REVIEW

As at December 31

("\$" amounts in thousands of dollars)

(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Total Assets	\$ 426,000	\$ 395,763	\$ 365,166	\$ 335,267	\$ 305,951
Capital Construction Financed	\$ 45,864	\$ 57,914	\$ 69,822	\$ 45,248	\$ 69,862
Interest Earned	\$ 30,276	\$ 30,628	\$ 29,962	\$ 29,359	\$ 31,634
Principal Retirals	\$ 26,102	\$ 24,764	\$ 23,563	\$ 25,791	\$ 25,078

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 23,190	\$ 12,532
Current portion of long-term investments (Note 4)	<u>27,584</u>	<u>26,228</u>
	50,774	38,760
Long-term investments (Note 4)	<u>375,226</u>	<u>357,003</u>
	<u>\$ 426,000</u>	<u>\$ 395,763</u>
 EQUITY		
Allocated	\$ 399,506	\$ 379,744
Unallocated	<u>26,494</u>	<u>16,019</u>
	<u>\$ 426,000</u>	<u>\$ 395,763</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>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 395,763	\$ 365,166
Add:		
Interest		
General Capital Fund	26,514	24,499
General Revenue Fund - allocation of debt charges	2,059	4,627
Transit System	869	591
General Revenue Fund (Note 3)	552	613
Civic Accommodations Fund	221	233
Other	55	55
Sewage Disposal System	5	6
Waterworks System	1	3
Solid Waste Disposal	-	1
	<u>30,276</u>	<u>30,628</u>
Deduct:		
Transfer to General Revenue Fund - investment management fee	<u>39</u>	<u>31</u>
Balance, end of year	<u>\$ 426,000</u>	<u>\$ 395,763</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG EQUITY IN CAPITAL ASSETS FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. *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 reporting. 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Long-term Investments

At varying maturities up to the year 2027 and with a weighted average interest rate for the year 2007 of 7.13% (2006 - 7.22%) due from the following:

	<u>2007</u>	<u>2006</u>
General Capital	\$ 387,388	\$ 366,792
Transit System	12,040	12,862
Civic Accommodations Fund	3,304	3,487
Sewage Disposal System	71	77
Waterworks System	7	13
	<u>402,810</u>	<u>383,231</u>
Current portion of long-term investments:		
General Capital	(26,503)	(25,211)
Transit System	(872)	(822)
Civic Accommodations Fund	(196)	(183)
Waterworks System	(7)	(6)
Sewage Disposal System	(6)	(6)
	<u>(27,584)</u>	<u>(26,228)</u>
	<u>\$ 375,226</u>	<u>\$ 357,003</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	2007 Totals	2006 Totals
ASSETS						
Current						
Due from General Revenue Fund (Note 3)	\$ 103,054	\$ 105,879	\$ 39,495	\$ 4,188	\$ 252,616	\$ 222,836
EQUITY						
Unallocated	\$ 103,054	\$ 105,879	\$ 39,495	\$ 4,188	\$ 252,616	\$ 222,836

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	2007 Totals	2006 Totals
Opening balance	\$ 38,204	\$ 142,781	\$ 37,838	\$ 4,013	\$ 222,836	\$ 256,192
Add:						
Contributions	140,192	30,970	-	-	171,162	136,648
Interest earned	3,344	5,350	1,657	175	10,526	10,058
	143,536	36,320	1,657	175	181,688	146,706
Deduct:						
Disbursements	78,686	73,222	-	-	151,908	180,062
Closing balance	\$ 103,054	\$ 105,879	\$ 39,495	\$ 4,188	\$ 252,616	\$ 222,836

See accompanying notes to the financial statements

THE CITY OF WINNIPEG TRUST FUNDS

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(unaudited)

1. *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 reporting. 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 2)	\$ 9,971	\$ 77
Loans receivable (Note 3)	<u>1,148</u>	<u>4,948</u>
	<u>\$ 11,119</u>	<u>\$ 5,025</u>
 LIABILITIES		
Deferred gain	\$ -	\$ 3,353
Provision for land rehabilitation	<u>-</u>	<u>671</u>
	-	4,024
 RETAINED EARNINGS	<u>11,119</u>	<u>1,001</u>
	<u>\$ 11,119</u>	<u>\$ 5,025</u>

See accompanying notes to the financial statements

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

STATEMENT OF INCOME AND RETAINED EARNINGS

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

	<u>2007</u>	<u>2006</u>
REVENUES		
Gain on sale of assets	\$ -	\$ 177
EXPENSES		
Other	-	82
Net income before extraordinary event	-	95
Extraordinary event - net income arising from the sale of Glacial Sand and Gravel - Special Operating Agency Pine Ridge gravel pit operations (Note 4)	<u>184</u>	<u>-</u>
Net income for the year	184	95
RETAINED EARNINGS, BEGINNING OF YEAR	1,001	906
Transfer from Glacial Sand and Gravel - Special Operating Agency	<u>9,934</u>	<u>-</u>
RETAINED EARNINGS, END OF YEAR	<u>\$ 11,119</u>	<u>\$ 1,001</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG EQUIPMENT AND MATERIAL SERVICES

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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 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 charged or credited based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

3. Loans Receivable

	<u>2007</u>	<u>2006</u>
Glacial Sand and Gravel - Special Operating Agency		
Cancellation of the gravel pit loan	\$ -	\$ 3,800
Fleet Management - Special Operating Agency		
Net operating assets loan, non-interest bearing, no repayment schedule	<u>1,148</u>	<u>1,148</u>
	1,148	4,948
Current portion	<u>(1,148)</u>	<u>(4,948)</u>
	<u>\$ -</u>	<u>\$ -</u>

The gravel pit loan was cancelled in 2007 with the sale of the Pine Ridge Pit and related assets.

4. Sale of Glacial Sand and Gravel - Special Operating Agency Gravel Pit Operations

The sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge property, facilities, equipment and reserve assets in 2007, had an impact on the net income for the year of Equipment and Material Services Fund as follows:

Cancellation of gravel pit loan	\$ (3,800)
Remaining deferred gain of Pine Ridge Gravel Pit	3,353
Reverse the provision for land rehabilitation	<u>631</u>
Net income arising from the sale of Glacial Sand and Gravel - Special Operating Agency's Pine Ridge gravel pit operations	<u>\$ 184</u>

THE CITY OF WINNIPEG CIVIC ACCOMMODATIONS FUND

The year 2007 was the eleventh year of operation under the accounting structure of the Civic Accommodations Fund, formerly Civic Buildings. The following narrative provides the background into the creation of this 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 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 other similar funds, 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 Fund 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

**THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND (continued)**

of accommodations for City Departments, including locations, space allocations, furniture selection, and 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 served 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.

On June 20, 2007, City Council approved an amendment to the City Organization By-law No. 7100/97, such that the facilities maintenance and security function be moved from the Public Works Department to the Planning, Property and Development Department effective September 17, 2007.

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.

FIVE-YEAR REVIEW

*As at December 31
(unaudited)*

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Number of facilities	132	135	138	139	138
Total area square footage	2,455,140	2,491,466	2,441,923	2,443,334	2,463,860

**THE CITY OF WINNIPEG
CIVIC ACCOMMODATIONS FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 63	\$ 83
Accounts receivable	113	74
Prepaid expenses	<u>493</u>	<u>510</u>
	669	667
 Tangible capital assets (Note 4)	 <u>3,304</u>	 <u>3,487</u>
	<u>\$ 3,973</u>	<u>\$ 4,154</u>
 LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 5)	\$ 669	\$ 667
Current portion of long-term debt (Note 6)	<u>196</u>	<u>183</u>
	865	850
 Long-term debt (Note 6)	 <u>3,108</u>	 <u>3,304</u>
	<u>\$ 3,973</u>	<u>\$ 4,154</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>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
REVENUES			
Contributions from City of Winnipeg departments (Note 9b)	\$ 32,695	\$ 32,448	\$ 31,052
Other rental	262	437	478
Investment and other	<u>20</u>	<u>107</u>	<u>108</u>
Total Revenues	<u>32,977</u>	<u>32,992</u>	<u>31,638</u>
EXPENSES			
Civic accommodations	10,721	11,102	10,949
Transfer to Building Services Fund	10,120	10,680	10,314
Transfer to General Capital Fund	8,489	7,330	7,491
Transfer to General Revenue Fund	<u>3,647</u>	<u>3,880</u>	<u>2,884</u>
Total Expenses (Note 10)	<u>32,977</u>	<u>32,992</u>	<u>31,638</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

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. *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 reporting. 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, compensated absences, retirement allowance, workers compensation claims, and insurance claims are recorded when payment is incurred.

c) **Tangible capital assets**

Tangible capital assets are recorded at cost net of accumulated amortization 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 and amortized based on debt repayments.

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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. *Tangible Capital Assets*

	<u>2007</u>	<u>2006</u>
Cost	\$ 4,864	\$ 4,864
Accumulated amortization	<u>(1,560)</u>	<u>(1,377)</u>
	<u>\$ 3,304</u>	<u>\$ 3,487</u>

5. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Accrued interest on long-term debt	\$ 595	\$ 605
Accounts payable and accrued liabilities	59	49
Holdbacks and other payables	<u>15</u>	<u>13</u>
	<u>\$ 669</u>	<u>\$ 667</u>

6. *Long-Term Debt*

	<u>2007</u>	<u>2006</u>
Debt issued by the Equity in Capital Assets Fund which matures in the year 2019 with an interest rate of 6.50% (2006 - 6.50%)	\$ 3,304	\$ 3,487
Current portion of long-term debt	<u>(196)</u>	<u>(183)</u>
	<u>\$ 3,108</u>	<u>\$ 3,304</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 the Division's office equipment. Future minimum lease payments are as follows:

2008	\$ 2,804
2009	1,594
2010	1,379
2011	1,210
2012	1,239
Subsequent	<u>2,358</u>
	<u>\$ 10,584</u>

8. Employee Benefits

- a) 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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$372 thousand (2006 - \$348 thousand).
- b) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$25 thousand (2006 - \$24 thousand).
- c) 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, 2007 is estimated at \$242 thousand (2006 - \$290 thousand).
- d) 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, 2007 is estimated at \$nil (2006 - \$nil).
- e) 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 \$110 thousand (2006 - \$112 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, 2006 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 \$2 thousand (2006 - \$4 thousand) to Fleet Management - Special Operating Agency for the use of its vehicles;
 - General government charges in the amount of \$306 thousand (2006 - \$306 thousand) to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to civic accommodations; and
 - Interest payments of \$221 thousand (2006 - \$233 thousand) to the Equity in Capital Assets Fund on the purchase of the Mandarin Building.

- b) The following funds were charged for facility costs:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	\$ 29,238	\$ 28,256
Waterworks System	932	815
Sewage Disposal System	932	795
Building Services Fund	317	320
Transit System	212	202
Fleet Management - Special Operating Agency	179	131
Civic Accommodations Fund	172	167
Animal Services - Special Operating Agency	169	170
Solid Waste Disposal Fund	167	66
Winnipeg Parking Authority - Special Operating Agency	113	113
Golf Services - Special Operating Agency	17	17
	<u>\$ 32,448</u>	<u>\$ 31,052</u>

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

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Transfer to Building Services Fund	\$ 10,120	\$ 10,680	\$ 10,314
Materials and supplies	8,584	7,715	8,234
Transfer to General Capital Fund	8,489	7,330	7,491
Transfer to General Revenue Fund	3,647	3,880	2,884
Salaries and employee benefits	1,996	1,886	1,892
Transfer to Commitment Reserve	-	1,561	666
Civic Accommodations Fund - rental costs	172	172	167
Recoveries	(31)	(232)	(10)
	<u>\$ 32,977</u>	<u>\$ 32,992</u>	<u>\$ 31,638</u>

11. Related Party Transactions

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

THE CITY OF WINNIPEG BUILDING SERVICES FUND

Prior to 1997, activities relating to the Building Services Division of the former Civic Buildings Department and the former Parks and Recreation Department were recorded in the General Revenue Fund. In 1997, these activities were reported in the Civic Accommodation Fund and in 1998 they were reported in the Building Services Fund. The Building Services Fund is self-funded and reports on facility development, operation, maintenance, preservation and security services for over 599 owned and leased buildings with an area of approximately 5.4 million square feet, as well as other structures and fixtures.

The buildings receiving services include Community Services Department's recreation buildings, which are pools, arenas, recreation, community centres, Public Works Department's parks and open spaces buildings, civic accommodations, golf, and cemeteries facilities.

The estimated replacement value of City-owned buildings receiving facilities maintenance services is \$1.0 billion.

**THE CITY OF WINNIPEG
BUILDING SERVICES FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Due from General Revenue Fund (Note 3)	\$ 639	\$ 341
Accounts receivable	56	95
Prepaid expenses	6	11
	<u>701</u>	<u>447</u>
	<u>\$ 701</u>	<u>\$ 447</u>
 LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 4)	\$ 535	\$ 400
Deferred revenue	<u>166</u>	<u>47</u>
	<u>\$ 701</u>	<u>\$ 447</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>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
REVENUES			
Contributions from City of Winnipeg departments (Note 6b)	\$ 28,346	\$ 29,425	\$ 27,192
Investment and other	314	283	290
Total Revenues	<u>28,660</u>	<u>29,708</u>	<u>27,482</u>
EXPENSES (Note 7)			
Building services	<u>28,660</u>	<u>29,708</u>	<u>27,482</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

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. *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 reporting. 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, compensated absences, retirement allowance, workers compensation claims, and insurance claims are recorded when payment is incurred.

c) **Deferred revenue**

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.

2. *Status of the Building Services Fund*

On June 20, 2007, City Council approved an amendment to the City Organization By-law No. 7100/97 such that the facilities maintenance and security function be moved from the Public Works Department to the Planning, Property and Development Department effective September 17, 2007.

The Building Services Division of the Planning, Property and Development Department is responsible for providing asset management and facility maintenance services for civic purposes.

The Building Services Fund was established in 1998 as a user-pay self-supporting fund. 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Wages and employee benefits	\$ 449	\$ 348
Performance deposits	<u>86</u>	<u>52</u>
	<u>\$ 535</u>	<u>\$ 400</u>

5. *Employee Benefits*

- a) 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 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) Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability is included in the notes to the financial statements of the General Revenue Fund.
- d) 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.
- e) 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 \$718 thousand (2006 - \$709 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, 2006 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 \$718 thousand (2006 - \$573 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 (2006 - \$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 \$317 thousand (2006 - \$320 thousand) which represent facility costs paid to the Civic Accommodations Fund for space occupied by Building Services staff;
 - Transfer from the Insurance Reserve of \$261 thousand (2006 - \$9 thousand);
 - Transfer to the Computer Replacement Reserve of \$11 thousand (2006 - \$11 thousand); and
 - Transfer to the General Revenue Fund of \$70 thousand (2006 - \$54 thousand).

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

	<u>2007</u>	<u>2006</u>
General Revenue Fund	\$ 18,224	\$ 16,699
Civic Accommodations Fund	10,680	10,314
Commitment Reserve	334	-
Recreation Programming Reserve	182	176
Fleet Management - Special Operating Agency	5	3
	<u>\$ 29,425</u>	<u>\$ 27,192</u>

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

7. Expenses by Object

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Services, materials and supplies	\$ 16,260	\$ 18,163	\$ 16,763
Salaries and employee benefits	13,368	13,278	12,874
Other grants and transfers	735	651	629
Recoveries	(1,703)	(2,384)	(2,784)
	<u>\$ 28,660</u>	<u>\$ 29,708</u>	<u>\$ 27,482</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.



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 three services - regular transit, Handi-transit, and chartered bus 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 over \$0.8 million from 2006, a 1.4% increase. Revenue passengers for 2007 numbered over 41.2 million, a 2.5% increase from 2006. This is the fifth consecutive annual increase and is the highest ridership since 1994. It reflects the positive influences of growing university enrolment, a healthy local economy and transit improvements implemented over the past few years.

Public transit systems across Canada are experiencing similar positive gains. There is a renewed interest in using public transit as a preferred urban transportation mode of choice. This is supported by both senior levels of government who are making public transit and the environment priorities.

The Province of Manitoba increased its operating funding of the public transit system. Through the Province's Building Manitoba Fund, an operating transfer of \$23.8 million was provided to Winnipeg's transit system. This is \$0.9 million more than the previous year. Due to the timing of bus deliveries the Province of Manitoba's capital grant commitment was \$9.0 million, increasing by \$8.9 million from the previous year.

The Government of Canada contributed \$24.8 million to the City of Winnipeg during 2007 through the Public Transit Reserve Fund. For purposes of funding capital investments, \$2.7 million was transferred from the Public Transit Reserve to the Transit System. However, with this and an anticipated extension of this agreement, there will be a significant investment in the City's transit system at levels not seen before.

With increasing revenue elsewhere, the appropriation from the General Revenue Fund decreased by \$0.7 million from the previous year, resulting in a net increase in revenues of \$1.1 million. On the other hand, operating expenses increased by over \$1.7 million over the previous year. The majority of this increase was due to the impact of contractual agreements on salaries and wages and an increase in diesel fuel costs.

Handi-transit demand declined slightly. The amount of service offered decreased by 0.7% over 2006, with costs less than the previous year by \$0.5 million.

THE CITY OF WINNIPEG TRANSIT SYSTEM (continued)

Several achievements were realized during the year, including:

- Winnipeg Transit celebrated its' 125th anniversary, having commenced operations as the Winnipeg Street Railway Company on October 21, 1882.
- During the 2007 Capital Budget process, The City of Winnipeg made the decision to change all future bus purchases to include air conditioning. The first order of air conditioned buses is expected to arrive in the summer of 2008.
- Completion of the first phase of the bus stop upgrade program including the installation of 104 new transit shelters (37 of which are heated), new signage and information kiosks, new benches, and sidewalk improvements.
- Began implementation, which neared completion in 2007, of phase one of the On-Street Transit Priority Program. The Program includes upgrades on Pembina Highway, St. Mary's Road, and St. Anne's Road. Improvements include signal timing improvements, road geometry improvements, transit queue jumps, transit signal priority lights, and transit-only lanes.

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)

	2007	2006	2005	2004	2003
			(restated)		
Financial Position					
Current assets	\$ 11,882	\$ 5,690	\$ 6,017	\$ 9,373	\$ 8,602
Tangible capital assets	\$ 97,920	\$ 90,559	\$ 97,526	\$ 33,993	\$ 24,974
Total assets	\$ 109,802	\$ 96,249	\$ 103,543	\$ 43,366	\$ 33,576
Current liabilities	\$ 14,064	\$ 6,949	\$ 11,473	\$ 18,452	\$ 14,037
Long-term debt	\$ 21,830	\$ 25,327	\$ 23,788	\$ 19,291	\$ 19,539
Operations					
Passenger revenue	\$ 58,132	\$ 57,319	\$ 55,358	\$ 52,529	\$ 49,491
- in relation to total revenue	48.59%	48.34%	48.40%	48.94%	48.07%
Appropriation from General Revenue Fund	\$ 33,743	\$ 34,479	\$ 35,217	\$ 32,854	\$ 31,882
- in relation to total revenue	28.20%	29.08%	30.79%	30.61%	30.97%
Provincial operating transfers	\$ 23,795	\$ 22,895	\$ 19,355	\$ 16,854	\$ 17,459
Operations expenses	\$ 51,681	\$ 50,206	\$ 48,425	\$ 45,045	\$ 42,769
Plant and equipment expenses	\$ 34,793	\$ 34,106	\$ 33,770	\$ 29,806	\$ 28,004
Total expenses	\$ 110,315	\$ 108,573	\$ 106,730	\$ 102,845	\$ 97,419
Cash Flows					
Operating activities	\$ 11,446	\$ 5,571	\$ 13,708	\$ 6,363	\$ 4,313
Long-term debt issued, net	\$ (2,171)	\$ 3,890	\$ (858)	\$ 1,333	\$ (3,873)
Payments to The Sinking Fund Trustees, net	\$ (650)	\$ (650)	\$ (970)	\$ (970)	\$ (1,316)
Capital expenses	\$ (15,560)	\$ (1,267)	\$ (12,833)	\$ (17,050)	\$ (20,952)
Financial Statistics and Selected Ratios					
Regular cash fare, end of year	\$ 2.00	\$ 2.00	\$ 1.85	\$ 1.80	\$ 1.75
Handi-transit - Annual ridership (in thousands)	586.7	590.9	572.8	545.6	513.4
Total cost per passenger	\$ 14.56	\$ 15.33	\$ 14.80	\$ 14.96	\$ 15.09
Revenue to cost ratio	12%	12%	12%	11%	11%
Regular transit - Annual ridership (in millions)	41.2	40.2	40.0	38.6	37.8
Bus hours operated (in thousands)	1,375	1,369	1,365	1,360	1,335
Direct operating cost per passenger	\$ 2.40	\$ 2.40	\$ 2.37	\$ 2.30	\$ 2.23
Direct operating cost per vehicle hour	\$ 71.86	\$ 70.63	\$ 69.34	\$ 65.42	\$ 63.24
Revenue to cost ratio	59%	60%	60%	60%	62%
Municipal operating cost per capita	\$ 46.69	\$ 47.48	\$ 45.90	\$ 43.48	\$ 41.67

**THE CITY OF WINNIPEG
TRANSIT SYSTEM**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 291	\$ 313
Accounts receivable (Note 3)	7,522	1,771
Inventory (Note 4)	4,058	3,595
Prepaid expenses	11	11
	<u>11,882</u>	<u>5,690</u>
Tangible capital assets (Note 5)	<u>97,920</u>	<u>90,559</u>
	<u>\$ 109,802</u>	<u>\$ 96,249</u>
LIABILITIES		
Current		
Due to General Revenue Fund (Note 6)	\$ 8,441	\$ 995
Accounts payable and accrued liabilities	2,726	3,133
Current portion of long-term debt (Note 7)	2,897	2,821
	<u>14,064</u>	<u>6,949</u>
Long-term debt (Note 7)	<u>21,830</u>	<u>25,327</u>
	<u>35,894</u>	<u>32,276</u>
ACCUMULATED SURPLUS		
Retained earnings	715	1,562
Invested in tangible capital assets	73,193	62,411
	<u>73,908</u>	<u>63,973</u>
	<u>\$ 109,802</u>	<u>\$ 96,249</u>

See accompanying notes and schedule to the financial statements

**THE CITY OF WINNIPEG
TRANSIT SYSTEM**

STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES			
System generated (Note 8)	\$ 59,154	\$ 60,130	\$ 59,388
Appropriation from General Revenue Fund	33,743	33,743	34,479
Provincial Government transfers (Note 9)	26,100	25,106	24,192
Interest and other	700	657	518
Total revenues from operations	<u>119,697</u>	<u>119,636</u>	<u>118,577</u>
EXPENSES			
Operations (Note 10)	49,803	51,681	50,206
Plant and equipment (Note 11)	35,891	34,793	34,106
Handi-transit	9,437	8,215	8,728
Other departmental (Note 12)	8,645	8,049	7,849
Finance and administration	2,916	2,671	2,746
Marketing and customer services	2,232	2,030	2,025
Information systems	1,429	1,390	1,305
Planning and schedules	1,117	991	1,095
Human resources	524	495	513
Total expenses from operations (Note 13)	<u>111,994</u>	<u>110,315</u>	<u>108,573</u>
Surplus for the year from operations	7,703	9,321	10,004
Net surplus (deficit) from capital (Note 14)	<u>(7,703)</u>	<u>614</u>	<u>(14,313)</u>
NET SURPLUS (DEFICIT) FOR THE YEAR	-	9,935	(4,309)
ACCUMULATED SURPLUS, BEGINNING OF YEAR	<u>-</u>	<u>63,973</u>	<u>68,282</u>
ACCUMULATED SURPLUS, END OF YEAR	<u>\$ -</u>	<u>\$ 73,908</u>	<u>\$ 63,973</u>

See accompanying notes and schedule 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>2007</u>	<u>2006</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus (deficit) for the year	\$ 9,935	\$ (4,309)
Non-cash items related to operations		
Amortization	8,157	8,220
(Gain) Loss on disposal of tangible capital assets	(25)	14
	<u>18,067</u>	<u>3,925</u>
Working capital from operations	(6,621)	1,646
Net change in other working capital	<u>11,446</u>	<u>5,571</u>
FINANCING		
Non-cash items related to financing		
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(600)	(540)
Long-term debt issued	-	4,900
Payments on other long-term debt	(2,171)	(1,010)
Payments to The Sinking Fund Trustees for outstanding long-term debt	(650)	(650)
Due to General Revenue Fund	7,446	(6,849)
	<u>4,025</u>	<u>(4,149)</u>
INVESTING		
Acquisition and construction of tangible capital assets	(15,560)	(1,267)
Proceeds on disposal of tangible capital assets	67	-
	<u>(15,493)</u>	<u>(1,267)</u>
(Decrease) Increase in cash	(22)	155
Cash, beginning of year	313	158
	<u>\$ 291</u>	<u>\$ 313</u>

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG TRANSIT SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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

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 or services and/or the creation of a legal obligation to pay with the following exception:

Vacation credits, compensated absences, 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) Tangible capital assets

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

Buildings	10 to 50 years
Buses	18 years
Land improvements	10 to 25 years
Other equipment	3 to 10 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Capital work in progress is not amortized until the asset is available for productive use.

c) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

1. *Significant Accounting Policies (continued)*

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 tangible 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 transfers.

3. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Province of Manitoba	\$ 6,156	\$ 123
Advertising rights, charter and other	<u>1,366</u>	<u>1,648</u>
	<u>\$ 7,522</u>	<u>\$ 1,771</u>

4. *Inventory*

	<u>2007</u>	<u>2006</u>
Stores	\$ 3,898	\$ 3,438
Tickets, passes and other	<u>160</u>	<u>157</u>
	<u>\$ 4,058</u>	<u>\$ 3,595</u>

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Buses	\$ 77,391	\$ 80,384
Buildings	2,953	2,971
Land improvements	3,158	1,594
Land	1,260	1,144
Other equipment	1,114	1,097
Work in progress	<u>12,044</u>	<u>3,369</u>
	<u>\$ 97,920</u>	<u>\$ 90,559</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 1).

During the year, there were no write-downs of assets (2006 - \$nil).

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, 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

7. Long-term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2007	2006
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
					21,500	21,500
Funds on deposit with The Sinking Fund Trustees (Note 7b)					(12,777)	(11,527)
Net sinking fund debentures outstanding					8,723	9,973
Other long-term debt outstanding						
Serial debentures issued by the City with varying maturities up to 2013 and a weighted average interest rate of 4.66% (2006 - 4.83%)					3,964	5,313
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2025 and a weighted average interest rate of 6.67% (2006 - 6.77%)					12,040	12,862
					24,727	28,148
Current portion of long-term debt					(2,897)	(2,821)
					\$ 21,830	\$ 25,327

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

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures	\$ -	\$ 3,000	\$ -	\$ -	\$ -	\$ 18,500
Serial debentures	550	577	605	634	665	933
Equity in Capital Assets Fund debt	872	926	983	1,044	708	7,507
	\$ 1,422	\$ 4,503	\$ 1,588	\$ 1,678	\$ 1,373	\$ 26,940

7. Long-term Debt (continued)

- 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. Sinking fund arrangements after December 31, 2002 are 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) Included in interest and finance charges expense is \$869 thousand (2006 - \$591 thousand) paid to the Equity in Capital Assets Fund.
- d) Cash paid for interest during the year was \$3,017 thousand (2006 - \$2,796 thousand).

8. System Generated

	2007 Budget	2007 Actual	2006 Actual
Passenger	\$ 56,862	\$ 58,132	\$ 57,319
Advertising rights	1,163	1,058	1,224
Charter and other	1,129	940	845
	\$ 59,154	\$ 60,130	\$ 59,388

9. Provincial Government Transfers

The Provincial Government provided transfers of \$23.8 million (2006 - \$22.9 million) towards the operation of the Transit System, \$1.3 million (2006 - \$1.3 million) as a Local Government Support Transfer and \$9.0 million (2006 - \$0.1 million) as a Capital Transfer.

10. Operations

	2007 Budget	2007 Actual	2006 Actual
Bus operators	\$ 45,841	\$ 47,575	\$ 46,285
Inspectors	1,948	1,866	1,989
Operations administration	1,297	1,379	1,269
Instruction	717	861	663
	\$ 49,803	\$ 51,681	\$ 50,206

11. Plant and Equipment

	2007 Budget	2007 Actual	2006 Actual
Vehicle maintenance and overhaul	\$ 15,298	\$ 14,506	\$ 14,348
Bus servicing	14,243	14,103	13,529
Building services	2,917	2,899	2,982
Maintenance administration	2,620	2,473	2,418
Loop and bus stop	813	812	829
	\$ 35,891	\$ 34,793	\$ 34,106

12. Other Departmental

	<u>2007 Budget</u>	<u>2007 Actual</u>	2006 Actual
Interest and finance charges	\$ 3,058	\$ 3,018	\$ 2,756
Taxes	1,883	1,883	1,846
Insurance and claims	1,539	1,362	1,430
General government charges and other	1,122	1,104	1,133
Employee benefits	1,043	682	684
	<u>\$ 8,645</u>	<u>\$ 8,049</u>	<u>\$ 7,849</u>

a) Employee benefits

Employees accrue vacation credits, which together with unused holidays from previous years, are not recorded as a liability on the Statement of Financial Position. The vacation credits generally become a charge to operations in the year after they are earned. The amount of this unrecorded liability at December 31, 2007 is estimated at \$4.5 million (2006 - \$4.7 million).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$7.9 million (2006 - \$8.1 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$1.4 million (2006 - \$1.4 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 \$743 thousand (2006 - \$698 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 (2006 - \$3.9 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, 2006 and has an actuarial surplus.

b) General government charges

Included in general government charges and other is \$0.8 million (2006 - \$0.8 million) in general government charges to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Transit System.

c) Civic accommodation charges

Included in expenses is \$212 thousand (2006 - \$202 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 2007, realty and business taxes paid to the General Revenue Fund was \$0.5 million (2006 - \$0.5 million).

12. Other Departmental (continued)

e) Insurance

Included in expenses is \$129 thousand (2006 - \$321 thousand) that has been charged by the Insurance Reserve.

13. Expenses by Object

	2007 Budget	2007 Actual	2006 Actual
Salaries and wages	\$ 60,782	\$ 61,371	\$ 60,060
Materials and supplies	19,856	19,265	18,474
Services	13,972	12,460	13,156
Employee benefits	10,161	10,696	10,524
Interest on long-term debt	3,045	3,017	2,755
Taxes - municipal and payroll	1,883	1,883	1,846
Insurance and transfer to Insurance Reserve Fund	1,534	1,558	1,435
Other	1,244	814	954
Recoveries	(483)	(749)	(631)
	\$ 111,994	\$ 110,315	\$ 108,573

14. Net Surplus (Deficit) from Capital

	2007 Budget	2007 Actual	2006 Actual
Revenues			
Province of Manitoba capital transfers (Note 9)	\$ -	\$ 8,958	\$ 100
Transfer from Public Transit Reserve	-	2,682	670
Transfer from Federal Gas Tax Reserve	-	1,344	-
Transfer from Transit Bus Replacement Reserve	-	964	-
Government of Canada capital transfers	-	32	-
Gain on disposal of tangible capital assets	-	25	-
	-	14,005	770
Expenses			
Amortization	2,623	8,157	8,220
Transfer to Transit Bus Replacement Reserve	5,080	5,161	6,530
Other	-	73	319
Loss on disposal of tangible capital assets	-	-	14
	7,703	13,391	15,083
	\$ (7,703)	\$ 614	\$ (14,313)

15. 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.

**THE CITY OF WINNIPEG
TRANSIT SYSTEM**

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	<u>Buses</u>	<u>Buildings</u>	<u>Land Improvements</u>
Cost			
Balance, beginning of year	\$ 148,137	\$ 10,575	\$ 4,345
Add: Additions during the year	4,459	-	-
Less: Disposals during the year	(552)	-	-
Costs transferred from work-in progress	-	223	1,778
	<u>152,044</u>	<u>10,798</u>	<u>6,123</u>
Accumulated amortization			
Balance, beginning of year	(67,753)	(7,604)	(2,751)
Add: Amortization	(7,410)	(241)	(214)
Less: Accumulated amortization on disposal	510	-	-
	<u>(74,653)</u>	<u>(7,845)</u>	<u>(2,965)</u>
Net Book Value of Tangible Capital Assets	<u>\$ 77,391</u>	<u>\$ 2,953</u>	<u>\$ 3,158</u>

Schedule 1

<u>Land</u>	<u>Other Equipment</u>	<u>Work-in Progress</u>	<u>2007</u>	<u>2006</u>
\$ 1,144	\$ 5,025	\$ 3,369	\$ 172,595	\$ 171,501
-	133	10,968	15,560	1,267
-	-	-	(552)	(173)
116	176	(2,293)	-	-
<u>1,260</u>	<u>5,334</u>	<u>12,044</u>	<u>187,603</u>	<u>172,595</u>
-	(3,928)	-	(82,036)	(73,975)
-	(292)	-	(8,157)	(8,220)
-	-	-	510	159
-	(4,220)	-	(89,683)	(82,036)
<u>\$ 1,260</u>	<u>\$ 1,114</u>	<u>\$ 12,044</u>	<u>\$ 97,920</u>	<u>\$ 90,559</u>



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, 174.5 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 then estimated at \$204 million.

On July 17, 2002, City Council approved the construction of an ultraviolet light disinfection facility in advance of the full water treatment plant.

On June 25, 2003, City 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.

On March 23, 2005, City Council approved additional funds of \$13.3 million for on-site generation of sodium hypochlorite and standby power generation and on November 23, 2005, City 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 construction of the ultraviolet light disinfection facility at the Deacon Booster Pumping Station started in 2004 and it became operational in 2007. The water treatment plant capital cost estimate is currently \$300 million. This is due to construction cost escalation in recent years. Design of the water treatment plant is ongoing and the target in-service date for full water treatment is early 2009.

THE CITY OF WINNIPEG WATERWORKS SYSTEM

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Block 1 rate in dollars (per 100 cu. ft.)	\$ 3.15	\$ 2.75	\$ 2.75	\$ 2.75	\$ 2.75
Annual water pumped (million litres)	79,624	82,831	80,713	81,045	84,577
Water pumped in litres per capita per day	334	347	339	343	366
Average daily water pumped (million litres per day)	218	227	221	222	232
Maximum day water pumping rates (million litres per day)	295	340	267	285	336
Maximum hour water pumping rates (million litres per day)	447	549	391	411	517
Kilometres of aqueduct	174.5	174.5	174.5	174.5	174.5
Kilometres of feeder mains	155.9	151.5	150.3	156.8	156.8
Kilometres of water mains	2,464.0	2,447.0	2,435.5	2,427.0	2,420.6
Number of hydrants	20,265	20,085	19,930	20,661	20,348
Number of billed services	190,318	188,328	187,619	186,160	184,854

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 298	\$ 75
Accounts receivable (Note 3)	16,121	13,947
Due from General Revenue Fund (Note 4)	64,938	98,910
Inventories	904	957
	<u>82,261</u>	<u>113,889</u>
Tangible capital assets (Note 5)	<u>715,307</u>	<u>622,044</u>
	<u>\$ 797,568</u>	<u>\$ 735,933</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 20,756	\$ 11,715
Current portion of long-term debt (Note 7)	2,337	2,336
	<u>23,093</u>	<u>14,051</u>
Long-term debt (Note 7)	<u>77,080</u>	<u>80,567</u>
	<u>100,173</u>	<u>94,618</u>
ACCUMULATED SURPLUS (Note 8)	<u>697,395</u>	<u>641,315</u>
	<u>\$ 797,568</u>	<u>\$ 735,933</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG WATERWORKS SYSTEM

STATEMENT OF OPERATIONS

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

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
REVENUES (Schedule 1)			
Sale of goods and services (Note 9)	\$ 82,820	\$ 83,351	\$ 74,964
Interest	1,980	5,456	3,391
Government transfers, permits and other	1,177	2,097	1,178
	<u>85,977</u>	<u>90,904</u>	<u>79,533</u>
EXPENSES (Schedules 2 and 3)			
Water distribution	29,387	24,175	23,487
Debt and finance	12,787	7,084	6,001
Taxes, employee benefits and other (Note 10)	6,273	6,681	6,466
Finance and administration	3,459	3,153	2,492
Engineering services	2,822	2,595	2,661
Information systems and technology	1,106	947	901
Human resources	700	668	493
Customer services	526	569	582
Environmental standards	622	523	518
	<u>57,682</u>	<u>46,395</u>	<u>43,601</u>
Total expenses from operations			43,601
Surplus for the year from operations	28,295	44,509	35,932
Transfers to other funds (Note 11)	22,707	23,114	22,317
Net surplus from operations after transfers to other funds	5,588	21,395	13,615
Net surplus from capital (Schedule 4)	-	34,685	58,255
NET SURPLUS FOR THE YEAR	<u><u>\$ 5,588</u></u>	<u>56,080</u>	71,870
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>641,315</u>	<u>569,445</u>
ACCUMULATED SURPLUS, END OF YEAR		<u><u>\$ 697,395</u></u>	<u>\$ 641,315</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>2007</u>	<u>2006</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	\$ 56,080	\$ 71,870
Non-cash items related to operations		
Amortization	12,187	11,845
Loss on disposal of tangible capital assets	795	86
	<u>69,062</u>	<u>83,801</u>
Working capital from operations	69,062	83,801
Change in net working capital other than cash	<u>6,920</u>	<u>7,484</u>
	<u>75,982</u>	<u>91,285</u>
FINANCING		
Debt retired	(6)	(2,427)
Debt issued	-	60,000
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(1,150)	(1,012)
Due from General Revenue Fund	33,972	(73,964)
Payments to The Sinking Fund Trustees for outstanding debt	<u>(2,330)</u>	<u>(1,346)</u>
	<u>30,486</u>	<u>(18,749)</u>
INVESTING		
Purchase of tangible capital assets	<u>(106,245)</u>	<u>(72,720)</u>
Increase (Decrease) in cash	223	(184)
Cash, beginning of year	<u>75</u>	<u>259</u>
Cash, end of year	<u>\$ 298</u>	<u>\$ 75</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG WATERWORKS SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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

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 or services and/or the creation of a legal obligation to pay with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

a) Tangible capital assets

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

Buildings	10 to 50 years
Machinery and equipment	10 to 40 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	50 to 100 years
Water pumping stations and reservoirs	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

1. Significant Accounting Policies (continued)

c) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

d) 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.

e) Water Main Renewal Reserve

On February 18, 1981, City Council adopted a motion that a reserve to fund the renewal of water mains be established and that there be an annual transfer of 100% of the water frontage levy revenue to the Water Main 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.

f) 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 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 Aqueduct project will end in 2008.

g) Water Treatment Reserve

On December 17, 1993, City 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 2007 water rates include a provision of 40.63 cents (2006 - 40.63 cents) per 100 cubic feet of water consumption billed for water treatment. In 2007, \$10.5 million (2006 - \$10.1 million) was transferred to the Water Treatment Reserve.

2. Status of the Waterworks System

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

3. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Water billings and other	\$ 16,412	\$ 14,181
Allowance for doubtful accounts	(291)	(234)
	<u>\$ 16,121</u>	<u>\$ 13,947</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, and the amount reported as cash represents bank deposits not yet charged to this account and change funds. Interest is credited or charged based on the City's average short-term earnings (cost of funds) on the single bank account, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. *Tangible Capital Assets*

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,824	\$ 1,821
Buildings	3,938	4,041
Machinery and equipment	1,156	979
Computer	5,833	4,998
Underground networks	453,700	449,640
Water pumping stations and reservoirs	66,623	59,907
Assets under construction	182,233	100,658
	<u>\$ 715,307</u>	<u>\$ 622,044</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were \$26 thousand (2006 - \$35 thousand). In addition, underground networks contributed to the City and recorded in the Waterworks System Fund totalled \$5.3 million in 2007 (2006 - \$0.6 million) and were capitalized at their fair value at the time of receipt.

6. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 16,932	\$ 8,182
Accrued debenture interest	2,391	2,391
Other accrued liabilities	1,170	893
Deferred revenue and other	263	249
	<u>\$ 20,756</u>	<u>\$ 11,715</u>

7. Long-Term Debt

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2007	2006
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
1996-2036	July 17	5.200	VZ	183/2004 and 72/2006	60,000	60,000
					104,500	104,500
Equity in Sinking Funds (Note 7b)					(25,090)	(21,610)
Net sinking fund debentures outstanding					79,410	82,890
Other long-term debt outstanding						
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2008 and a weighted average interest rate of 5.75% (2006 - 5.75%)					<u>7</u>	<u>13</u>
					79,417	82,903
Current portion of long-term debt					(2,330)	(2,330)
Current portion of Equity in Capital Assets Fund debt					(7)	(6)
Current portion of long-term debt					(2,337)	(2,336)
					\$ 77,080	\$ 80,567

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

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures \$	-	\$ 1,500	\$ -	\$ -	\$ -	\$ 103,000
Equity in Capital Assets Fund	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 7</u>	<u>\$ 1,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,000</u>

- 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.
- The City of Winnipeg Charter requires the City to make annual payments to The Sinking Fund on debt outstanding as at December 31, 2002. Sinking fund arrangements after December 31, 2002 are managed by the City. The City is currently paying one 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) Cash paid for interest during the year was \$7.1 million (2006 - \$4.1 million).

d) Interest paid to the Equity in Capital Assets Fund during 2007 was \$1 thousand (2006 - \$3 thousand).

8. **Accumulated Surplus**

	<u>2007</u>	<u>2006</u>
Invested in tangible capital assets	\$ 635,995	\$ 537,043
Retained earnings	<u>61,400</u>	<u>104,272</u>
	<u>\$ 697,395</u>	<u>\$ 641,315</u>

9. **Revenue**

The 2007 Water Treatment Reserve contribution was 40.63 cents per hundred cubic feet (2006 - 40.63 cents).

10. **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 2007, realty and business taxes paid to the General Revenue Fund was \$3.1 million (2006 - \$3.0 million).

Included in expenses is \$0.7 million (2006 - \$0.7 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 \$0.9 million (2006 - \$0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is a recovery of \$124 thousand (charge 2006 - \$205 thousand) by the Insurance Reserve.

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, 2007 is \$2.4 million (2006 - \$2.5 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, 2007 is estimated at \$308 thousand (2006 - \$338 thousand).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$3.6 million (2006 - \$3.6 million).

10. Taxes, Employee Benefits and Other (continued)

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$0.4 million (2006 - \$0.4 million).

Waterworks System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pensions costs to various departments. During the year \$1.6 million (2006 - \$1.5 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, 2006 and has disclosed an actuarial surplus.

11. Transfers to Other Funds

Beginning in 1988, City 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 \$6.1 million in 2007 (2006 - \$5.7 million) to the General Revenue Fund to support the fire hydrant maintenance and other programs.

	<u>2007</u>	<u>2006</u>
Transfer to General Revenue Fund	\$ 12,580	\$ 12,123
Transfer to Water Treatment Reserve	10,515	10,089
Transfer to General Capital Fund	<u>19</u>	<u>105</u>
	<u>\$ 23,114</u>	<u>\$ 22,317</u>

12. 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)*

	2007 Budget	2007 Actual	2006 Actual
Sale of goods and services			
Water sales	\$ 79,066	\$ 79,514	\$ 71,470
Fire hydrant and other rentals	3,724	3,803	3,350
Sale of scrap material	30	34	144
	82,820	83,351	74,964
Interest			
Interest	800	4,280	2,344
Sinking Fund earnings	1,130	1,150	1,012
Interest capitalized	50	26	35
	1,980	5,456	3,391
Government transfers, permits and other			
Other	141	883	85
Permits and fees	476	625	537
Provincial support transfer	560	589	556
	1,177	2,097	1,178
Total Revenues	\$ 85,977	\$ 90,904	\$ 79,533

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 2

EXPENSES

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

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Water distribution			
Water main maintenance	\$ 6,208	\$ 7,193	\$ 6,209
Pumping stations	3,352	3,302	3,551
Service pipe maintenance	3,248	2,780	2,515
Mechanical/civil/electrical maintenance allocation	2,297	2,179	2,501
General administration	2,124	1,689	2,381
Hydrant maintenance	2,060	1,508	1,222
Emergency services	1,783	1,494	1,589
Railway maintenance and operations	1,570	1,418	1,084
Water meter maintenance	1,239	653	677
Intake operation	402	469	318
Water supply administration	869	449	340
Valve maintenance	880	442	483
Stores - 552 Plinguet	283	363	389
Backflow prevention	215	139	140
Meter shop	84	56	64
Staff house	113	41	24
Water treatment plant	2,660	-	-
	<u>29,387</u>	<u>24,175</u>	<u>23,487</u>
Debt and finance			
Long-term debt			
Interest	8,501	7,061	5,504
Amortization	3,486	-	-
Finance charges	800	23	497
	<u>12,787</u>	<u>7,084</u>	<u>6,001</u>
Taxes, employee benefits and other			
Property taxes	3,436	3,379	3,319
Employee benefits	839	1,016	919
Rent	793	932	795
General government charges	612	612	612
Provincial payroll tax	560	562	588
Insurance and damage claims	484	427	428
Other services	(51)	167	196
Recoveries	(400)	(414)	(391)
	<u>6,273</u>	<u>6,681</u>	<u>6,466</u>

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Finance and administration division			
Customer billing	2,059	1,963	1,887
Administrative services	800	668	200
Accounting services	230	202	150
Financial planning	271	197	154
Process improvement	99	123	101
	3,459	3,153	2,492
Engineering services division			
Design and construction	729	554	521
Drafting and graphics	403	503	397
Water planning	556	450	310
Customer technical services	362	357	331
Administration	(141)	222	329
Asset management	102	162	104
Project management	581	155	531
Services development	153	142	133
Resource centre	77	58	74
Land drainage/flood planning	-	(3)	(69)
Wastewater planning	-	(5)	-
	2,822	2,595	2,661
Information systems and technology division			
Major systems	687	636	510
Support services	419	311	391
	1,106	947	901
Human resources division			
Human resources	287	304	240
Timekeeping and payroll	187	163	97
Human resources training	146	114	117
Work place health and safety	80	87	39
	700	668	493
Customer services division			
Customer relations	430	454	457
Administration	55	53	60
Communications	45	40	44
Public consultation	(4)	22	21
	526	569	582

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Environmental standards division			
Analytical services	485	398	371
Research	140	61	81
Administration	31	58	66
Compliance	(34)	6	-
	622	523	518
Total Expenses from Operations	57,682	46,395	43,601
Transfers to other funds (Note 11)			
Transfer to General Revenue Fund	12,580	12,580	12,123
Transfer to Water Treatment Reserve	10,127	10,515	10,089
Transfer to General Capital Fund	-	19	105
Total transfer to other funds	22,707	23,114	22,317
Total Expenses	\$ 80,389	\$ 69,509	\$ 65,918

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 3

EXPENSES BY OBJECT

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

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Salaries	\$ 27,842	\$ 24,886	\$ 23,948
Transfers	22,707	23,114	22,317
Goods and services	21,398	17,517	17,774
Interest on long-term debt	8,501	7,061	5,504
Other expenses	5,572	5,313	5,150
Employee benefits	4,960	4,019	3,869
Finance charges	918	136	599
Grants	95	90	95
Amortization	3,486	-	-
Recoveries	(15,090)	(12,627)	(13,338)
Total Expenses	<u><u>\$ 80,389</u></u>	<u><u>\$ 69,509</u></u>	<u><u>\$ 65,918</u></u>

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

Schedule 4

NET SURPLUS FROM CAPITAL

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

	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
Revenues		
Transfers		
Water Treatment Reserve	\$ 36,301	\$ 61,457
Water Main Renewal Reserve	6,470	7,836
Aqueduct Rehabilitation Reserve	38	68
Sewage Disposal System	23	266
	<u>42,832</u>	<u>69,627</u>
Developer contributions-in-kind	5,288	616
Other capital funding	-	25
	<u>48,120</u>	<u>70,268</u>
Expenses		
Amortization	12,187	11,845
Loss on disposal of assets	795	86
Other expenses	453	82
	<u>13,435</u>	<u>12,013</u>
Total revenue from capital	<u>48,120</u>	<u>70,268</u>
Total expenses from capital	<u>13,435</u>	<u>12,013</u>
Net surplus from capital	<u>\$ 34,685</u>	<u>\$ 58,255</u>

**THE CITY OF WINNIPEG
WATERWORKS SYSTEM**

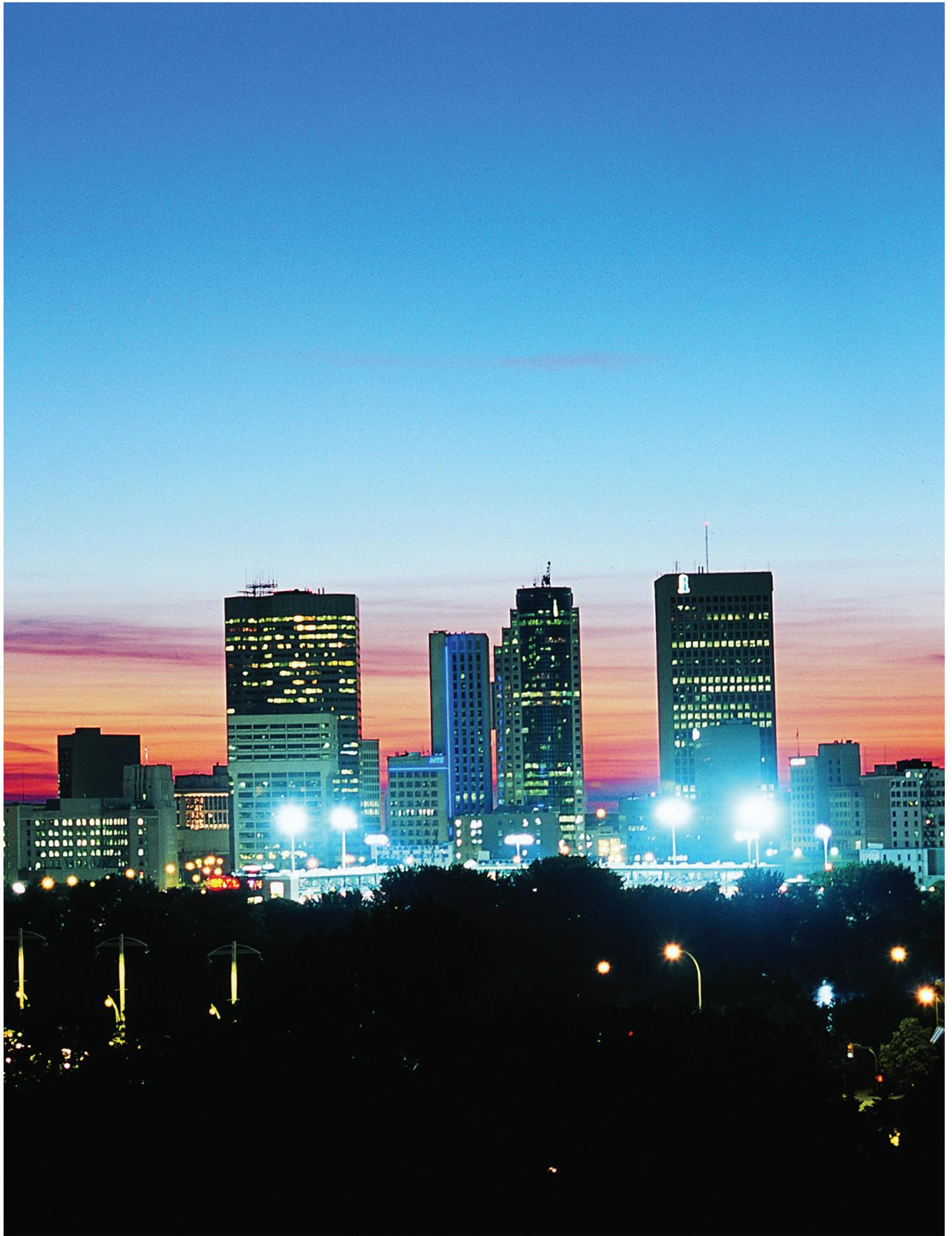
SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Buildings	Machinery and Equipment	Computer
Cost				
Balance, beginning of year	\$ 1,821	\$ 5,399	\$ 9,100	\$ 21,507
Add: Additions during the year	3	-	300	2,082
Less: Disposals during the year	-	-	-	-
Balance, end of year	<u>1,824</u>	<u>5,399</u>	<u>9,400</u>	<u>23,589</u>
Accumulated amortization				
Balance, beginning of year	-	1,358	8,121	16,509
Add: Amortization	-	103	123	1,247
Less: Accumulated amortization on disposals	-	-	-	-
Balance, end of year	<u>-</u>	<u>1,461</u>	<u>8,244</u>	<u>17,756</u>
Net Book Value of Tangible Capital Assets	<u>\$ 1,824</u>	<u>\$ 3,938</u>	<u>\$ 1,156</u>	<u>\$ 5,833</u>

Schedule 5

Infrastructure			Totals	
Underground Networks	Water Pumping Stations and Reservoirs	Assets Under Construction	2007	2006
\$ 634,008	\$ 102,878	\$ 100,658	\$ 875,371	\$ 802,966
13,666	8,619	81,575	106,245	72,720
(3,286)	-	-	(3,286)	(315)
<u>644,388</u>	<u>111,497</u>	<u>182,233</u>	<u>978,330</u>	<u>875,371</u>
184,368	42,971	-	253,327	241,711
8,811	1,903	-	12,187	11,845
(2,491)	-	-	(2,491)	(229)
<u>190,688</u>	<u>44,874</u>	<u>-</u>	<u>263,023</u>	<u>253,327</u>
<u>\$ 453,700</u>	<u>\$ 66,623</u>	<u>\$ 182,233</u>	<u>\$ 715,307</u>	<u>\$ 622,044</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. 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.

Manitoba Conservation subsequently issued Environment Act Licenses to the City for the North End, West End, and South End Water Pollution Control Centers (NEWPCC, WEWPCC, and SEWPCC). The Licenses place specific compliance terms and conditions beyond those that were contemplated in the original wastewater improvement plan.

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 \$1.2 billion.

Wastewater treatment upgrades to the NEWPCC and WEWPCC are currently underway. The NEWPCC effluent disinfection was commissioned in July 2006. The NEWPCC phosphorus removal was commissioned in May 2007. The NEWPCC centrate treatment and the WEWPCC effluent disinfection and biological nutrient removal will be complete in 2008.

The upgrades include year-round UV disinfection of the final effluent, and biological 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 was initiated in 2006, with construction to be completed by 2012. Engineering design efforts for the NEWPCC biological nutrient removal will commence after a NEWPCC Master Plan study has been completed with a target in-service date of 2014.

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

FIVE-YEAR REVIEW

As at December 31
(unaudited)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Rate in dollars (per 100 cu. ft.)	\$ 4.46	\$ 3.87	\$ 3.39	\$ 3.11	\$ 2.73
Annual sewage received (million litres)*	107,310	102,609	123,584	127,534	96,199
Daily sewage received (million litres)*	294.0	281.1	339.6	349.4	263.6
Kilometres of interceptor sewers	114.4	109.1	109.7	109.7	109.8
Kilometres of combined sewers**	1,045.4	1,283.2	1,338.2	1,334.1	1,327.8
Kilometres of wastewater sewers	1,313.5	1,456.6	1,427.1	1,422.3	1,408.5
Kilometres of storm sewers***	1,775.0	1,668.8	2,260.7	2,241.9	2,217.8
Number of lift stations	76	76	76	76	76
Number of billed sewer services	190,318	188,887	187,398	185,939	184,637

Note:

- * Sewage received is dependent on both levels of precipitation and water conservation efforts.
- ** Reduction in combined sewers is due to flood relief programs that separate the sewers thereby reducing overall length.
- *** Estimates of storm sewers only include actual pipe in the ground, whereas, prior to 2006 estimates include surface ditch drainage.

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 1	\$ 1
Inventory	250	248
Accounts receivable (Note 3)	34,641	23,583
Due from General Revenue Fund (Note 4)	<u>34,322</u>	<u>29,442</u>
	69,214	53,274
Tangible capital assets (Note 5)	<u>725,530</u>	<u>685,693</u>
	<u>\$ 794,744</u>	<u>\$ 738,967</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 13,832	\$ 8,968
Performance and other deposits	264	213
Current portion of long-term debt (Note 7)	<u>4,034</u>	<u>3,927</u>
	18,130	13,108
Long-term debt (Note 7)	<u>41,090</u>	<u>47,660</u>
	59,220	60,768
ACCUMULATED SURPLUS (Note 8)	<u>735,524</u>	<u>678,199</u>
	<u>\$ 794,744</u>	<u>\$ 738,967</u>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

STATEMENT OF OPERATIONS

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

	2007 Budget	2007 Actual	2006 Actual
REVENUES (Schedule 1)			
Sewer services (Note 9)	\$ 107,083	\$ 106,948	\$ 98,152
Government transfers, permits and other	2,534	4,393	2,590
Interest	2,856	4,052	3,641
Total revenues	<u>112,473</u>	<u>115,393</u>	<u>104,383</u>
EXPENSES (Schedules 2 and 3)			
Collection, interception and treatment	28,263	24,681	22,176
Taxes, employee benefits and other (Note 10)	12,049	11,916	11,639
Debt and finance	14,903	8,359	8,413
Engineering services	3,798	3,806	3,197
Finance and administration	3,557	2,978	2,564
Environmental standards	2,259	1,557	1,485
Information systems and technology	1,159	883	896
Customer services	694	677	679
Human resources	699	575	489
Total expenses from operations	<u>67,381</u>	<u>55,432</u>	<u>51,538</u>
Surplus for the year from operations	45,092	59,961	52,845
Transfers to other funds (Note 11)	<u>26,411</u>	<u>28,143</u>	<u>24,429</u>
Net surplus for the year from operations after transfer to other funds	18,681	31,818	28,416
Net surplus from capital (Schedule 4)	<u>-</u>	<u>25,507</u>	<u>5,816</u>
Net surplus for the year	<u>\$ 18,681</u>	57,325	34,232
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>678,199</u>	<u>643,967</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>\$ 735,524</u>	<u>\$ 678,199</u>

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>2007</u>	<u>2006</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	\$ 57,325	\$ 34,232
Non-cash items related to operations		
Amortization	15,142	14,995
Net assets transferred to General Capital Fund	7,663	-
Loss on disposal of tangible capital assets	534	630
	<u>80,664</u>	<u>49,857</u>
Working capital from operations	80,664	49,857
Change in net working capital other than cash	<u>(6,145)</u>	<u>(4,054)</u>
	<u>74,519</u>	<u>45,803</u>
FINANCING		
Debt retired	(1,241)	(1,577)
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	(2,536)	(2,292)
Due from General Revenue Fund	(4,880)	(6,106)
Payments to The Sinking Fund Trustees for outstanding long-term debt	(2,601)	(2,600)
Decrease in other debt	(85)	(62)
	<u>(11,343)</u>	<u>(12,637)</u>
INVESTING		
Purchase of tangible capital assets	<u>(63,176)</u>	<u>(33,166)</u>
Cash, beginning of year	<u>1</u>	<u>1</u>
Cash, end of year	<u>\$ 1</u>	<u>\$ 1</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SEWAGE DISPOSAL SYSTEM

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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

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 or services and/or the creation of a legal obligation to pay with the following exception:

Vacation credits, compensated absences, retirement allowance, workers compensation claims, environmental costs, and insurance claims are recorded on a cash basis.

a) Tangible capital assets

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

Buildings	10 to 50 years
Machinery and equipment	10 to 25 years
Computer hardware and software	5 to 10 years
Water and waste plants and networks	
Underground networks	75 to 100 years
Sewage treatment plants and lift stations	50 to 75 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Contributions of tangible capital assets

Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and are also recorded as revenue.

1. Significant Accounting Policies (continued)

c) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

d) Sewer System Rehabilitation Reserve Fund

On May 27, 1992, City Council authorized the establishment of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds for the renewal and rehabilitation of combined and wastewater sewers, respectively, 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 Reserves is to provide a consistent approach to financing infrastructure renewal and to renew and rehabilitate combined and 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 City Council between the Reserves in accordance with the needs at that time.

During the 2006 capital budget process City Council allocated the frontage levy to the repair and replacement of streets and sidewalks. Frontage levy revenue was replaced with funding from the Federal Gas Tax Revenue Reserve Fund for the renewal and rehabilitation of sewers in accordance with the capital program requirements.

On September 27, 2006, City Council approved the consolidation of the Combined Sewer Renewal Reserve and the Wastewater Sewer Renewal Reserve Funds into the Sewer System Rehabilitation Reserve Fund, which was effective October 1, 2006.

The Director of the Water and Waste Department is the Fund Manager.

e) 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 studies for river quality. On January 24, 1996, City Council 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 2007 sewer rate includes a provision of 31.3 cents (2006 - 31.3 cents) per 100 cubic feet of billed water consumption to be transferred from the Sewage Disposal System Fund to this Reserve. In 2007, \$8.0 million (2006 - \$8.5 million) was transferred to the Environmental Projects Reserve Fund.

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. Accounts Receivable

	<u>2007</u>	<u>2006</u>
Sewer billings and other	\$ 34,701	\$ 23,650
Allowance for doubtful accounts	(60)	(67)
	<u>\$ 34,641</u>	<u>\$ 23,583</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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

5. Tangible Capital Assets

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Land	\$ 1,451	\$ 1,451
Buildings	344	354
Equipment	238	-
Underground networks	482,275	483,998
Sewage treatment plants and lift stations	171,534	156,700
Assets under construction	69,688	43,190
	<u>\$ 725,530</u>	<u>\$ 685,693</u>

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During 2007 and 2006, there were no write-downs of tangible capital assets and interim financing charges capitalized during 2007 were \$179 thousand (2006 - \$218 thousand). In addition, underground networks contributed to the City and recorded in the Sewage Disposal System Fund totalled \$7.6 million in 2007 (2006 - \$0.4 million) and were capitalized at their fair value at the time of receipt.

6. Accounts Payable and Accrued Liabilities

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 10,459	\$ 5,746
Accrued debenture interest	2,948	2,968
Other accrued liabilities	425	254
	<u>\$ 13,832</u>	<u>\$ 8,968</u>

7. *Long-term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	Amount of Debt	
					2007	2006
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
					86,000	86,000
Equity in Sinking Fund (Note 7b)					(53,773)	(48,636)
Net sinking fund debentures outstanding					32,227	37,364
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 4.98% (2006 - 4.61%)					9,300	10,541
Equity in Capital Assets Fund debt issued by the City with varying maturities up to 2018 and a weighted average interest rate of 8.25% (2006 - 8.25%)					71	77
Pointe West Properties debt, maturity in 2012, interest rate of 6.65%					3,526	3,605
					45,124	51,587
Current portion of long-term debt					(3,903)	(3,842)
Current portion of Equity in Capital Assets Fund debt					(6)	(6)
Current portion of Pointe West Properties debt					(125)	(79)
Current portion of long-term debt					(4,034)	(3,927)
					\$ 41,090	\$ 47,660

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

	2008	2009	2010	2011	2012	Thereafter
Sinking fund debentures	\$ -	\$ 11,000	\$ -	\$ -	\$ -	\$ 75,000
Serial and installment	1,302	1,367	1,435	1,506	1,580	2,110
Equity in Capital Assets Fund	6	7	7	8	9	34
Pointe West debt	125	134	143	100	3,024	-
	\$ 1,433	\$ 12,508	\$ 1,585	\$ 1,614	\$ 4,613	\$ 77,144

7. Long-term Debt (continued)

- 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. Sinking Fund arrangements after December 31, 2002 are 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) 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 \$8.4 million (2006 - \$8.4 million).
- e) Interest paid to the Equity in Capital Assets Fund during 2007 was \$5 thousand (2006 - \$6 thousand).

8. Accumulated Surplus

	2007	2006
Invested in tangible capital assets	\$ 680,290	\$ 634,343
Retained earnings	55,234	43,856
	\$ 735,524	\$ 678,199

9. Revenue

The 2007 sewer rate increased to 4.46 cents per hundred cubic feet (2006 - 3.87 cents). The Environmental Projects Reserve contribution for 2007 was 31.3 cents per hundred cubic feet (2006 - 31.3 cents).

10. 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 2007, realty and business taxes paid to the General Revenue Fund was \$9.2 million (2006 - \$9.7 million).

The Sewage Disposal System is charged with the estimated share of the City's general government expenses. In 2007, this amounted to \$0.5 million (2006 - \$0.5 million) and was transferred to the General Revenue Fund.

Included in expenses is \$0.9 million (2006 - \$0.8 million) that has been charged by the Civic Accommodations Fund for the rental of office space.

Included in expenses is \$1.0 million (to 2006 - \$21 thousand) that has been received from the Insurance Reserve Fund.

10. Taxes, Employee Benefits and Other (continued)

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, 2007 is \$1.2 million (2006 - \$1.2 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, 2007 is estimated at \$402 thousand (2006 - \$498 thousand).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$0.2 million (2006 - \$0.2 million).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$1.4 million (2006 - \$1.3 million).

Sewage Disposal System employees are eligible for pensions under the Winnipeg Civic Employees' Benefits Program. The City of Winnipeg allocates its pension costs to various departments. During the year \$817 thousand (2006 - \$752 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, 2006 and has disclosed an actuarial surplus.

11. Transfers to Other Funds

Beginning in 1988, City 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 2007, the Utility contributed \$11.9 million (2006 - \$8.5 million) to the General Revenue Fund to support the land drainage program.

	<u>2007</u>	<u>2006</u>
Transfer to General Revenue Fund	\$ 18,422	\$ 14,970
Transfer to Environmental Projects Reserve	8,006	8,501
Transfer to General Capital Fund	<u>1,715</u>	<u>958</u>
	<u>\$ 28,143</u>	<u>\$ 24,429</u>

12. 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>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Sewer services	\$ 107,083	\$ 106,948	\$ 98,152
Government transfers, permits and other			
Industrial waste surcharges	1,850	2,236	1,360
Other	370	1,833	922
Provincial support transfer	204	194	180
Permits and fees	110	130	128
	<u>2,534</u>	<u>4,393</u>	<u>2,590</u>
Interest			
Sinking Fund earnings	2,556	2,536	2,292
Interest	200	1,337	1,131
Capitalized	100	179	218
	<u>2,856</u>	<u>4,052</u>	<u>3,641</u>
Total Revenues	<u>\$ 112,473</u>	<u>\$ 115,393</u>	<u>\$ 104,383</u>

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Collection, interception and treatment			
North end water pollution control centre	\$ 9,654	\$ 8,975	\$ 7,723
Local sewer	4,958	4,085	4,243
South end water pollution control centre	2,717	2,452	2,486
Interception system	1,781	1,744	1,586
West end water pollution control centre	1,833	1,649	1,312
Mechanical maintenance	1,614	1,484	1,184
Sludge disposal	1,926	1,445	1,488
Electrical maintenance/instrumentation	1,146	1,140	821
Administration	1,950	1,048	863
Civil maintenance	684	659	470
	28,263	24,681	22,176
Taxes, employee benefits and other			
Property taxes	9,425	9,203	9,733
Miscellaneous	1,050	1,472	967
Rent	793	932	795
Employee benefits	484	792	762
General government charges	467	467	467
Insurance and claims	326	307	303
Provincial payroll tax	204	206	194
Recoveries	(700)	(1,463)	(1,582)
	12,049	11,916	11,639
Debt and finance			
Long-term debt interest	8,335	8,354	8,408
Finance charges	100	5	5
Amortization - debt principal	6,468	-	-
	14,903	8,359	8,413
Engineering services			
Sewer connections	650	922	403
Wastewater planning	403	610	253
Design and construction	729	558	546
Drafting and graphic	463	505	397
Customer technical services	362	359	331
Administrative services	228	351	328
Project management	581	159	578
Engineering services development	153	143	133
Resource centre	77	92	74
Asset management	102	57	104
Land drainage and flood planning	50	50	50
	3,798	3,806	3,197

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Finance and administration			
Customer accounts	2,132	1,957	1,967
Administrative services	800	574	194
Financial services	225	173	151
Financial planning	265	169	152
Process improvement	135	105	100
	3,557	2,978	2,564
Environmental standards			
Analysis	1,176	891	806
Industrial waste	553	399	361
Research	309	135	175
Administration	187	132	143
Compliance	34	-	-
	2,259	1,557	1,485
Information systems and technology			
Major systems	677	539	398
Support services	482	344	498
	1,159	883	896
Customer services			
Customer relations	523	538	535
Administration	76	66	69
Communications	58	47	51
Public consultation	37	26	24
	694	677	679
Human resources			
Human resources	296	264	235
Timekeeping and payroll	183	140	99
Human resources training	142	97	117
Work place health and safety	78	74	38
	699	575	489
Total Expenses from Operations	67,381	55,432	51,538

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 2

EXPENSES

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

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Transfers to other funds			
Transfer to General Revenue Fund	18,689	18,422	14,970
Transfer to Environmental Projects Reserve	7,722	8,006	8,501
Transfer to General Capital Fund	-	1,715	958
	<u>26,411</u>	<u>28,143</u>	<u>24,429</u>
Total Expenses	<u>\$ 93,792</u>	<u>\$ 83,575</u>	<u>\$ 75,967</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>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Transfers to other funds	\$ 26,411	\$ 28,143	\$ 24,429
Goods and services	28,933	25,461	27,170
Salaries	14,273	12,586	11,177
Other expenses	17,789	11,582	11,297
Interest on long-term debt	8,335	8,354	8,408
Employee benefits	2,476	2,315	2,124
Finance charges	100	5	5
Recoveries	(4,525)	(4,871)	(8,643)
Total Expenses	<u><u>\$ 93,792</u></u>	<u><u>\$ 83,575</u></u>	<u><u>\$ 75,967</u></u>

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

Schedule 4

NET SURPLUS FROM CAPITAL

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

	<u>2007</u> <u>Actual</u>	<u>2006</u> <u>Actual</u>
Revenues		
Transfer from Environmental Projects Reserve	\$ 19,294	\$ 15,839
Provincial and Federal capital transfers	17,013	3,714
Transfer from Sewer System Rehabilitation Reserve	4,829	316
Transfer from Federal Gas Tax Revenue Reserve	1,726	1,883
Transfer from Wastewater Renewal Reserve	-	72
	<u>42,862</u>	<u>21,824</u>
Developer contributions-in-kind	<u>7,579</u>	<u>373</u>
	<u>50,441</u>	<u>22,197</u>
Expenses		
Amortization	15,142	14,995
Transfer to General Capital Fund	7,663	-
Capital maintenance	1,572	490
Loss on disposal of tangible capital assets	534	630
Transfer to Waterworks System	23	266
	<u>24,934</u>	<u>16,381</u>
Net surplus from capital	<u><u>\$ 25,507</u></u>	<u><u>\$ 5,816</u></u>

**THE CITY OF WINNIPEG
SEWAGE DISPOSAL SYSTEM**

SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Buildings	Equipment	Underground Networks
Cost				
Balance, beginning of year	\$ 1,451	\$ 885	\$ -	\$ 763,605
Add: Additions during the year	-	-	251	16,283
Less: Disposals during the year	-	-	-	(2,948)
Less: Transfer to General Capital Fund	-	-	-	(13,849)
Balance, end of year	<u>1,451</u>	<u>885</u>	<u>251</u>	<u>763,091</u>
Accumulated amortization				
Balance, beginning of year	-	531	-	279,607
Add: Amortization	-	10	13	9,809
Less: Accumulated amortization on disposals	-	-	-	(2,414)
Less: Transfer to General Capital Fund	-	-	-	(6,186)
Balance, end of year	<u>-</u>	<u>541</u>	<u>13</u>	<u>280,816</u>
Net Book Value of Tangible Capital Assets	<u>\$ 1,451</u>	<u>\$ 344</u>	<u>\$ 238</u>	<u>\$ 482,275</u>

Schedule 5

Infrastructure		Totals	
Sewage Treatment Plants and Lift Stations	Assets Under Construction	2007	2006
\$ 270,207	\$ 43,190	\$ 1,079,338	\$ 1,047,467
20,144	26,498	63,176	33,166
-	-	(2,948)	(1,295)
-	-	(13,849)	-
<u>290,351</u>	<u>69,688</u>	<u>1,125,717</u>	<u>1,079,338</u>
113,507	-	393,645	379,315
5,310	-	15,142	14,995
-	-	(2,414)	(665)
-	-	(6,186)	-
<u>118,817</u>	<u>-</u>	<u>400,187</u>	<u>393,645</u>
<u>\$ 171,534</u>	<u>\$ 69,688</u>	<u>\$ 725,530</u>	<u>\$ 685,693</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.

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 closed landfill facilities, the operation of the Brady Road landfill site and the City's waste minimization programs. In addition, the Fund's budget provides funding for Take Pride Winnipeg, debt charges, employee benefits, taxes and transfers to the General Revenue Fund to support the garbage collection program.

Commercial landfill tipping continues to be split between the City of Winnipeg Brady Road landfill and two other privately operated landfills in the Capital Region. Commercial tonnage coming to the Brady Road landfill has increased slightly from 2006. The amount of commercial tipping at Brady Road is estimated to be about 25% to 30% of market share. The internal tipping fee and other municipalities' tipping fee remained at \$22.50 per tonne. In 2007, waste was accepted from the City of Kenora, Whiteshell Provincial Park and the R.M. of MacDonald.

Waste minimization programs include multi-material residential recycling for 182,000 single-family and 96,000 multi-family residences, depot recycling, "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. Recycling volumes in 2007 were 43,703 tonnes, an increase of 3.6% from 2006.

The revenues from the recycling programs are made up of support payments from the Manitoba Product Stewardship Corporation (\$110 per tonne until March 2007, \$118 thereafter) and from the sale of the recyclables. In 2007, the City realized \$8.9 million in revenue (2006 - \$7.2 million).

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

FIVE-YEAR REVIEW

As at December 31

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Solid Waste (tonnes)					
Single family residential	182,894	185,974	210,378	200,295	190,122
Multi-family and small commercial	46,467	46,176	45,308	42,869	38,442
Large commercial / industrial	103,459	104,521	97,335	112,000	101,930
Other (1)	100,066	54,757	76,910	68,132	58,931
Charitable organization	1,618	1,089	1,068	1,040	-
Total landfill tonnage	<u>434,504</u>	<u>392,517</u>	<u>430,999</u>	<u>424,336</u>	<u>389,425</u>
Clean fill, concrete, automotive shredder residue and sawdust	<u>169,055</u>	<u>158,945</u>	<u>157,385</u>	<u>135,379</u>	<u>86,489</u>
Residential small loads Number of loads	<u>100,123</u>	<u>93,469</u>	<u>92,244</u>	<u>93,128</u>	<u>80,091</u>
Recyclables (tonnes)					
Blue box	35,072	33,520	33,355	32,503	28,529
Depots/apartments	8,631	8,665	8,813	8,374	7,194
Total	<u>43,703</u>	<u>42,185</u>	<u>42,168</u>	<u>40,877</u>	<u>35,723</u>

- 1) Includes tonnage for small load based on an estimated weight entering the landfill. In 2007, the estimate was increased from 400kg per load to 750kg per load, an increase of 88 per cent.

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 121	\$ 122
Due from General Revenue Fund (Note 3)	7,646	6,408
Accounts receivable (Note 4)	792	1,069
	<u>8,559</u>	<u>7,599</u>
Tangible capital assets (Note 5)	<u>2,528</u>	<u>1,881</u>
	<u>\$ 11,087</u>	<u>\$ 9,480</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 6)	\$ 651	\$ 164
Current portion of long-term debt (Note 7)	89	89
	<u>740</u>	<u>253</u>
Long-term debt (Note 7)	<u>699</u>	<u>887</u>
	<u>1,439</u>	<u>1,140</u>
ACCUMULATED SURPLUS (Note 8)	<u>9,648</u>	<u>8,340</u>
	<u>\$ 11,087</u>	<u>\$ 9,480</u>

See accompanying notes and schedules to the financial statements

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

STATEMENT OF OPERATIONS

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

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
REVENUES (Schedule 1)			
Sales of services and regulatory fees	\$ 18,152	\$ 17,375	\$ 15,788
Interest	209	453	385
Government transfers	122	68	124
	<u>18,483</u>	<u>17,896</u>	<u>16,297</u>
EXPENSES (Schedules 2 and 3)			
Solid waste disposal	15,968	15,065	14,109
Taxes, employee benefits and other (Note 9)	328	320	301
Debt and finance	473	285	291
	<u>16,769</u>	<u>15,670</u>	<u>14,701</u>
Total expenses from operations			
Surplus for the year from operations	1,714	2,226	1,596
Transfers to other funds (Note 10)	1,828	581	1,051
	<u>(114)</u>	<u>1,645</u>	<u>545</u>
Surplus (Deficit) from operations after transfers to other funds			
Net deficit from capital (Schedule 4)	-	(337)	(289)
	<u>(114)</u>	<u>1,308</u>	<u>256</u>
Net surplus (deficit) for the year			
ACCUMULATED SURPLUS, BEGINNING OF YEAR		<u>8,340</u>	<u>8,084</u>
ACCUMULATED SURPLUS, END OF YEAR		<u>\$ 9,648</u>	<u>\$ 8,340</u>

See accompanying notes and schedules to the financial statements

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

STATEMENT OF CASH FLOWS

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

	<u>2007</u>	<u>2006</u>
NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:		
OPERATING		
Net surplus for the year	\$ 1,308	\$ 256
Non-cash items related to operations		
Amortization	<u>204</u>	<u>297</u>
Working capital from operations	<u>1,512</u>	553
Change in net working capital other than cash	<u>764</u>	<u>(224)</u>
	<u>2,276</u>	<u>329</u>
FINANCING		
Debt retired	-	(103)
Due from General Revenue Fund	<u>(1,238)</u>	148
Interest on funds on deposit with The Sinking Fund Trustees of The City of Winnipeg ("The Sinking Fund Trustees")	<u>(99)</u>	(90)
Payments to The Sinking Fund Trustees for outstanding debt	<u>(89)</u>	<u>(89)</u>
	<u>(1,426)</u>	<u>(134)</u>
INVESTING		
Purchase of tangible capital assets	<u>(851)</u>	<u>(128)</u>
(Decrease) Increase in cash	(1)	67
Cash position, beginning of year	<u>122</u>	<u>55</u>
Cash position, end of year	<u>\$ 121</u>	<u>\$ 122</u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SOLID WASTE DISPOSAL FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars, except as noted)

(unaudited)

1. 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

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 or services and/or the creation of a legal obligation to pay with the following exception:

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

a) Tangible capital assets

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

Land improvements	10 to 100 years
Machinery and equipment	10 to 20 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available for productive use.

b) Brady Landfill Site Rehabilitation Reserve Fund

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.

1. Significant Accounting Policies (continued)

c) Government transfers

Government transfers are the transfer of assets from the senior levels of government that are not the result of an exchange transaction, are not expected to be repaid in the future, or the result of a direct financial return.

Government transfers are recognized in the financial statements as revenue in the financial period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met including performance and return requirements, and reasonable estimates of the amounts can be determined.

2. Status of the Solid Waste Disposal Fund

On March 23, 1992, City Council adopted a motion establishing the Solid Waste Disposal Fund ("Utility") 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 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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

4. Accounts Receivable

	<u>2007</u>	<u>2006</u>
Refuse disposal and recycling	\$ 812	\$ 1,109
Allowance for doubtful accounts	(20)	(40)
	<u>\$ 792</u>	<u>\$ 1,069</u>

5. Tangible Capital Assets

	Net Book Value	
	<u>2007</u>	<u>2006</u>
Land	\$ 541	\$ 541
Land improvements	308	405
Machinery and equipment	623	730
	<u>1,472</u>	1,676
Assets under construction	<u>1,056</u>	205
	<u>\$ 2,528</u>	<u>\$ 1,881</u>

5. *Tangible Capital Assets (continued)*

For additional information, see the Schedule of Tangible Capital Assets (Schedule 5).

During the year, there were no write-downs of tangible capital assets (2006 - \$nil). Administration fees and interim financing charges capitalized during 2007 were \$16.8 thousand (2006 - \$2.0 thousand).

6. *Accounts Payable and Accrued Liabilities*

	<u>2007</u>	<u>2006</u>
Trade accounts payable	\$ 555	\$ 91
Other accrued liabilities	75	52
Accrued debenture interest payable	<u>21</u>	<u>21</u>
	<u>\$ 651</u>	<u>\$ 164</u>

7. *Long-Term Debt*

Sinking fund debentures outstanding

Term	Maturity Date	Rate of Interest	Series	By-Law No.	<u>2007</u>	<u>2006</u>
1989-2009	Dec. 14	10.000	VH	5286/89	\$ 1,935	\$ 1,935
1995-2015	May 12	9.125	VR	6620/95	<u>1,000</u>	<u>1,000</u>
					2,935	2,935
Equity in Sinking Fund (Note 7b)					<u>(2,147)</u>	<u>(1,959)</u>
Net sinking fund debentures outstanding					788	976
Current portion of long-term debt					<u>(89)</u>	<u>(89)</u>
					<u>\$ 699</u>	<u>\$ 887</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Thereafter</u>
Sinking fund debentures	\$ -	\$ 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.
- 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. Sinking Fund arrangements after December 31, 2002 are 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 \$0.3 million (2006 - \$0.3 million).
- d) During 2007, interest was not paid to the Equity in Capital Assets Fund as this debt matured during 2006 (2006 - \$1 thousand).

8. *Accumulated Surplus*

	<u>2007</u>	<u>2006</u>
Invested in tangible capital assets	\$ 1,783	\$ 998
Retained earnings	<u>7,865</u>	<u>7,342</u>
	<u>\$ 9,648</u>	<u>\$ 8,340</u>

9. *Taxes, Employee Benefits and Other*

Realty and business taxes represent full taxes paid to The City of Winnipeg General Revenue Fund. In 2007, the amount incurred was \$44 thousand (2006 - \$37 thousand).

The Solid Waste Disposal Fund is charged with the estimated share of the City's general government expenses. In 2007 this amounted to \$79 thousand (2006 - \$79 thousand) and was transferred to the General Revenue Fund.

The Solid Waste Disposal Fund was charged \$19 thousand (2006 - \$20 thousand) by the Insurance Reserve 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, 2007 is \$0.17 million (2006 - \$0.19 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, 2007 is estimated at \$113 thousand (2006 - \$114 thousand).

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). An actuarial valuation has estimated the unrecorded liability at December 31, 2007 at \$0.1 million (2006 - \$0.1 million).

Compensated absences represents benefits expected to be paid during future employee absences in respect of sick leave days earned in previous years. The amount of this unrecorded liability at December 31, 2007 is estimated at \$36 thousand (2006 - \$31 thousand).

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 2007, \$118 thousand (2006 - \$121 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, 2006 and has an actuarial surplus.

10. Transfers to Other Funds

	<u>2007</u>	<u>2006</u>
Transfer to General Revenue Fund	\$ 407	\$ 876
Transfer to Brady Landfill Site Rehabilitation Reserve	<u>174</u>	<u>175</u>
	<u>\$ 581</u>	<u>\$ 1,051</u>

Included in various expense categories is an amount of \$167 thousand (2006 - \$66 thousand) that has been charged by the Civic Accommodations Fund for the rental of office space.

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 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.

12. 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)*

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Sales of services and regulatory fees			
Recycling	\$ 9,012	\$ 8,862	\$ 7,236
Landfill tipping fees	8,665	8,120	8,178
Small load fees	475	393	374
	<u>18,152</u>	<u>17,375</u>	<u>15,788</u>
Interest			
Interest	100	328	285
Sinking Fund earnings	99	99	90
Interest capitalized	5	17	2
Late payment charges	5	9	8
	<u>209</u>	<u>453</u>	<u>385</u>
Government transfers			
Provincial support	<u>122</u>	<u>68</u>	<u>124</u>
Total Revenues	<u>\$ 18,483</u>	<u>\$ 17,896</u>	<u>\$ 16,297</u>

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

Schedule 2

EXPENSES

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

	2007 Budget	2007 Actual	2006 Actual
Solid waste disposal			
Recycling	\$ 9,830	\$ 9,326	\$ 9,290
South west operations	4,580	4,456	3,615
Landfill and environmental	729	647	596
Waste minimization	406	321	256
Take Pride Winnipeg	214	200	212
Administration	209	115	140
	15,968	15,065	14,109
Taxes, employee benefits and other			
Employee benefits	149	217	188
General government charges	79	79	79
Provincial payroll tax	122	49	68
Property taxes	39	44	37
Insurance and damage claims	34	34	33
Miscellaneous	-	2	-
Claims - general liability	10	-	-
Departmental recoveries	(105)	(105)	(104)
	328	320	301
Debt and finance			
Interest on long-term debt	473	285	291
Total Expenses from Operations	16,769	15,670	14,701
Transfers to other funds			
Transfer to General Revenue Fund	1,636	407	876
Transfer to Brady Landfill Site Rehabilitation Reserve	192	174	175
	1,828	581	1,051
Total Expenses	\$ 18,597	\$ 16,251	\$ 15,752

**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>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Goods and services	\$ 13,416	\$ 12,763	\$ 11,829
Salaries	2,097	1,888	1,954
Transfers	1,828	581	1,051
Other expenses	476	483	403
Employee benefits	509	455	422
Interest on long-term debt	473	285	291
Finance charges	3	18	13
Recoveries	(205)	(222)	(211)
Total Expenses	<u>\$ 18,597</u>	<u>\$ 16,251</u>	<u>\$ 15,752</u>

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

Schedule 4

DEFICIT FROM CAPITAL

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

	<u>2007 Budget</u>	<u>2007 Actual</u>	<u>2006 Actual</u>
Revenues			
Other capital funding	\$ -	\$ -	\$ 130
Expenses			
Amortization	-	204	297
Capital maintenance	-	133	122
Total expenses from capital	<u>-</u>	<u>337</u>	<u>419</u>
Net deficit from capital	<u>\$ -</u>	<u>\$ (337)</u>	<u>\$ (289)</u>

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

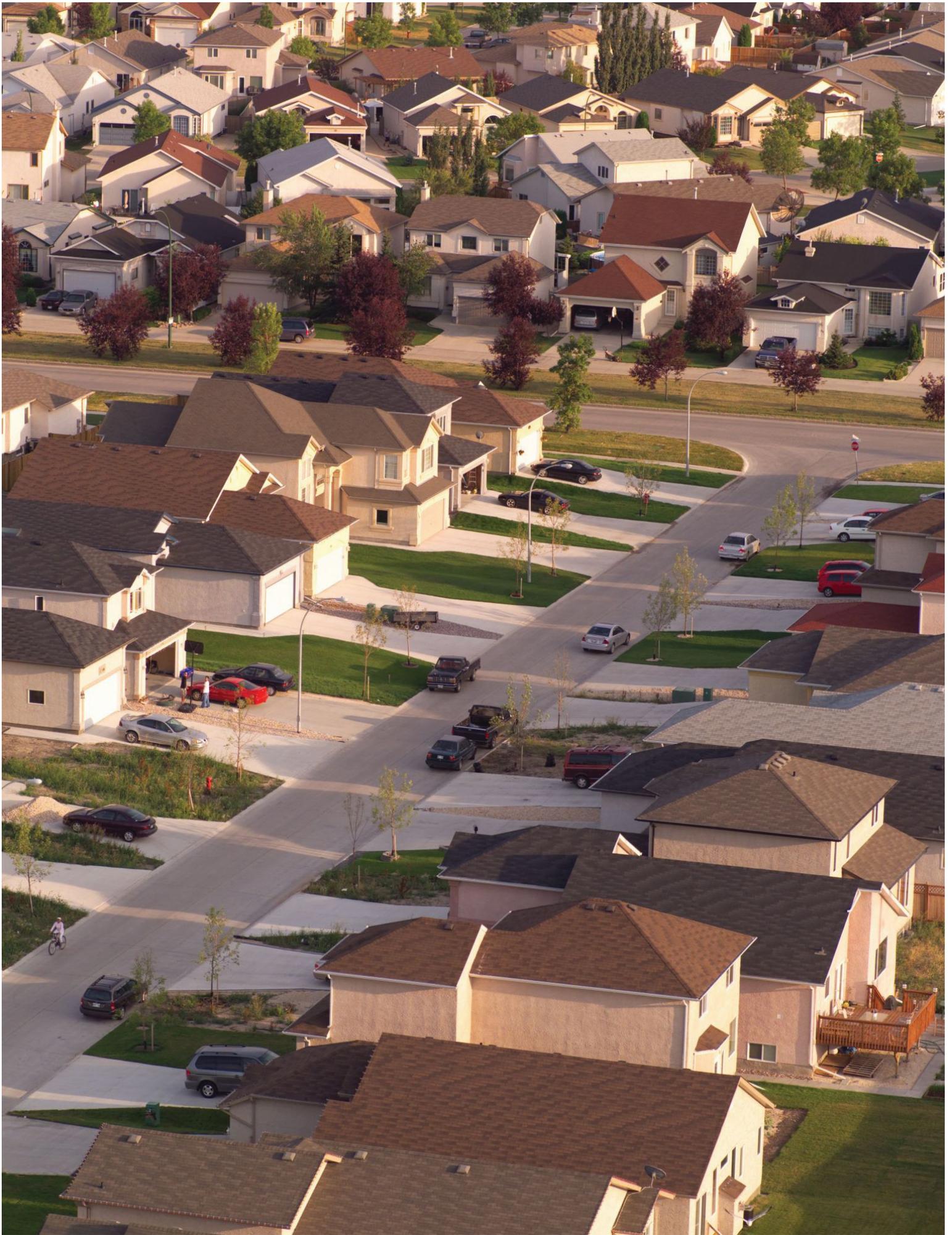
SCHEDULE OF TANGIBLE CAPITAL ASSETS

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

	General			
	Land	Land Improvements	Buildings	Machinery and Equipment
Cost				
Balance, beginning of year	\$ 541	\$ 3,371	\$ 273	\$ 1,320
Add: Additions during the year	-	-	-	-
Balance, end of year	<u>541</u>	<u>3,371</u>	<u>273</u>	<u>1,320</u>
Accumulated amortization				
Balance, beginning of year	-	2,966	273	590
Add: Amortization	-	97	-	107
Balance, end of year	<u>-</u>	<u>3,063</u>	<u>273</u>	<u>697</u>
Net Book Value of Tangible Capital Assets	<u>\$ 541</u>	<u>\$ 308</u>	<u>\$ -</u>	<u>\$ 623</u>

Schedule 5

Assets Under Construction	Totals	
	2007	2006
\$ 205	\$ 5,710	\$ 5,582
851	851	128
<u>1,056</u>	<u>6,561</u>	<u>5,710</u>
-	3,829	3,532
-	204	297
<u>-</u>	<u>4,033</u>	<u>3,829</u>
<u>\$ 1,056</u>	<u>\$ 2,528</u>	<u>\$ 1,881</u>





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

STATEMENT OF FINANCIAL POSITION

As at December 31

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 7,334	\$ 2,082
Accounts receivable (Note 5)	32,136	45,074
Inventory	9,363	7,115
Prepaid expenses	<u>25,835</u>	<u>28,178</u>
	<u>74,668</u>	<u>82,449</u>
Equipment		
Computer	78,946	76,126
Furniture and other	<u>111,353</u>	<u>107,786</u>
	<u>190,299</u>	<u>183,912</u>
Less: accumulated depreciation	<u>(155,394)</u>	<u>(147,045)</u>
	<u>34,905</u>	<u>36,867</u>
	<u><u>\$ 109,573</u></u>	<u><u>\$ 119,316</u></u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 106,040	\$ 52,147
Vacation and overtime payable	52,790	45,785
Deferred revenue	525,681	514,700
Due to The City of Winnipeg - General Revenue Fund (Note 6)	<u>361,218</u>	<u>275,188</u>
	<u>1,045,729</u>	<u>887,820</u>
Long-term		
Retirement allowance (Note 7a)	<u>129,000</u>	<u>129,000</u>
	<u>1,174,729</u>	<u>1,016,820</u>
Commitments (Note 8)		
CAPITAL DEFICIENCY		
Deficit	<u>(1,065,156)</u>	<u>(897,504)</u>
	<u><u>\$ 109,573</u></u>	<u><u>\$ 119,316</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

	<u>2007</u>	<u>2006</u>
REVENUES	\$ 975,855	\$ 983,609
EXPENSES		
Salaries and benefits	1,253,781	1,197,199
Services (Note 9)	542,082	596,472
Rent (Note 9)	169,338	169,952
Material, parts and supplies	31,337	31,226
Other		
Administrative expenses (Note 9)	177,592	165,036
Depreciation	8,349	1,275
Interest	1,647	914
	<u>2,184,126</u>	<u>2,162,074</u>
Loss from operations	(1,208,271)	(1,178,465)
Other		
Grant from the Province of Manitoba	21,769	21,779
Grant from The City of Winnipeg (Note 10)	<u>1,018,850</u>	<u>1,020,101</u>
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(167,652)	(136,585)
DEFICIT, BEGINNING OF YEAR	(897,504)	(760,919)
DEFICIT, END OF THE YEAR	\$ (1,065,156)	\$ (897,504)

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>2007</u>	<u>2006</u>
<i>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES:</i>		
<i>OPERATING</i>		
Net loss for the year	\$ (167,652)	\$ (136,585)
Non-cash items related to operations		
Depreciation	8,349	1,275
Increase in retirement allowance	12,000	12,000
	<u>(147,303)</u>	<u>(123,310)</u>
Working capital from operations	(147,303)	(123,310)
Net change in working capital other than cash assets	<u>72,912</u>	<u>76,137</u>
	<u>(74,391)</u>	<u>(47,173)</u>
<i>FINANCING</i>		
Increase in Due to The City of Winnipeg - General Revenue Fund	<u>86,030</u>	<u>77,732</u>
<i>INVESTING</i>		
Purchase of equipment	<u>(6,387)</u>	<u>(35,370)</u>
Increase (decrease) in cash	5,252	(4,811)
<i>CASH, BEGINNING OF YEAR</i>	<u>2,082</u>	<u>6,893</u>
<i>CASH, END OF YEAR</i>	<u>\$ 7,334</u>	<u>\$ 2,082</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG ANIMAL SERVICES - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. *Description of Business*

Animal Services - Special Operating Agency (the "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. *Significant Accounting Policies*

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). 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%

Deferred revenue

Included in deferred revenue is \$32,130 (2006 - \$40,163) received from the City of Winnipeg for the purchase of communication equipment. This amount is recognized as income at the same rate that the related assets are being depreciated.

Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. *Changes in Accounting Policies*

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 - Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's cash is classified as held-for-trading and the accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, vacation and overtime payable, and due to The City of Winnipeg - General Revenue Fund have been classified as other liabilities. Financial assets classified as held-for-trading are reported at fair value with changes in fair value recognized in the Statement of Loss and Deficit and transaction costs related to this classification of financial instruments are expensed as incurred. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-to-maturity or as available-for-sale. The book value of the Agency's financial assets and liabilities approximates their fair value, therefore there was no impact on the Agency's financial position or on the results of its operations related to the adoption of these standards.

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the capital deficiency of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in capital deficiency during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive loss, but are excluded from net loss. The adoption of this standard had no impact on the Agency's capital deficiency as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. *Financial Instruments*

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. *Accounts Receivable*

	<u>2007</u>	<u>2006</u>
Trade accounts receivable	\$ 45,482	\$ 41,505
Allowance for doubtful accounts	(36,021)	(19,105)
	<u>9,461</u>	<u>22,400</u>
Provincial grant	<u>22,675</u>	<u>22,674</u>
	<u>\$ 32,136</u>	<u>\$ 45,074</u>

6. Due to The 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. Interest is charged based on The City of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%). City Council approved, in the Agency's 2007 budget, an operating line of credit up to \$520,000 from The City of Winnipeg.

During the year, the Agency paid \$1,647 (2006 - \$914) in interest costs.

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 10.0 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. An actuarial valuation report of the obligation was prepared effective December 31, 2005. The results of this valuation were extrapolated to December 31, 2007.

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

	<u>2007</u>	<u>2006</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 139,000	\$ 128,000
Current service cost	5,000	5,000
Interest cost	6,000	6,000
Net actuarial gain	(3,000)	-
Benefit payments	<u>(12,000)</u>	<u>-</u>
Balance, end of year	135,000	139,000
Unamortized net actuarial loss	<u>(6,000)</u>	<u>(10,000)</u>
Retirement allowance - accrued liability	<u>\$ 129,000</u>	<u>\$ 129,000</u>
Retirement allowance expense consists of the following:		
	<u>2007</u>	<u>2006</u>
Current service cost	\$ 5,000	\$ 5,000
Interest cost	6,000	6,000
Amortization of net actuarial loss	<u>1,000</u>	<u>1,000</u>
	<u>\$ 12,000</u>	<u>\$ 12,000</u>

7. *Employee Benefits (continued)*

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

	<u>2007</u>	<u>2006</u>
Valuation interest rate	4.70%	4.50%
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, \$63,973 (2006 - \$63,382) of pension costs were allocated to Animal Services. An actuarial valuation for the Winnipeg Civic Employees' Benefits Program was made as of December 31, 2006 and has an actuarial surplus.

8. *Commitments*

The Agency and the Winnipeg 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 Winnipeg Humane Society the sum of \$200,000 per year, 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.

9. *Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

Included in the Agency's expenditures is a transfer to The City of Winnipeg Civic Accommodations Fund for rent of \$169,338 (2006 - \$169,952) and a transfer to The City of Winnipeg - General Revenue Fund for administrative services of \$88,026 (2006 - \$80,396). Also included are lease costs of \$85,336 (2006 - \$79,739) to The City of Winnipeg Fleet Management - Special Operating Agency and \$69,582 (2006 - \$69,582) for general government charges that has been paid 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.

10. *Grant from The City of Winnipeg*

This year, the general grant from The City of Winnipeg decreased by 0.12% or \$1,251 to \$1,018,850. This follows an increase in 2006 of 13.9%.

2003	\$ 1,100,000
2004	950,000
2005	895,877
2006	1,020,101
2007	1,018,850



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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u> <u>(Note 1)</u>	<u>2006</u>
ASSETS		
Current		
Accounts receivable	\$ -	\$ 280
Inventory	-	277
Capital assets held for sale	-	4,066
	<u>-</u>	<u>4,623</u>
Capital assets	-	27
	<u>\$ -</u>	<u>\$ 4,650</u>
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund	\$ -	\$ 1,412
Accounts payable and accrued liabilities	-	28
Deferred revenue	-	272
Vacation payable	-	31
Current portion of long-term debt	-	3,875
	<u>-</u>	<u>5,618</u>
Retirement allowance	-	45
Long-term debt	-	12
	<u>-</u>	<u>5,675</u>
CAPITAL		
Deficit	-	(1,025)
	<u>\$ -</u>	<u>\$ 4,650</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>2007</u> (Note 1)	<u>2006</u>
REVENUES		
Sales of goods and services	\$ 336	\$ 2,419
Interest income (Note 3)	425	-
	<u>761</u>	<u>2,419</u>
EXPENSES		
Administrative services	3	283
Amortization and depletion	-	286
Interest (Note 3)	15	90
Material, parts and supplies	279	351
Salaries and benefits	182	382
Services	30	661
	<u>509</u>	<u>2,053</u>
Income from operations	252	366
Gain on disposal of Pine Ridge Pit and assets (Note 1)	<u>10,707</u>	<u>-</u>
Net income for the year	10,959	366
Deficit, Beginning of Year	(1,025)	(1,391)
Transfer to The City of Winnipeg - Equipment and Material Services Fund	<u>(9,934)</u>	<u>-</u>
DEFICIT, END OF YEAR	<u>\$ -</u>	<u>\$ (1,025)</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>2007</u> (Note 1)	<u>2006</u>
OPERATING		
Net income for the year	\$ 10,959	\$ 366
Non-cash items related to operations		
Amortization and depletion	-	286
Gain on disposal of Pine Ridge Pit and assets	(10,707)	
Retirement allowance	(45)	-
	<u>207</u>	<u>652</u>
Working capital from operations		
Net change in working capital	<u>226</u>	<u>37</u>
	<u>433</u>	<u>689</u>
FINANCING		
Due to The City of Winnipeg - General Revenue Fund	(1,412)	(683)
Repayment of long-term debt	(87)	(90)
	<u>(1,499)</u>	<u>(773)</u>
INVESTING		
Proceeds from disposal of capital assets	11,000	-
Purchase of capital assets	-	(1)
Transfer to The City of Winnipeg - Equipment and Material Services Fund	(9,934)	-
	<u>1,066</u>	<u>(1)</u>
DECREASE IN CASH POSITION	-	(85)
CASH POSITION, BEGINNING OF YEAR	<u>-</u>	<u>85</u>
CASH POSITION, END OF YEAR	<u>\$ -</u>	<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, 2007

(in thousands of dollars, except as noted)

1. Wind-up of Operations

On July 18, 2007, City Council approved the dissolution of Glacial Sand and Gravel - Special Operating Agency (the "Agency") effective December 31, 2007. The Agency's Pine Ridge property, facilities, equipment and reserve assets had been sold for cash consideration of \$11.0 million, with transfer of ownership occurring February 5, 2007. All proceeds concerning the sale were received.

The Agency's \$3.8 million gravel pit loan with The City of Winnipeg - Equipment and Material Services Fund ("EMS") and the offsetting Due from Glacial Sand and Gravel in the books of EMS were cancelled in 2007. The entire proceeds and gain from the sale of the Pine Ridge Pit and assets are reflected in the Agency's financial statements.

Disposal of Pine Ridge Pit and assets

Sale price (proceeds received)		\$ 11,000
Cost of Sale		
Net Book Value of disposed capital assets		
Gravel pit	\$ 3,273	
Machinery	705	
Building under capital lease	43	
Land clearing	28	
Building	15	
Office equipment	2	(4,066)
Cancellation of gravel pit loan with The City of Winnipeg - Equipment and Material Services Fund		3,800
Write-down of obsolete computer equipment		(27)
Gain on disposal of Pine Ridge Pit and assets		\$ 10,707

Retirement allowance

All staff were redeployed within the General Revenue Fund's operations of the Public Works Department by December 31, 2007.

An amount of \$28 thousand was transferred to the Streets Maintenance division of the Public Works Department for consideration of Agency staff currently on sick leave.

1. *Wind-up of Operations (continued)*

Transfer of Remaining Statement of Financial Position Balances

As of December 31, 2007, all of the Agency's remaining assets and liabilities were transferred to the General Revenue Fund.

Assets and liabilities transferred to Streets Maintenance division of the Public Works Department:

Accounts receivable	\$	187	
Accounts payable and accrued liabilities		(11)	
Deferred revenue		(173)	
Vacation payable		(22)	\$ (19)

Balance transferred to The City of Winnipeg - Equipment and Material Services Fund:

Accumulated surplus	\$	9,934
---------------------	----	-------

2. *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 the significant 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:

Revenue recognition

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

3. *Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

- a) Sales of goods and services of \$nil (2006 - \$227 thousand) to The City of Winnipeg;
- b) Interest income of \$425 thousand (2006 - \$nil) from The City of Winnipeg;
- c) Charges in the amount of \$nil (2006 - \$225 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;
- d) Charges in the amount of \$12 thousand (2006 - \$75 thousand) to The City of Winnipeg Fleet Management - Special Operating Agency for services related to equipment supply, maintenance, and fuel;
- e) Interest on the equipment loan during the year was \$2 thousand (2006 - \$8 thousand) and has been paid to The City of Winnipeg Fleet Management Special Operating Agency; and
- f) Interest expense of \$13 thousand (2006 - \$82 thousand) to The City of Winnipeg.



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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Accounts receivable	\$ 67	\$ 56
Inventory	51	51
Prepaid expenses	5	5
	<u>123</u>	<u>112</u>
Capital assets (Note 5)	<u>23,479</u>	<u>23,732</u>
	<u><u>\$ 23,602</u></u>	<u><u>\$ 23,844</u></u>
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund (Note 6)	\$ 2,008	\$ 1,436
Accounts payable and accrued liabilities	82	83
Deferred revenue	43	2
Vacation payable	49	43
Current portion of long-term debt (Note 7)	87	61
	<u>2,269</u>	<u>1,625</u>
Retirement allowance (Note 8a)	161	152
Long-term debt - The City of Winnipeg (Note 7)	<u>3,774</u>	<u>3,848</u>
	<u>6,204</u>	<u>5,625</u>
SURPLUS		
Contributed surplus	20,574	20,574
Deficit	<u>(3,176)</u>	<u>(2,355)</u>
	<u>17,398</u>	<u>18,219</u>
	<u><u>\$ 23,602</u></u>	<u><u>\$ 23,844</u></u>

See accompanying notes to the financial statements

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

STATEMENT OF OPERATIONS AND DEFICIT

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

	<u>2007</u>	<u>2006</u>
REVENUES		
Green fees	\$ 1,985	\$ 2,037
Equipment rentals	247	230
Net revenue from leasing operations	121	117
Merchandise sales	107	94
Concessions	101	102
Other	27	137
	<u>2,588</u>	<u>2,717</u>
EXPENSES		
Salaries and employee benefits (Note 8)	1,359	1,318
Services (Note 9)	569	534
Debt, finance charges and interest (Notes 6 and 7)	308	296
Material, parts and supplies	278	264
Municipal tax equivalency charge (Note 10)	272	265
Amortization	265	257
Provision for doubtful accounts	36	62
Rent (Note 9b)	17	17
	<u>3,104</u>	<u>3,013</u>
Total Expenses		
	<u>3,104</u>	<u>3,013</u>
Net loss and comprehensive loss for the year from operations	(516)	(296)
DEFICIT, BEGINNING OF YEAR	(2,355)	(1,747)
Transfer to The City of Winnipeg - General Revenue Fund	(305)	(312)
	<u>(305)</u>	<u>(312)</u>
DEFICIT, END OF YEAR	\$ (3,176)	\$ (2,355)
	<u><u>(3,176)</u></u>	<u><u>(2,355)</u></u>

See accompanying notes to the financial statements

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

STATEMENT OF CASH FLOWS

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

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

	<u>2007</u>	<u>2006</u>
OPERATING		
Net loss for the year	\$ (516)	\$ (296)
Non-cash items related to operations		
Increase in retirement allowance	9	6
Amortization	<u>265</u>	<u>257</u>
Working capital from operations	(242)	(33)
Net change in working capital	<u>35</u>	<u>62</u>
	<u>(207)</u>	<u>29</u>
FINANCING		
Increase in due to The City of Winnipeg - General Revenue Fund	572	276
(Decrease) increase in long-term debt - The City of Winnipeg	(48)	283
Transfer to The City of Winnipeg - General Revenue Fund	<u>(305)</u>	<u>(312)</u>
	<u>219</u>	<u>247</u>
INVESTING		
Purchase of capital assets	<u>(12)</u>	<u>(276)</u>
CASH, 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

December 31, 2007

(in thousands of dollars)

1. *Description of Business*

On February 23, 2000, City Council directed that a Business Plan and Operating Charter for a Golf Services - Special Operating Agency (the "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 of Winnipeg 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 of Winnipeg 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. *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 the significant accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") 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 their estimated useful lives 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 rentals income are recognized when the services are provided. Sale of goods are recorded when the customer receives the product. Income from prepaid passes is recognized in the year in which the rounds are played. Any sales of prepaid passes that have not yet been redeemed are included in deferred revenue.

2. *Significant Accounting Policies (continued)*

Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. *Changes in Accounting Policies*

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 - Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's accounts receivable are classified as loans and receivables. Due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable and long-term debt have been classified as other liabilities. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-for-trading, held-to-maturity or available-for-sale. The adoption of the new standard had no impact on the Agency's financial position or on the results of its operations.

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the deficit of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in the deficit during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive loss, but are excluded from net loss. The adoption of this standard had no impact on the Agency's deficit as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. *Financial Instruments*

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2007</u>	<u>2006</u>
Land	\$ 20,376	\$ -	\$ 20,376	\$ 20,376
Building	2,540	609	1,931	2,033
Equipment	1,389	675	714	843
Golf course improvements	518	60	458	480
	<u>\$ 24,823</u>	<u>\$ 1,344</u>	<u>\$ 23,479</u>	<u>\$ 23,732</u>

6. *Due to The 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 of Winnipeg's average short-term earnings (cost of funds) on the single bank account. The limit of this line of credit is \$1,650 thousand at a varying overnight rate that is a function of the Bank of Canada rate. As of December 31, 2007, the rate was 4.2%. The interest paid in 2007 was \$61 thousand (2006 - \$57 thousand).

7. *Long-Term Debt - The City of Winnipeg*

	<u>2007</u>	<u>2006</u>
Golf Course Reserve		
Golf course improvement loans, interest at 6%, with principal repayments scheduled over 10 years, commencing in:		
- 2004	\$ 50	\$ 57
- 2005	57	63
- 2006	97	106
- 2007	226	245
- 2008	305	305
- 2009	13	-
	<u>748</u>	<u>776</u>
General Revenue Fund		
Start-up loan, interest at 6%, repayable in annual payments of \$208 thousand, including interest and principal	<u>3,113</u>	<u>3,133</u>
	<u>3,861</u>	<u>3,909</u>
Current portion of long-term debt	<u>(87)</u>	<u>(61)</u>
	<u>\$ 3,774</u>	<u>\$ 3,848</u>

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

2008	\$ 87
2009	92
2010	98
2011	104
2012	110
Thereafter	<u>3,370</u>
	<u>\$ 3,861</u>

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

- b) Interest on the golf course improvement loans during the year was \$47 thousand (2006 - \$39 thousand) and has been paid to the Golf Course Reserve.

Interest on the start-up loan was \$188 thousand (2006 - \$188 thousand) during the year and has been paid to the General Revenue Fund.

- c) Cash paid for interest during the year was \$235 thousand (2006 - \$227 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 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. An actuarial valuation report of the obligation was prepared effective December 31, 2005. The results of this valuation were extrapolated to December 31, 2007.

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

	<u>2007</u>	<u>2006</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 134	\$ 126
Current service cost	5	4
Interest cost	6	6
Benefit payments	-	(2)
Net actuarial gain	<u>(3)</u>	<u>-</u>
Balance, end of year	142	134
Unamortized net actuarial gain	<u>19</u>	<u>18</u>
Retirement allowance - accrued liability	<u>\$ 161</u>	<u>\$ 152</u>
Retirement allowance expense consists of the following:		
	<u>2007</u>	<u>2006</u>
Current service cost	\$ 5	\$ 4
Interest cost	6	6
Amortization of net actuarial gain	<u>(2)</u>	<u>(2)</u>
	<u>\$ 9</u>	<u>\$ 8</u>

8. *Employee Benefits (continued)*

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

	<u>2007</u>	<u>2006</u>
Valuation interest rate	4.70%	4.50%
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 \$57 thousand (2006 - \$53 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, 2006 and has an actuarial surplus.

9. *Related Party Transactions*

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred to the Agency's revenues/expenses are as follows:

- a) In Services, an amount of \$61 thousand (2006 - \$62 thousand) for general government charges has been included and paid to the General Revenue Fund, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency;
- b) An amount of \$17 thousand (2006 - \$17 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space;
- c) An amount of \$48 thousand (2006 - \$45 thousand) has been charged by The City of Winnipeg General Revenue Fund for various supporting services provided by The City of Winnipeg Planning, Property and Development Department;
- d) An amount of \$91 thousand (2006 - \$78 thousand) has been charged by the City of Winnipeg Building Services Fund for services provided at the various golf courses; and
- e) An amount of \$20 thousand (2006 - \$26 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance and rental on vehicles owned/leased by the Agency.

10. *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. The municipal tax equivalency charge also includes payroll tax of \$25 thousand (2006 - \$25 thousand).

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ -	\$ 1
Due from The City of Winnipeg - General Revenue Fund (Note 5)	289	2,392
Accounts receivable	149	123
Loan receivable (Note 6)	-	87
Inventory	1,511	1,388
Prepaid expenses	243	216
	<u>2,192</u>	<u>4,207</u>
Capital assets (Note 7)	<u>47,643</u>	<u>38,960</u>
	<u>\$ 49,835</u>	<u>\$ 43,167</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 482	\$ 677
Vacation payable	591	682
Current portion of long-term debt (Note 8)	14,406	6,655
	<u>15,479</u>	<u>8,014</u>
Long-term debt (Note 8)	27,000	27,418
Deferred revenue	2,135	3,319
Retirement allowance (Note 9a)	633	655
Environmental liability (Note 10)	420	420
Asset retirement obligations (Note 11)	176	-
	<u>30,364</u>	<u>31,812</u>
	<u>45,843</u>	<u>39,826</u>
Commitments (Note 12)		
SURPLUS		
Contributed surplus	390	390
Retained earnings	3,602	2,951
	<u>3,992</u>	<u>3,341</u>
	<u>\$ 49,835</u>	<u>\$ 43,167</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>2007</u>	<u>2006</u>
REVENUES		
Fleet leases	\$ 15,475	\$ 13,476
Services and parts revenue (Schedule 1)	7,308	6,140
Fuel sales	6,542	5,734
Rental income	2,715	2,698
Amortization of deferred revenue	870	1,359
Gain on sale of capital assets	465	1,518
	<u>33,375</u>	<u>30,925</u>
EXPENSES		
Services	8,216	7,261
Supplies	8,076	7,388
Salaries and employee benefits	7,012	7,012
Amortization	6,500	5,372
Interest (Note 8)		
Short-term	72	62
Long-term	802	22
Other	552	344
	<u>31,230</u>	<u>27,461</u>
Total Expenses		
Net income from operations	2,145	3,464
Charges from The City of Winnipeg - General Revenue Fund (Note 13f)	-	(1,862)
Net income and comprehensive income for the year	2,145	1,602
RETAINED EARNINGS, BEGINNING OF YEAR	2,951	1,349
Transfer to The City of Winnipeg - General Revenue Fund (Note 13g)	(1,494)	-
RETAINED EARNINGS, END OF YEAR	<u>\$ 3,602</u>	<u>\$ 2,951</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>2007</u>	<u>2006</u>
OPERATING		
Net income for the year	\$ 2,145	\$ 1,602
Non-cash items related to operations		
Amortization	6,500	5,372
Amortization of deferred revenue	(870)	(1,359)
Gain on sale of capital assets	(465)	(1,518)
Retirement allowance	(22)	(26)
Accretion expense	7	-
	<u>7,295</u>	<u>4,071</u>
Working capital from operations		
	7,295	4,071
Net change in working capital	<u>(462)</u>	<u>(107)</u>
	<u>6,833</u>	<u>3,964</u>
FINANCING		
Decrease (increase) in Due from		
The City of Winnipeg - General Revenue Fund	2,103	(1,401)
Proceeds from term loans	13,500	17,700
Repayment of term loans	(1,316)	-
Repayment of debt - The City of Winnipeg	(5,165)	(8,357)
Transfer to The City of Winnipeg - General Revenue Fund	(1,494)	-
	<u>7,628</u>	<u>7,942</u>
INVESTING		
Purchase of capital assets	(15,429)	(15,117)
Decrease in loan receivable	87	70
Proceeds from sale of capital assets	880	3,091
	<u>(14,462)</u>	<u>(11,956)</u>
Decrease in cash	(1)	(50)
CASH, BEGINNING OF YEAR	<u>1</u>	<u>51</u>
CASH, END OF YEAR	<u>\$ -</u>	<u>\$ 1</u>

See accompanying notes and schedule to the financial statements

THE CITY OF WINNIPEG FLEET MANAGEMENT - SPECIAL OPERATING AGENCY

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars)

1. Commencement of Operations

On May 28, 2003, City 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 (the "Agency") effective January 1, 2003.

The Agency provides economical, state-of-the-art, safe and eco-friendly fleet vehicle, equipment and other asset management services to The City of Winnipeg and other public sector organizations, in support of their service delivery.

2. 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 significant accounting policies summarized below.

The financial statements have been prepared on the basis of Canadian generally accepted accounting principles ("GAAP") 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 their estimated useful lives using the following rates and methods:

Buildings and parking	4% to 8%	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. *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.

Asset retirement obligations

Asset retirement obligations are measured initially at fair value in the period in which the obligations are incurred, provided that a reasonable estimate of the fair value can be made. The retirement cost is added to the carrying amount of the related asset. In subsequent periods, the retirement cost is amortized over the useful life of the asset and the carrying value of the liability is increased to recognize increases in the liability's present value with the passage of time.

Future accounting policy changes

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. *Changes in Accounting Policies*

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's due from The City of Winnipeg - General Revenue Fund and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, vacation payable and long-term debt have been classified as other liabilities. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-for-trading, held-to-maturity or available-for-sale. The adoption of the new standard had no impact on the Agency's financial position or on the results of its operations.

3. *Changes in Accounting Policies (continued)*

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the retained earnings of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in retained earnings during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but are excluded from net income. The adoption of this standard had no impact on the Agency's retained earnings as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. *Financial Instruments*

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. *Due from The 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 of Winnipeg's average short-term cost of funds, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.3% (2006 - 4.3%). As well, the Agency has negotiated an operating line of credit up to \$300 thousand and a line of credit up to \$10,000 thousand for short-term financing from The City of Winnipeg.

6. *Loan Receivable*

	<u>2007</u>	<u>2006</u>
The City of Winnipeg Glacial Sand and Gravel - Special Operating Agency - equipment financing program loan, interest at 6.5%	\$ -	\$ 87
Current portion	<u>-</u>	<u>(87)</u>
	<u>\$ -</u>	<u>\$ -</u>

7. *Capital Assets*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2007</u>	<u>2006</u>
Land	\$ 390	\$ -	\$ 390	\$ 390
Buildings	3,377	398	2,979	2,168
Fleet assets				
Acquired at start-up	11,386	9,472	1,914	2,952
Purchased	54,136	12,838	41,298	32,750
Equipment	2,245	1,183	1,062	700
	<u>\$ 71,534</u>	<u>\$ 23,891</u>	<u>\$ 47,643</u>	<u>\$ 38,960</u>

The net book value of fleet assets not yet in service is \$1,619 thousand (2006 - \$1,418 thousand).

8. *Long-term Debt*

<u>Lender</u>	<u>Maturity Dates</u>	<u>Interest Rate</u>	<u>2007</u>	<u>2006</u>
Royal Bank of Canada (Note 8b)	2011 - 2019	4.53% - 5.20%	\$ 29,883	\$ 17,700
The City of Winnipeg Equipment and Material Services - non-interest bearing, no repayment schedule			1,148	1,148
The City of Winnipeg (Notes 8c and 13e)			10,375	15,225
			41,406	34,073
Current portion of long-term debt			(14,406)	(6,655)
			<u>\$ 27,000</u>	<u>\$ 27,418</u>

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

2008	\$ 14,406
2009	3,025
2010	3,173
2011	3,327
2012	3,038
Thereafter	14,437
	<u>\$ 41,406</u>

b) The Agency has a revolving facility by way of a series of term loans in the amount of \$35,000 thousand. The term loans bear a fixed rate of interest quoted by the bank at the time of each borrowing. As at December 31, 2007, \$29,883 thousand (2006 - \$17,700 thousand) was outstanding under this facility. The effective interest rate at December 31, 2007 was 4.6% (2006 - 4.6%).

c) On May 28, 2003, City 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. In 2005, interest charges ceased. The balance has decreased during the year by repayments.

d) Cash paid for interest during the year is \$786 thousand (2006 - \$nil).

9. 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. An actuarial valuation report of the obligation was prepared effective December 31, 2005. The results of this valuation were extrapolated to December 31, 2007.

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

	<u>2007</u>	<u>2006</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 652	\$ 678
Current service cost	31	33
Interest cost	28	29
Net actuarial gain	(12)	-
Benefit payments	<u>(81)</u>	<u>(88)</u>
Balance, end of year	618	652
Unamortized net actuarial gain	<u>15</u>	<u>3</u>
Retirement allowance - accrued liability	<u>\$ 633</u>	<u>\$ 655</u>

Retirement allowance expense consists of the following:

	<u>2007</u>	<u>2006</u>
Current service cost	\$ 31	\$ 33
Interest cost	<u>28</u>	<u>29</u>
	<u>\$ 59</u>	<u>\$ 62</u>

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

	<u>2007</u>	<u>2006</u>
Valuation interest rate	4.70%	4.50%
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, \$397 thousand (2006 - \$397 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, 2006 and indicates an actuarial surplus.

10. 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 (2006 - \$420 thousand).

11. Asset Retirement Obligations

Asset retirement obligations have been recognized for the decommissioning of the Agency's petroleum storage tank systems. The Agency estimates the amount to settle the asset retirement obligations are \$43 thousand which will be incurred prior to December 31, 2009 for decommissioning two petroleum tank systems. The balance of \$133 thousand is to be incurred at an undetermined date. Estimates are based on a third party engineering firm valuation. Funds have not been set aside to settle the asset retirement obligations.

Asset retirement obligations are as follows:

	<u>2007</u>	<u>2006</u>
Liability	\$ 169	\$ -
Accretion expense	7	-
Balance, end of year	<u>\$ 176</u>	<u>\$ -</u>

12. Commitments

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

	<u>Operating Leases</u>
2008	\$ 986
2009	878
2010	688
2011	484
2012	111
	<u>\$ 3,147</u>

The Agency has commitments that relate to future upgrading and closing requirements for existing fuel storage facilities in the amount of \$652 thousand, approved by the Chief Administrative Officer in The City of Winnipeg Fuel Sites Report.

13. Related Party Transactions

The Agency is wholly-owned by The City of Winnipeg. Transactions between the Agency and The City of Winnipeg are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Agency is economically dependent on The City of Winnipeg, as it derives most of its revenue from The City of Winnipeg.

13. Related Party Transactions (continued)

In addition to those disclosed elsewhere in the financial statements, the transactions that occurred are as follows:

- a) Revenues include sales of goods and services of \$30,039 thousand (2006 - \$26,835 thousand) to The City of Winnipeg.
- b) An amount of \$179 thousand (2006 - \$131 thousand) has been transferred to the Civic Accommodations Fund for the rental of office and garage space.
- c) An amount of \$325 thousand (2006 - \$nil) has been transferred to the Public Works Department - General Revenue Fund for operator training services.
- d) During the year, transfers were made to City of Winnipeg Funds for miscellaneous services as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	\$ 251	\$ 196
Winnipeg Parking Authority - Special Operating Agency	1	-
	<u>252</u>	<u>196</u>

- e) During the year, transfers were made to various City of Winnipeg Funds for the repayment of debt as follows:

	<u>2007</u>	<u>2006</u>
General Revenue Fund	\$ 4,836	\$ 6,083
Building Services	8	-
Animal Services - Special Operating Agency	6	40
Waterworks System	-	260
Sewage Disposal System	-	260
Solid Waste Disposal	-	130
	<u>4,850</u>	<u>6,773</u>
Write-down of debt	-	749
	<u>\$ 4,850</u>	<u>\$ 7,522</u>

- f) Charges from The City of Winnipeg - General Revenue Fund

	<u>2007</u>	<u>2006</u>
GST equivalency	\$ -	\$ 580
General government charges	-	421
Interest equivalency	-	400
Grant - Autopac rebate to Public Works Department	-	377
PeopleSoft savings equivalency	-	66
Income tax equivalency	-	18
	<u>\$ -</u>	<u>\$ 1,862</u>

13. Related Party Transactions (continued)

Goods and Services Tax (GST) equivalency

As part of the municipal government, the Agency pays 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 GST input tax credit and is charged by The City of Winnipeg a GST equivalency representing the 3% input tax credit retained by The City of Winnipeg. In 2007, the GST equivalency charge ceased.

General government charges

The Agency is charged by The City of Winnipeg general government charges, which represents the estimated share of The City of Winnipeg's general expenses applicable to the Agency. In 2007, general government charges ceased.

Interest equivalency

During 2004, the Agency paid interest on long-term debt. In 2005, interest on long-term debt ceased and the Agency is charged by The City of Winnipeg an interest equivalency, representing interest on long-term debt. In 2007, the interest equivalency charge ceased.

Grant - Autopac rebate to Public Works Department

A grant was made to the Public Works Department, representing the amount of Autopac rebate received by the Agency. In 2007, the grant - Autopac rebate transfer ceased.

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. In 2007, the PeopleSoft savings equivalency charge ceased.

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 of net income	17.62%
Manitoba Small Business Rate (\$300 to \$400 thousand)	26.62%
Regular corporate rate on the balance	36.62%

The gain on sale of fleet assets acquired at inception is excluded from net income for the purpose of the tax calculation. In 2007, the income tax equivalency charge ceased.

g) Transfer to The City of Winnipeg - General Revenue Fund

An amount of \$1,494 thousand (2006 - \$nil) was transferred to the General Revenue Fund as a return on investment.

14. Subsequent Event

On November 21, 2007, City Council adopted the Agency's 2008 Selection Report (Business Plan Summary) thereby approving the transfer of the Agency's long-term debt due to The City of Winnipeg to contributed surplus.

**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>2007</u>	<u>2006</u>
Consumables and corrective maintenance	\$ 3,333	\$ 2,465
Insurance revenue	1,488	1,458
Other	761	253
Power tools	656	653
Manufacturing sales	544	791
Autopac rebate	370	377
Provincial support grant	132	132
Interest	24	11
	<u>\$ 7,308</u>	<u>\$ 6,140</u>

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

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 7	\$ 26
Accounts receivable, net	1,670	1,321
Inventory	155	313
Prepaid expenses	-	5
	<u>1,832</u>	<u>1,665</u>
Property, equipment and leasehold improvements (Note 5)	<u>14,661</u>	<u>16,090</u>
	<u><u>\$ 16,493</u></u>	<u><u>\$ 17,755</u></u>
LIABILITIES		
Current		
Due to The City of Winnipeg - General Revenue Fund (Note 6)	\$ 8,829	\$ 7,757
Accounts payable and accrued liabilities	648	450
Vacation payable	106	117
Customer deposits	7	7
Current portion of long-term debt (Note 7)	12,939	12,930
	<u>22,529</u>	<u>21,261</u>
Retirement allowance (Note 8b)	95	86
Long-term debt (Note 7)	<u>1,929</u>	<u>2,373</u>
	<u>2,024</u>	<u>2,459</u>
	<u>24,553</u>	<u>23,720</u>
CAPITAL DEFICIENCY		
Contributed surplus	172	172
Deficit	<u>(8,232)</u>	<u>(6,137)</u>
	<u>(8,060)</u>	<u>(5,965)</u>
	<u><u>\$ 16,493</u></u>	<u><u>\$ 17,755</u></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 years ended December 31
(in thousands of dollars)*

	<u>2007</u>	<u>2006</u>
REVENUES		
Enforcement (Note 9)	\$ 5,242	\$ 4,482
Parking fees (Note 11a)		
Winnipeg Square parkade	2,431	2,114
Millennium Library parkade	1,157	1,010
Surface parking lots	790	671
Civic Centre parkade	616	572
Meters	2,494	2,284
Parking permits	334	271
Ground lease	325	325
Sundry	38	41
Total Revenues	<u>13,427</u>	<u>11,770</u>
EXPENSES		
Services (Note 11c, g, and i)		
Enforcement	1,912	1,571
Utilities	834	619
Parkade management	471	368
Other	1,044	1,788
Debt and finance charges (Notes 6 and 7b)	1,258	1,026
Provision for bad debts	1,173	1,054
Salaries and employee benefits (Note 8)	1,130	1,078
Material, parts and supplies	986	957
Amortization	911	747
Recoveries	(11)	(5)
Total Expenses	<u>9,708</u>	<u>9,203</u>
Income before other item and The City of Winnipeg charges	3,719	2,567
OTHER ITEM		
Loss on disposal of assets	(32)	(366)
Income before The City of Winnipeg charges	3,687	2,201
THE CITY OF WINNIPEG CHARGES		
Transfer to The City of Winnipeg Land Operating Reserve Fund	(48)	-
Overhead charge (Note 11d)	(195)	(191)
Allocated departmental charges (Note 11b, e, and f)	(504)	(652)
Municipal tax equivalency charge (Note 11h)	(663)	(758)
Income tax equivalency charge (Note 10)	(772)	(302)
Net income and comprehensive income for the year	1,505	298
DEFICIT, BEGINNING OF YEAR	(6,137)	(1,591)
Transfer to The City of Winnipeg - General Revenue Fund	(3,600)	(4,844)
DEFICIT, END OF YEAR	<u>\$ (8,232)</u>	<u>\$ (6,137)</u>

See accompanying notes to the financial statements

**THE CITY OF WINNIPEG
WINNIPEG PARKING AUTHORITY -
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>2007</u>	<u>2006</u>
OPERATING		
Net income and comprehensive income for the year	\$ 1,505	\$ 298
Non-cash items related to operations		
Loss on disposal of assets	32	366
Amortization	911	747
Retirement allowance	9	9
	<u>2,457</u>	<u>1,420</u>
Working capital from operations		
	2,457	1,420
Net change in working capital	<u>1</u>	<u>(180)</u>
	<u>2,458</u>	<u>1,240</u>
FINANCING		
Increase in due to The City of Winnipeg - General Revenue Fund	1,072	5,151
Proceeds from long-term debt	-	2,861
Repayment of long-term debt	(435)	(558)
Transfer to The City of Winnipeg - General Revenue Fund	(3,600)	(4,844)
	<u>(2,963)</u>	<u>2,610</u>
INVESTING		
Proceeds from the sale of capital assets	486	19
Purchase of capital assets	-	(4,016)
	<u>486</u>	<u>(3,997)</u>
DECREASE IN CASH POSITION	(19)	(147)
CASH POSITION, BEGINNING OF YEAR	26	173
CASH POSITION, END OF YEAR	\$ 7	\$ 26

See accompanying notes to the financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars)

1. Description of Business

On March 20, 1997, City 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, City 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, City 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 City Council.

The Winnipeg Parking Authority - Special Operating Agency ("the Agency") 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 City"). 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. 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 ("GAAP") and include the following significant accounting policies:

a) Revenue recognition

The financial statements are prepared using the accrual basis of accounting. The accrual basis of accounting recognizes revenue in the period in 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 replacement cost.

2. *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
Surface parking lots	5%
Parkades	2%
Vehicles	20%
Meters	10%
Equipment	10-20%
Computer	33%
Office furniture and equipment	20%

d) **Future accounting policy changes**

The Canadian Institute of Chartered Accountants ("CICA") has issued two new standards, CICA 3862, Financial Instruments - Disclosures and CICA 3863, Financial Instruments - Presentation, which enhance the abilities of users of financial statements to evaluate the significance of financial instruments to an entity, related exposures and management of these risks.

The CICA has also issued a new accounting standard, CICA 1535, Capital Disclosures, which requires the disclosure of qualitative and quantitative information that enables users of financial statements to evaluate the entity's objectives, policies and procedures for managing capital.

These changes in accounting policies, which will be adopted effective January 1, 2008, will only require additional disclosures in the financial statements.

3. *Changes in Accounting Policies*

On January 1, 2007, the Agency retroactively adopted, without restatement of prior periods, the CICA Handbook Sections 3855, Financial Instruments - Recognition and Measurement; Section 3861, Financial Instruments - Disclosure and Presentation; and Section 1530 Comprehensive Income.

According to Section 3855, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value; subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. The Agency's cash is classified as held-for-trading and the accounts receivable are classified as loans and receivables. Due to The City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, vacation payable, customer deposits and long-term debt have been classified as other liabilities. Financial assets classified as held-for-trading are reported at fair value with changes in fair value recognized in the Statement of Operations and Deficit and transaction costs related to this classification of financial instruments are expensed as incurred. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The Agency will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The Agency has not classified any financial instrument as held-to-maturity or as available-for-sale. The adoption of the new standard had no impact on the Agency's financial position or on the results of its operations.

3. *Changes in Accounting Policies (continued)*

Section 1530 provides guidance on the reporting and presentation of comprehensive income. Comprehensive income is the change in the retained earnings of the Agency during a period from transactions and other events and circumstances from sources other than from the City. It includes all changes in deficit during a period except those resulting from investments by the City and distributions to the City. Other comprehensive income comprises revenues, expenses, gains and losses that, in accordance with primary sources of GAAP, are recognized in comprehensive income, but are excluded from net income. The adoption of this standard had no impact on the Agency's deficit as at January 1, 2007.

Effective January 1, 2007, the Agency also adopted CICA Section 1506, Accounting Changes. The new standard allows for voluntary changes in an accounting policy only when the changes result in the financial statements providing reliable and more relevant information, requires a change in accounting policy to be applied retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. It includes the disclosure, on an annual basis, of a description and the impact on the Agency's financial results of any new primary source of GAAP that has been issued but is not yet effective. The adoption of the new standard did not have an impact on the Agency's financial position or on the results of its operations.

4. *Financial Instruments*

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from its financial instruments. The book value of the Agency's financial assets and liabilities approximates their fair value.

5. *Property, Equipment and Leasehold Improvements*

	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	
			<u>2007</u>	<u>2006</u>
Land	\$ 73	\$ -	\$ 73	\$ 172
Leasehold improvements	413	64	349	376
Parking surfaces	79	10	69	103
Parkades	10,700	642	10,058	10,272
Vehicles	92	54	38	62
Meters	3,942	667	3,275	4,055
Equipment	827	182	645	748
Computer equipment	342	279	63	176
Office furniture and equipment	176	85	91	126
	<u>\$ 16,644</u>	<u>\$ 1,983</u>	<u>\$ 14,661</u>	<u>\$ 16,090</u>

6. *Due to The 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 December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%). As well, the Agency has negotiated an operating line of credit up to \$7,500 thousand, which it has temporarily exceeded.

Interest paid to The City of Winnipeg General Revenue Fund on the line of credit was \$259 thousand for the year.

7. *Long-Term Debt*

	<u>2007</u>	<u>2006</u>
The City of Winnipeg - General Revenue Fund		
Start-up loan, interest at 6%, with no specific terms of repayment	\$ 12,218	\$ 12,218
Equipment financing		
Loan repayable \$65 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	118	170
Loan repayable \$11 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	20	29
Loan repayable \$482 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	1,265	1,633
Loan repayable \$363 thousand per year including imputed interest at 6.9% with a 15 month deferral of first payment	1,228	1,228
Loan repayable \$7 thousand per year including imputed interest at 6.9% with a 12 month deferral of first payment	19	25
	<u>14,868</u>	<u>15,303</u>
Current portion of long-term debt	<u>(12,939)</u>	<u>(12,930)</u>
	<u>\$ 1,929</u>	<u>\$ 2,373</u>

- a) Principal repayments on the equipment financing loans due within the next four years are as follows:

2008	\$ 721
2009	793
2010	772
2011	<u>364</u>
	<u>\$ 2,650</u>

- b) Interest paid to The City of Winnipeg General Revenue Fund on the start-up loan was \$733 thousand (2006 - \$733 thousand).

8. *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, \$62 thousand (2006 - \$59 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, 2006 and has an actuarial surplus.

8. *Employee Benefits (continued)*

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. An actuarial valuation report of the obligation was prepared effective December 31, 2005. The results of this valuation were extrapolated to December 31, 2007.

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

	<u>2007</u>	<u>2006</u>
Retirement allowance - accrued obligation:		
Balance, beginning of year	\$ 86	\$ 77
Current service cost	5	5
Interest cost	4	4
Net actuarial gain	<u>(2)</u>	<u>-</u>
Balance, end of year	93	86
Unamortized net actuarial gain	<u>2</u>	<u>-</u>
Retirement allowance - accrued liability	<u>\$ 95</u>	<u>\$ 86</u>

Retirement allowance expense consists of the following:

	<u>2007</u>	<u>2006</u>
Current service cost	\$ 5	\$ 5
Interest cost	<u>4</u>	<u>4</u>
	<u>\$ 9</u>	<u>\$ 9</u>

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

	<u>2007</u>	<u>2006</u>
Valuation interest rate	4.70%	4.50%
General increases in pay	3.00%	3.00%

9. *Enforcement Revenue*

Prior to 2005, enforcement revenue was accounted for using the cash basis of accounting by the City. At January 1, 2005 a gross enforcement receivable was estimated at \$12,182 thousand, which was assumed by the Agency, and a corresponding allowance for doubtful accounts set up. The Agency will recognize revenue as these accounts are recovered. Collections of pre-2005 citations amounted to \$573 thousand (2006 - \$691 thousand).

10. 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 based on the following rates:

Small business rate on the first \$400 thousand of net income	16.10%
Regular corporate rate on the balance	36.10%

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

An amount of \$772 thousand (2006 - \$302 thousand) has been transferred to The City of Winnipeg General Revenue Fund.

11. Related Party Transactions

The Agency is wholly-owned by the City. Transactions between the Agency and the City are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

- a) Revenues include sales of \$383 thousand (2006 - \$382 thousand) to the City.
- b) An amount of \$36 thousand (2006 - \$28 thousand) for general government charges has been included and paid to The City of Winnipeg General Revenue Fund which represents the estimated share of the City's general expenses applicable to the Agency.
- c) In Services, an amount of \$113 thousand (2006 - \$113 thousand) has been charged by The City of Winnipeg Civic Accommodations Fund for the rental of office space.
- d) An amount of \$195 thousand (2006 - \$191 thousand) has been charged by The City of Winnipeg General Revenue Fund, which represents a transfer to the City as determined by the Corporate Finance Department.
- e) An amount of \$209 thousand (2006 - \$175 thousand) has been transferred to The City of Winnipeg General Revenue Fund for the cost of support services.
- f) An amount of \$259 thousand (2006 - \$449 thousand) has been charged by The City of Winnipeg Building Services Fund for services provided at the various locations.
- g) In Services, an amount of \$48 thousand (2006 - \$47 thousand) has been charged by The City of Winnipeg Transit System Department for coin counting and deposit services.
- h) An amount of \$663 thousand (2006 - \$758 thousand) has been transferred to The City of Winnipeg General Revenue Fund for payments-in-lieu of municipal taxes. These charges are based on estimated assessments and the mill rate that would have been applicable had these facilities been privately owned.
- i) In Services, an amount of \$291 thousand (2006 - \$238 thousand) has been charged by The City of Winnipeg Fleet Management - Special Operating Agency for insurance, fuel, maintenance and rental on vehicles owned/leased by the Agency.
- j) In Accounts receivable, an amount of \$213 thousand (2006 - \$111 thousand) is included for parking charges owing from the City.

12. Comparative Figures

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





THE CONVENTION CENTRE CORPORATION

BALANCE SHEET

As at December 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current:		
Cash	\$ 2,804,882	\$ 2,293,532
Accounts receivable	1,310,663	1,524,660
Inventory	131,510	143,327
Prepaid expenses	<u>60,748</u>	<u>48,107</u>
	4,307,803	4,009,626
Capital assets (note 3)	10,111,025	10,639,745
Feasibility studies - future expansion (note 4)	<u>300,654</u>	<u>207,111</u>
	<u>\$ 14,719,482</u>	<u>\$ 14,856,482</u>
LIABILITIES		
Current:		
Accounts payable and accrued liabilities	\$ 1,920,043	\$ 1,377,904
Customer deposits	468,746	494,586
Current portion of City of Winnipeg debentures (note 6)	246,800	234,998
Current portion of City of Winnipeg term loan (note 7)	44,348	44,348
Current portion of capital lease obligation (note 8)	<u>47,184</u>	<u>39,751</u>
	2,727,121	2,191,587
City of Winnipeg debentures (note 6)	1,626,776	1,873,575
City of Winnipeg term loan (note 7)	124,828	169,176
Capital lease obligation (note 8)	66,309	113,494
Deferred contributions related to capital assets (note 9)	1,873,837	1,793,787
Deferred funding - wall cladding replacement and stabilization (note 10)	<u>4,926,836</u>	<u>5,256,795</u>
	<u>11,345,707</u>	<u>11,398,414</u>
FUND BALANCES		
Operating fund	-	-
Restricted fund	2,015,240	2,092,028
Invested in capital assets	<u>1,358,535</u>	<u>1,366,040</u>
	3,373,775	3,458,068
	<u>\$ 14,719,482</u>	<u>\$ 14,856,482</u>

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

THE CONVENTION CENTRE CORPORATION

STATEMENT OF FUND BALANCES

Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
BALANCE , beginning of year	\$ 3,458,068	\$ 2,726,097
(Deficiency) excess of revenue over expenditures	<u>(84,293)</u>	<u>731,971</u>
BALANCE , end of year	<u>\$ 3,373,775</u>	<u>\$ 3,458,068</u>

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
Operating revenue	\$ 11,091,640	\$ 11,103,889
Operating costs	<u>4,985,714</u>	<u>4,876,870</u>
Net operating revenue	<u>6,105,926</u>	<u>6,227,019</u>
General operating grant (note 14):		
City of Winnipeg	1,246,244	1,452,530
Province of Manitoba	<u>1,120,739</u>	<u>1,325,727</u>
	<u>2,366,983</u>	<u>2,778,257</u>
	<u>8,472,909</u>	<u>9,005,276</u>
Expenditures:		
Accounting and financial services and human resources	701,497	678,512
Administration	985,089	1,076,753
Building maintenance	3,833,531	3,779,377
Client services	1,091,102	964,567
Interest on capital lease	23,406	24,332
Sales and promotion	774,122	721,372
Security	<u>454,420</u>	<u>449,704</u>
	<u>7,863,167</u>	<u>7,694,617</u>
Net operating revenue less expenditures before under-noted	609,742	1,310,659
City of Winnipeg debt servicing grants:		
Debentures (note 14)	498,796	497,498
Term loan (note 14)	<u>44,348</u>	<u>44,348</u>
Recognition of deferred contributions related to capital assets (notes 9 and 10)	820,430	723,070
Amortization to expense of capital assets (note 3)	(1,793,815)	(1,569,863)
Interest on City of Winnipeg debentures	<u>(263,794)</u>	<u>(273,741)</u>
(Deficiency) excess of revenue over expenditures for the year	<u>\$ (84,293)</u>	<u>\$ 731,971</u>

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

STATEMENT OF CASH FLOWS

Year ended December 31, 2007

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
(Deficiency) excess of revenue over expenditures	\$ (84,293)	\$ 731,971
Adjustments for:		
- amortization of capital assets	1,793,815	1,569,863
- recognition of deferred contributions related to capital assets	<u>(820,430)</u>	<u>(723,070)</u>
	889,092	1,578,764
Net changes in working capital balances		
Accounts receivable	213,997	(367,158)
Inventory	11,817	10,005
Prepaid expenses	(12,641)	(758)
Accounts payable and accrued liabilities	542,139	141,881
Customer deposits	<u>(25,840)</u>	<u>(2,535)</u>
	1,618,564	1,360,199
FINANCING ACTIVITIES		
Capital lease obligation	(39,752)	(28,298)
City of Winnipeg term loan repayments	(44,348)	(44,348)
City of Winnipeg debenture repayments	(234,997)	(223,757)
City of Winnipeg/Province of Manitoba major repair and replacement grant received	<u>570,521</u>	<u>160,545</u>
	251,424	(135,858)
INVESTING ACTIVITIES		
Feasibility studies - future expansion	(93,543)	(101,973)
Major repair and replacement expenditures	<u>(1,265,095)</u>	<u>(745,382)</u>
	(1,358,638)	(847,355)
INCREASE IN CASH DURING THE YEAR	511,350	376,986
CASH , beginning of year	<u>2,293,532</u>	<u>1,916,546</u>
CASH , end of year	<u><u>\$ 2,804,882</u></u>	<u><u>\$ 2,293,532</u></u>

The accompanying notes are an integral part of this Statement.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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*

Fund Method of Accounting:

The fund method of accounting was adopted prospectively by the corporation in 2006, replacing the deferral method previously utilized.

In prior periods, excess of revenue over expenditures was, by Board of Directors resolution, reserved from surplus for future major repairs and replacements. As assets were acquired the reserve was deferred and amortized to income at the same rate as the assets were amortized.

Under the fund method of accounting the excess of revenue over expenses is allocated to the Operating Fund. By Board of Directors resolution, any addition to the Operating Fund are to be transferred to the Restricted Fund for future expenditures or major repairs and replacements.

As assets are acquired a like amount is transferred from the Restricted Fund to the Invested in Capital Asset Fund. The resulting balance represents the unamortized investment in major repairs and replacements net of amounts funded by grants. The Invested in Capital Asset Fund is reduced by the amortization of such assets and the amount amortized is transferred to the operating fund.

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.

Amortization is calculated at the following rates and basis:

Major capital expenditures	-	at rate of related debenture repayment
Revitalization program	-	at rate of related debenture repayment
Major repair and replacement	-	20%, straight line
Wall cladding replacement and stabilization	-	on a straight line basis over 20 years
Equipment under capital lease	-	20%, straight line

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

2. *Significant Accounting Policies (continued)*

Vacation Pay:

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

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 \$497,718 (2006 - \$479,517).

Union agreements after February 1996 exclude any cash payment entitlements for employees hired thereafter.

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.

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.

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 loan 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.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

3. Capital Assets

	Cost	Accumulated Amortization	Net Carrying Value	
			2007	2006
Major capital expenditures	\$ 2,000,000	\$ 1,631,386	\$ 368,614	\$ 443,483
Revitalization program:				
- City of Winnipeg portion	3,000,000	1,495,036	1,504,964	1,665,092
- Province of Manitoba portion	2,000,000	989,585	1,010,415	1,117,155
Major repair and replacement	9,420,919	7,198,963	2,221,956	2,042,671
Wall cladding replacement	6,599,175	1,672,339	4,926,836	5,256,795
Equipment under capital lease	181,543	103,303	78,240	114,549
	<u>\$ 23,201,637</u>	<u>\$ 13,090,612</u>	<u>\$ 10,111,025</u>	<u>\$ 10,639,745</u>

Major Capital Expenditures:

Major capital expenditures represent 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 6). The costs are amortized in an amount equal to the principal repayments on the related debentures, which approximates the estimated useful life of the assets.

Revitalization Program:

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

City of Winnipeg Portion

The revitalization programs expenditures funded by the City are carried at cost and are equal to the related debentures (note 6). The costs are amortized in an amount equal to the principal repayments on the debentures, which approximates the estimated useful life of the assets.

Provincial Portion

The revitalization programs 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:

A portion of major repairs and replacements incurred after 1993 have been funded by grants from the City of Winnipeg and the Province of Manitoba. The assets are recorded at cost and amortized over their estimated useful life. The funded portion included with deferred contributions related to capital assets, is recognized on the same basis.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

3. Capital Assets (continued)

Wall Cladding Replacement and Stabilization:

This amount represents the expenditures for the replacement of the exterior tyndall stone cladding of the Winnipeg Convention Centre. Pursuant to a funding agreement dated March 21, 2002, the City of Winnipeg and the Province of Manitoba agreed to equally fund the project up to \$6.6 million.

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 to income at the same rate as the asset is amortized.

Equipment Under Capital Lease:

In 2005, 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>2007</u>	<u>2006</u>
Major capital expenditures	\$ 74,869	\$ 71,261
Revitalization program:		
- City of Winnipeg portion	160,128	152,495
- Province of Manitoba portion	106,740	101,660
Major repair and replacement	1,085,810	878,178
Wall cladding replacement	329,959	329,959
Equipment under capital lease	36,309	36,310
	<u>\$ 1,793,815</u>	<u>\$ 1,569,863</u>

4. Feasibility Studies - Future Expansion

The corporation has incurred certain costs to evaluate the feasibility of expanding the existing facility to ensure it is competitive with similar facilities in other cities. Such costs are deferred and will be capitalized when an expansion occurs. Total additions in the year are \$93,543.

5. 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, 2007 and 2006 is nil.

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

6. City of Winnipeg Debentures

	2007			2006
	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	\$ 426,389	\$ 73,611	\$ 108,350
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	154,119	-	154,119	175,513
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	139,261	85,739	99,138
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	49,674	50,326	55,664
	979,119	615,324	363,795	438,665
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	1,490,219	1,509,781	1,669,908
	\$ 3,979,119	\$ 2,105,543	1,873,576	2,108,573
Current portion			246,800	234,998
			\$ 1,626,776	\$ 1,873,575

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

6. City of Winnipeg Debentures (continued)

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

2008	\$	246,800
2009	\$	258,031
2010	\$	232,001
2011	\$	243,663
2012	\$	255,821

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.

7. City of Winnipeg - Term Loan

	<u>2007</u>	<u>2006</u>
Term loan	\$ 169,176	\$ 213,524
Less: current portion	<u>(44,348)</u>	<u>(44,348)</u>
	<u>\$ 124,828</u>	<u>\$ 169,176</u>

The loan was 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.

8. Capital Lease Obligation

	<u>2007</u>	<u>2006</u>
Parkade equipment lease - payable to the Royal Bank of Canada, bearing interest at approximately 8%, 48 monthly payments of \$5,263 (plus PST and GST) beginning March 20, 2006 with a purchase option of \$1 at the end of the lease term.	\$ 136,838	\$ 199,993
Less: imputed interest	<u>(23,345)</u>	<u>(46,748)</u>
	113,493	153,245
Less: current portion	<u>(47,184)</u>	<u>(39,751)</u>
	<u>\$ 66,309</u>	<u>\$ 113,494</u>

Minimum lease payments, including PST, over the next three years are as follows:

2008	\$	67,677
2009	\$	67,577
2010	\$	11,263

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

9. *Deferred Contributions Related to Capital Assets*

Deferred contributions related to capital assets represent externally restricted contributions including the provincial portion of the revitalization program assets and funds granted for major repair and replacement assets. These amounts are recognized as income as the related assets are amortized.

	<u>2007</u>	<u>2006</u>
Beginning balance	\$ 1,793,787	\$ 2,026,353
Deferred contributions for major repair and replacement expended on major repair and replacement assets during the year (note 14)	570,521	160,545
Deduct amounts recognized as revenue:		
- Major repair and replacement expenditures	(383,731)	(291,451)
- Provincial portion of revitalization program expenditures	(106,740)	(101,660)
	<u>\$ 1,873,837</u>	<u>\$ 1,793,787</u>

10. *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>2007</u>	<u>2006</u>
Beginning Balance	\$ 5,256,795	\$ 5,586,754
Deduct amount amortized to revenue	(329,959)	(329,959)
	<u>\$ 4,926,836</u>	<u>\$ 5,256,795</u>

11. *Operating Fund*

The operating fund is as follows:

	<u>2007</u>	<u>2006</u>
Opening balance	\$ -	\$ -
(Deficiency) excess of revenues over expenditures	(84,293)	731,971
Amortization of invested in capital assets	702,079	586,726
Amounts transferred to the restricted fund by board resolution	(617,786)	(1,318,697)
	<u>\$ -</u>	<u>\$ -</u>

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

12. Restricted Fund

The restricted fund represents the excess of revenues over expenditures that are internally restricted by board resolution for future expenditures on capital assets. The fund is reduced by annual expenditures on capital assets net of any externally restricted amounts.

	<u>2007</u>	<u>2006</u>
Opening balance	\$ 2,092,028	\$ 1,358,168
Capital assets purchased in the year, net of externally restricted amounts (\$570,521-2007; \$160,545-2006)	(695,974)	(584,837)
Disposals in year	1,400	-
Amounts internally restricted by board resolution (note 11)	<u>617,786</u>	<u>1,318,697</u>
	<u>\$ 2,015,240</u>	<u>\$ 2,092,028</u>

13. Invested in Capital Assets

Invested in capital assets represents total capital assets less amounts amortized less specific deferred contributions.

	<u>2007</u>	<u>2006</u>
Opening balance	\$ 1,366,040	\$ 1,367,929
Capital assets purchased in the year, net of disposals	1,265,095	745,382
Externally restricted amounts (note 9)	<u>(570,521)</u>	<u>(160,545)</u>
	<u>694,574</u>	<u>584,837</u>
Amortization of invested in capital assets	<u>(702,079)</u>	<u>(586,726)</u>
	<u>\$ 1,358,535</u>	<u>\$ 1,366,040</u>

14. Grants

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

	<u>2007</u>	<u>2006</u>
City of Winnipeg	\$ 2,074,648	\$ 2,074,648
Province of Manitoba	<u>1,406,000</u>	<u>1,406,000</u>
	<u>\$ 3,480,648</u>	<u>\$ 3,480,648</u>

The grants are allocated as follows:

General operating grant	\$ 2,366,983	\$ 2,778,257
Debt service		
City of Winnipeg debenture	498,796	497,498
City of Winnipeg term loan	44,348	44,348
Major repairs and replacement expenditures	<u>570,521</u>	<u>160,545</u>
	<u>\$ 3,480,648</u>	<u>\$ 3,480,648</u>

THE CONVENTION CENTRE CORPORATION

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2007

15. Commitments

The corporation has contracts with Correia Enterprises Ltd. (operating as Bee-Clean), Winnipeg Elevator (1978) Ltd. and Securitas Canada Limited for the provision of housekeeping, elevator and security services. These contracts expire during 2011 with an option to renew for a further five-year term.

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

2008	\$ 1,211,597
2009	\$ 1,198,740
2010	\$ 1,211,569
2011	\$ 921,121

16. Pension Plan

Description of Benefit Plans:

The employees of the corporation are members of the City of Winnipeg Civic Employees Defined Benefit Pension Plan. The corporation funds its required portion of pension costs in monthly amounts specified by the City of Winnipeg.

Total Cash Payment:

Total cash payments for employee future benefits for fiscal year 2007, consisting of cash contributed by the Centre to the Plan was \$510,488 (2006 - \$594,913).

17. 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.



DESTINATION WINNIPEG INC.

BALANCE SHEET

December 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current assets:		
Cash	\$ 145,278	\$ 129,640
Investments (note 4)	749,480	881,220
Accounts receivable	120,157	53,937
Prepaid expenses	128,509	85,526
	<u>1,143,424</u>	1,150,323
Capital assets (note 5)	<u>238,259</u>	243,922
	<u><u>\$ 1,381,683</u></u>	<u><u>\$ 1,394,245</u></u>
LIABILITIES, DEFERRED CONTRIBUTIONS AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 84,097	\$ 59,738
Deferred rent	51,359	54,748
Deferred contributions:		
Future expenses (note 6)	9,790	18,327
Capital assets (note 7)	184,322	215,920
	<u>194,112</u>	234,247
Net assets:		
Unappropriated:		
Invested in capital assets (note 8)	53,937	28,002
Unrestricted	425,887	464,898
	<u>479,824</u>	492,900
Appropriated for contingency reserve (note 9)	399,902	371,582
Appropriated for homecoming initiative reserve (note 10)	172,389	181,030
	<u>1,052,115</u>	1,045,512
Commitments (note 11)		
	<u><u>\$ 1,381,683</u></u>	<u><u>\$ 1,394,245</u></u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF REVENUE AND EXPENDITURES

Year ended December 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
REVENUE:		
Funding:		
City of Winnipeg	\$ 1,313,000	\$ 1,288,000
Province of Manitoba	1,248,000	1,223,000
Partners on projects	505,369	584,158
Other	39,267	42,908
Interest	60,480	45,840
Amortization of deferred contributions	31,598	31,598
	<u>3,197,714</u>	<u>3,215,504</u>
EXPENDITURES:		
Initiatives and marketing	1,315,682	1,398,141
Personnel	1,473,591	1,389,182
Administrative	182,629	183,423
Occupancy and facilities	219,209	215,343
	<u>3,191,111</u>	<u>3,186,089</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u><u>\$ 6,603</u></u>	<u><u>\$ 29,415</u></u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CHANGES IN NET ASSETS

Year ended December 31, 2007, with comparative figures for 2006

	<u>Unappropriated</u>	<u>Contingency Reserve</u>	<u>Homecoming Initiative Reserve</u>	<u>2007 Total</u>	<u>2006 Total</u>
Balance, beginning of year	\$ 492,900	\$ 371,582	\$ 181,030	\$ 1,045,512	\$ 1,016,097
Excess (deficiency) of revenue over expenditures	15,244	-	(8,641)	6,603	29,415
Allocation to/(from) unappropriated (note 9)	<u>(28,320)</u>	<u>28,320</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 479,824</u>	<u>\$ 399,902</u>	<u>\$ 172,389</u>	<u>\$ 1,052,115</u>	<u>\$ 1,045,512</u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

STATEMENT OF CASH FLOWS

Year ended December 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
Cash provided by (used in):		
<i>OPERATING ACTIVITIES:</i>		
Excess of revenue over expenditures	\$ 6,603	\$ 29,415
Adjustments for:		
Amortization of capital assets	57,668	50,814
Amortization of deferred contributions - capital assets	(31,598)	(31,598)
Amortization of deferred rent	(3,389)	(3,387)
Change in non-cash operating working capital		
Accounts receivable	(66,220)	37,648
Prepaid expenses	(42,983)	(13,487)
Accounts payable and accrued liabilities	24,359	(38,060)
Decrease in deferred contributions - future expense, net	(8,537)	1,800
	<u>(64,097)</u>	<u>33,145</u>
<i>FINANCING AND INVESTING ACTIVITIES:</i>		
Acquisition of capital assets	(52,005)	(33,053)
Investments, net	131,740	54,173
	<u>79,735</u>	<u>21,120</u>
<i>INCREASE IN CASH</i>	15,638	54,265
<i>CASH, beginning of year</i>	<u>129,640</u>	<u>75,375</u>
<i>CASH, end of year</i>	<u>\$ 145,278</u>	<u>\$ 129,640</u>

See accompanying notes to the financial statements

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS

Year ended December 31, 2007

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.

Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on a straight-line basis at a rate corresponding with the amortization rate for the related capital assets.

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 - 3 years
Office furniture and fixtures	5 years
Leasehold improvements	over the term of the related lease

c) Deferred rent:

As part of the organization's operating premise lease, a period of free rent was incurred and is being amortized over the term of the related lease.

d) Investments:

Investments are classified as held-for-trading financial instruments and are carried at fair value (note 3). The fair value of investments is based on their quoted market prices at the balance sheet date without any deduction for estimated future selling costs.

e) Income taxes:

The organization is a not-for-profit organization under the Income Tax Act and, accordingly, is exempt from income taxes, providing certain requirements of the Income Tax Act are met.

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2007

2. Significant accounting policies (continued):

f) 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. Change in accounting policy:

On January 1, 2007, the organization adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, Financial Instruments - Recognition and Measurement. According to this standard, all financial instruments are classified into one of the following five categories: held-for-trading, loans and receivables, held-to-maturity, available-for-sale or other liabilities. Initial measurement of financial instruments is at fair value, subsequent measurement and recognition of changes in fair value of financial instruments depends on their initial classification. Transaction costs are expensed as incurred for financial instruments classified as held-for-trading.

The organization's cash and investments are classified as held-for-trading and accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities have been classified as other liabilities.

Financial assets and liabilities classified as held-for-trading are measured at fair value at each reporting period with changes in fair value in subsequent periods included in excess of revenue over expenditures. Financial assets and liabilities classified as loans and receivables and other liabilities are measured at amortized cost. The organization will recognize changes in the fair value of loans and receivables only if realized, or impairment in the value of an asset occurs. The organization has not classified any assets or liabilities as held-to-maturity or as available-for-sale.

There was no transitional adjustment for the organization's held-for-trading investments as their carrying values approximate fair value due to their immediate of short-term nature.

4. Investments:

Investments consist of investments in money market instruments and a guaranteed investment certificate to fund the contingency reserve (Note 9), homecoming initiative reserve (Note 10) and other expenses.

5. Capital assets:

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware and software	\$ 85,859	\$ 60,048	\$ 25,811	\$ 18,502
Office furniture and fixtures	101,566	54,695	46,871	31,446
Leasehold improvements	283,263	117,686	165,577	193,974
	<u>\$ 470,688</u>	<u>\$ 232,429</u>	<u>\$ 238,259</u>	<u>\$ 243,922</u>

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2007

6. *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.

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 18,327	\$ 16,527
Amounts received during the year	<u>165,674</u>	<u>156,063</u>
	<u>184,001</u>	<u>172,590</u>
Less amounts recognized into revenue in the year	<u>(174,211)</u>	<u>(154,263)</u>
Balance, end of year	<u><u>\$ 9,790</u></u>	<u><u>\$ 18,327</u></u>

7. *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.

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 215,920	\$ 247,518
Amount amortized to revenue	<u>(31,598)</u>	<u>(31,598)</u>
Balance, end of year	<u><u>\$ 184,322</u></u>	<u><u>\$ 215,920</u></u>

8. *Invested in capital assets:*

	<u>2007</u>	<u>2006</u>
Capital assets	\$ 238,259	\$ 243,922
Deferred contributions - capital assets	<u>(184,322)</u>	<u>(215,920)</u>
Invested in capital assets	<u><u>\$ 53,937</u></u>	<u><u>\$ 28,002</u></u>

9. *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, 2007, \$28,320 (2006 - \$12,913) was added to the contingency reserve and deducted from unappropriated surplus, based on the calculation of the contingency reserve requirement as at December 31, 2007.

10. *Homecoming initiative reserve:*

A homecoming initiative reserve was established in prior years to reserve funds to be used for a future initiative.

DESTINATION WINNIPEG INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Year ended December 31, 2007

11. Commitments:

The organization is committed under leases for office premises and equipment for a total of \$1,045,741. The minimum lease payments over the next five years are as follows:

2008	\$	174,606
2009		178,367
2010		178,367
2011		179,119
2012 and thereafter		335,282

12. Segregated funds:

The organization holds funds that are segregated for partners (including the organization) in a separate convention development account. These funds are held in an interest-bearing account for the benefit of convention development.

The balance of these funds and the income and expenditure associated therewith, is not included in these financial statements.

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 104,686	\$ 101,929
Additional funds received during the year	32,532	-
Funds used during the year	(15,000)	-
Interest earned	<u>3,306</u>	<u>2,757</u>
Balance, end of year, and amount of funds held	<u>\$ 125,524</u>	<u>\$ 104,686</u>

13. Fair value:

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.

Fair value:

The fair value of accounts receivable and accounts payable and accrued liabilities approximates their carrying value due to their short term to maturity.

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF FINANCIAL POSITION

As at December 31

(unaudited)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash	\$ 13,738	\$ 180,223
Due from City of Winnipeg - General Revenue Fund (Note 3)	-	72,666
Accounts receivable	219,657	231,407
Due from City of Winnipeg (Note 4)	<u>5,439,304</u>	<u>6,172,693</u>
	<u>\$ 5,672,699</u>	<u>\$ 6,656,989</u>
 LIABILITIES		
Due to City of Winnipeg - General Revenue Fund (Note 3)	\$ 1,334,874	\$ -
Accounts payable and accrued liabilities	221,221	221,221
Debt (Note 5)	<u>2,072,056</u>	<u>3,955,376</u>
	3,628,151	4,176,597
 NET ASSETS	<u>2,044,548</u>	<u>2,480,392</u>
	<u>\$ 5,672,699</u>	<u>\$ 6,656,989</u>

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

For the years ended December 31

(unaudited)

	<u>2007</u>	<u>2006</u>
REVENUES		
Entertainment funding tax - Winnipeg Football Club	\$ 445,157	\$ -
Transfer from City of Winnipeg - General Revenue Fund	75,000	37,500
Other	31,034	107,099
Transfer from City of Winnipeg - General Capital Fund	-	2,134,475
	<u>551,191</u>	<u>2,279,074</u>
EXPENSES		
Write-off of long-term receivable (Note 4)	733,389	733,389
Interest on debt and other finance charges	229,541	345,481
Professional fees, office supplies and other	24,105	23,821
	<u>987,035</u>	<u>1,102,691</u>
NET (LOSS) INCOME FOR THE YEAR	(435,844)	1,176,383
NET ASSETS - BEGINNING OF YEAR	<u>2,480,392</u>	<u>1,304,009</u>
NET ASSETS - END OF YEAR	<u><u>\$ 2,044,548</u></u>	<u><u>\$ 2,480,392</u></u>

See accompanying notes to the financial statements

WINNIPEG ENTERPRISES CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(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.

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.

Financial instruments

Financial instruments include cash, accounts receivable, due to City of Winnipeg - General Revenue Fund, accounts payable and accrued liabilities, 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 5.

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. *Due from/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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2% (2006 - 4.3%).

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. *Debt*

	<u>2007</u>	<u>2006</u>
Demand loan (credit facility A); bearing interest at a swap rate of 5.94% per annum until May 30, 2014; after which bears interest at prime; repayable in quarterly instalments of \$70,833 plus interest	\$ 1,819,715	\$ 2,101,795
Demand loan (credit facility B); 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	252,341	370,217
Demand loan; bearing interest at prime; repayable in blended monthly instalments of \$31,634	<u>-</u>	<u>1,483,364</u>
	<u>\$ 2,072,056</u>	<u>\$ 3,955,376</u>

Credit facility A is secured by a limited guarantee from the City of Winnipeg of \$7,650,000.

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash (Note 8)	\$ 612,083	\$ 51,909
Rents receivable	17,135	24,066
Other receivables	58,290	53,276
Grants receivable	191,357	191,781
GST receivable	84,971	39,210
Subsidy due from CMHC (Note 3)	11,742	11,054
Subsidy due from MHRC (Note 3)	260,488	273,229
Operating deficiency recoverable from MHRC (Note 4)	128,233	163,590
Prepaid expenses	102,586	97,591
Housing inventory (Note 2(a))	<u>1,983,763</u>	<u>474,810</u>
	<u>3,450,648</u>	<u>1,380,516</u>
Restricted Cash and Deposits		
Replacement Reserve Fund (Notes 2(b) and 5)		
CMHC funded	141,465	32,040
MHRC funded	2,962,330	2,747,395
WHRC funded	<u>18,869</u>	<u>18,305</u>
	<u>3,122,664</u>	<u>2,797,740</u>
Subsidy Surplus Reserve Fund (Note 6)	<u>-</u>	<u>79,324</u>
	<u>3,122,664</u>	<u>2,877,064</u>
Capital Assets (Notes 2(c) and 7)	<u>30,197,110</u>	<u>31,431,390</u>
	<u>\$ 36,770,422</u>	<u>\$ 35,688,970</u>

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

March 31, 2007

	<u>2007</u>	<u>2006</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 294,161	\$ 384,684
Accrued interest payable	233,528	241,103
Security deposits and prepaid rent	188,281	183,964
Current portion of forgivable loans (Notes 2(d) and 9)	59,653	100,853
Current portion of long-term debt (Note 10)	783,341	793,823
	<u>1,558,964</u>	<u>1,704,427</u>
Deferred Revenue	<u>192,862</u>	209,913
Restricted Surplus (Deficit) (Note 11)	<u>16,775</u>	(29,563)
Forgivable Loans (Notes 2(d) and 9)	<u>2,266,931</u>	505,386
Long-term Debt (Note 10)	<u>29,852,359</u>	30,944,550
Replacement Reserves		
Replacement Reserve - CMHC	141,465	32,040
Replacement Reserve - MHRC	2,962,330	2,747,395
Subsidy Surplus Reserve	-	79,324
	<u>3,103,795</u>	<u>2,858,759</u>
NET ASSETS		
Internally Restricted Net Assets (Note 12)	244,996	-
Unrestricted Net Assets	<u>(466,260)</u>	<u>(504,502)</u>
	<u>(221,264)</u>	<u>(504,502)</u>
	<u>\$ 36,770,422</u>	<u>\$ 35,688,970</u>

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
REVENUE		
City of Winnipeg operating grant	\$ 200,000	\$ 200,000
CMHC subsidy (Note 3)	164,111	129,230
Development fees	44,650	21,615
Home Ownership Training Initiative grant	43,333	47,633
Interest	39,273	12,762
Loan forgiveness	38,342	85,200
MHRC rent supplement (Note 13)	327,215	340,124
MHRC subsidy (Note 3)	3,257,296	3,311,425
Miscellaneous income	5,168	20,329
Parking and laundry	64,284	68,849
Property management fees	242,875	247,890
Renovation grants	12,000	-
Rental revenue		
Residential	2,382,517	2,305,357
Commercial	52,369	54,948
Winnipeg Housing and Homelessness Initiative grant	16,388	12,983
Gain on sale of rental properties	235,663	-
Realized gain on forgivable loans	60,000	-
	<u>7,185,484</u>	<u>6,858,345</u>
EXPENDITURES	<u>6,988,454</u>	<u>6,951,405</u>
Excess (deficiency) of revenue over expenditures	197,030	(93,060)
Net assets, beginning of year	(504,502)	(483,190)
Subsidy due (to) from MHRC	-	(48,895)
Operating deficiency recoverable from MHRC (Note 4)	78,873	97,582
Transfer of Replacement Reserve	-	23,061
Transfer to internally restricted net assets (Note 12)	<u>(237,661)</u>	<u>-</u>
Net assets, end of year	\$ (466,260)	\$ (504,502)

WINNIPEG HOUSING REHABILITATION CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

(continued)

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
EXPENDITURES		
Administration	\$ 271,192	\$ 304,360
Advertising	829	1,614
Allocation to Replacement Reserve (Note 5)	295,717	263,828
Amortization (Note 2(c))	856,596	837,208
Bad debt	39,830	41,493
Bank charges and other interest	3,887	3,010
Cable T.V.	1,126	1,236
Collection fees	2,647	1,907
Disallowed GST	3,495	12,244
Garbage removal	8,510	7,696
Heat	285,988	320,937
Home Ownership Training Initiative	43,333	47,633
Hydro	278,131	276,300
Insurance	117,133	103,320
Janitorial services	258,921	249,133
Licenses and permits	340	340
Maintenance and repairs (Note 5)	626,695	514,137
Mortgage interest (Note 10)	2,795,580	2,869,532
Office operations	60,358	51,487
Office salaries and benefits	361,599	348,149
Pest control	327	390
Professional fees	30,932	25,317
Property taxes	307,945	352,444
Recruiting	-	605
Renovation grants	12,000	549
Security	2,428	2,077
Snow removal	6,380	5,596
Telephone	-	772
Tenant charge backs (recovery)	(12,567)	(2,092)
Utilities	6,860	15,187
Water	316,401	294,996
Unrealized projects	5,841	-
Total Expenditures	<u>\$ 6,988,454</u>	<u>\$ 6,951,405</u>

WINNIPEG HOUSING REHABILITATION CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Excess (deficiency) of revenue over expenditures	\$ 197,030	\$ (93,060)
Add non cash item(s):		
Amortization	856,596	837,208
Loan forgiveness	(38,342)	(85,200)
Gain on sale of rental properties	(235,663)	-
	<u>779,621</u>	<u>658,948</u>
Change in non-cash working capital:		
Rents receivable	6,933	19,594
Other receivables	(5,014)	2,038
Grants receivable	424	(27,340)
GST receivable	(45,761)	(19,583)
Subsidy due from CMHC	(688)	3,418
Subsidy due from MHRC	12,741	6,860
Prepaid expenses	(4,995)	(82,020)
Housing inventory	(1,508,953)	384,728
Accounts payable and accrued liabilities	(90,521)	105,748
Accrued interest payable	(7,575)	(4,622)
Security deposits and prepaid rent	4,318	7,711
Deferred revenue	(17,051)	788
	<u>(876,521)</u>	<u>1,056,268</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(279,943)	(150,303)
Proceeds on sale of capital assets	795,981	-
Increase in MHRC replacement reserve	214,935	164,209
Increase in CMHC replacement reserve	109,425	28,440
Decrease in subsidy surplus reserve	(79,324)	-
	<u>761,074</u>	<u>42,346</u>
FINANCING ACTIVITIES		
Decrease in restricted surplus (deficit)	(20,712)	(56,630)
Increase (decrease) in forgivable loans	1,930,378	(7,746)
Advance of long-term debt	102,000	-
Repayment of long-term debt	(1,204,673)	(770,642)
Increase (decrease) in rental replacement reserve	-	(23,035)
Transfer of rental replacement reserve	-	23,061
MHRC recoveries	114,228	41,883
	<u>921,221</u>	<u>(793,109)</u>
Increase in cash	805,774	305,505
Cash, beginning of year	<u>2,928,973</u>	<u>2,623,468</u>
Cash, end of year (Note 14)	<u>\$ 3,734,747</u>	<u>\$ 2,928,973</u>

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

1. *Accounting Entity*

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. For GST purposes, the corporation is designated as a municipality and is able to recover 100% of the GST paid for its CMHC and MHRC portfolios.

These financial statements consolidate Winnipeg Housing Rehabilitation Corporation (WHRC) and Winnipeg Partners in Housing Inc. (WPH). WHRC controls WPH by virtue of appointing the board of directors. Individual financial statements for both entities 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.

a) **Housing Inventory**

Housing inventory is recorded 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.

b) **Replacement Reserve Fund**

The Replacement Reserve Fund 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 reserves.

c) **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. 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 \$1,000 are expensed. Options and feasibility studies are added to the cost of acquired property or expensed if the property is not acquired. Any forgivable loans received are charged against the capital cost of the property.

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

2. Significant Accounting Policies (continued)

c) Capital Assets (continued)

Amortization is provided for as follows:

Computer equipment	- straight-line over 3 years
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

d) Forgivable Loans

The corporation receives funding from different organizations. These loans are to be forgiven over 15 years from the completion date of the property.

e) Revenue Recognition

The corporation follows the deferral method in accounting for contributions. Restricted contributions are recognized as revenue in the year in which related expenditures are incurred. Unrestricted contributions are recognized as revenue when they are received or receivable, and when collectability is reasonably assured.

Revenue is recognized when services are delivered to the customer and ultimate collection is reasonably assured at the time of performance.

The corporation enters into rent to own agreements with some of its tenants. The intent is to have the tenant purchase the home at an agreed upon price at the end of the lease so that a portion of the rent paid goes towards reducing the purchase price. Rent is recognized as revenue when due and includes any amount which would be applied to reducing the purchase price. Upon sale of the property, the purchase price will be recorded net of rent paid.

f) Use of Estimates

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenditures during the reporting periods presented. Actual results could differ from these estimates.

g) Financial Instruments

Financial instruments include cash, restricted cash and deposits, rents receivable, other receivables, grants receivable, subsidy due from CMHC, subsidy due from MHRC, operating deficiency recoverable from MHRC, accounts payable and accrued liabilities, accrued interest payable, security deposits, forgivable loans, and long-term debt. The carrying value of these financial instruments approximates fair market value. It is management's opinion that the corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

3. Subsidy Due from CMHC and MHRC

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 2007 and March 2006, for comparative purposes.

4. Operating Deficiency Recoverable from MHRC

Pursuant to the current operating agreement with MHRC, and the agreements 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.

	<u>2007</u>	<u>2006</u>
Operating deficiency recoverable from MHRC	\$ 128,233	\$ 177,236
Operating surplus due to MHRC from prior years	-	(13,646)
	<u>\$ 128,233</u>	<u>\$ 163,590</u>

5. Replacement Reserve Fund

Under the terms of the agreements with CMHC/MHRC, the Replacement Reserve account has been credited with an annual charge against earnings. These funds along with the accumulated interest, must be held in a separate bank account and/or invested only in accounts or instruments insured by the Canada Deposit Insurance Corporation or as may otherwise be approved by CMHC/MHRC from time to time. The funds in the account may only be used as approved by CMHC/MHRC. Withdrawals are credited to interest first and then principal. At year end, the funds in the reserve consisted of the following:

	<u>2007</u>	<u>2006</u>
Allocation		
Annual charge	\$ 295,717	\$ 263,828
Security and safety - maintenance and repairs charge	85,200	-
Transfer from subsidy surplus (Note 6)	79,324	-
	<u>\$ 460,241</u>	<u>\$ 263,828</u>
Year end balance		
Cash	\$ 29,371	\$ 39,705
Canadian Treasury Bills and Bonds	3,093,293	2,758,035
	<u>\$ 3,122,664</u>	<u>\$ 2,797,740</u>

6. Subsidy Surplus Reserve Fund

	<u>2007</u>	<u>2006</u>
Cash	\$ -	\$ 79,324

In the current year, approval was given to transfer the Subsidy Surplus Fund to the Replacement Reserve Fund in WHRC's CMHC portfolio.

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

7. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Rental properties	\$ 37,767,041	\$ 7,569,931	\$ 38,201,556	\$ 6,799,130
Office building	-	-	44,614	26,768
Furniture and equipment	191,584	191,584	191,584	180,466
	<u>\$ 37,958,625</u>	<u>\$ 7,761,515</u>	<u>\$ 38,437,754</u>	<u>\$ 7,006,364</u>
Net book value	<u>\$ 30,197,110</u>		<u>\$ 31,431,390</u>	

8. Bank Indebtedness

The corporation has a line of credit with the Assiniboine Credit Union with an approved maximum of \$1,800,000 which is due on demand and bears interest at the credit union's prime rate, payable monthly. This line of credit is secured by a \$2,000,000 guarantee by the City of Winnipeg. As of March 31, 2007, there is still \$1,576,035 available from this line of credit.

9. Forgivable Loans

	2007	2006
Forgivable loans	\$ 2,326,584	\$ 606,239
Less: current portion	59,653	100,853
	<u>\$ 2,266,931</u>	<u>\$ 505,386</u>

WHRC has entered into various forgivable loan agreements with MHRC under various programs. These loans are forgivable over a period of fifteen years, in equal monthly amounts, 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.

These loans will be forgiven as follows:

2008	\$ 59,653
2009	49,653
2010	49,653
2011	43,653
2012	35,653
Thereafter	2,088,319
	<u>\$ 2,326,584</u>

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

10. Long-Term Debt

Lender	Interest Rate	Maturity Dates	2007	2006
Royal Bank of Canada	4.64% - 5.10%	2007-2010	\$ 29,415	\$ 37,617
Assiniboine Credit Union	5.80% - 6.85%	2008-2010	889,043	1,222,927
Canada Mortgage and Housing Corporation	4.52% - 5.50%	2017-2021	5,170,611	5,389,857
Manitoba Housing and Renewal Corporation	6.63% - 12.50%	-	24,546,631	25,087,972
			30,635,700	31,738,373
Less: current portion			783,341	793,823
			\$ 29,852,359	\$ 30,944,550

All mortgages are secured by a charge registered against the properties.

Although some of the mortgages may become due within 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:

2008	\$ 783,341
2009	853,243
2010	924,346
2011	1,008,410
2012	1,101,100
Thereafter	24,869,389
CMHC second mortgages	1,095,871
	\$ 30,635,700

11. Restricted Surplus (Deficit)

Restricted surplus (deficit) is used to record the gains and losses on the sale of properties that were in construction. The net gains must ultimately be used in the specific communities in which they were earned.

WINNIPEG HOUSING REHABILITATION CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

12. Internally Restricted Net Assets

The internally restricted net assets consist of the net gains/losses on buildings that were sold, the accumulated operation surplus/deficits of those buildings and the realized gain on forgivable loans. These funds are restricted for use on housing projects in the future and are not to be used for operating expenses.

	<u>2007</u>	<u>2006</u>
Properties sold	\$ 237,661	\$ -
Properties retained	<u>7,335</u>	<u>-</u>
	<u>\$ 244,996</u>	<u>\$ -</u>

13. MHRC Rent Supplement

Two projects, 435 Sargent and 461 Cumberland, receive monthly rent supplements from Manitoba Housing.

14. Additional Information to Cash Flow Statement

	<u>2007</u>	<u>2006</u>
Cash is represented by:		
Cash	\$ 612,083	\$ 51,909
Restricted cash and deposits	<u>3,122,664</u>	<u>2,877,064</u>
	<u>\$ 3,734,747</u>	<u>\$ 2,928,973</u>
Additional information:		
Interest received	\$ 146,407	\$ 49,601
Interest paid	<u>2,792,565</u>	<u>2,874,154</u>

15. Comparative Figures

Certain of the comparative figures have been reclassified to reflect the financial statement presentation adopted for the current year.



THE EXCHANGE
BANNATYNE
AVENUE



CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

December 31

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash and bank	\$ 2,794,162	\$ 1,333,943
Short-term investments	-	4,082,422
Accounts receivable	126,310	364,489
Prepaid expenses	12,988	13,639
Property held for resale (Note 4)	2,150,412	1,474,003
Current portion of mortgages receivable (Note 5)	1,745,000	1,148,925
Current portion of loans receivable (Note 6)	505,000	315,285
	<u>7,333,872</u>	<u>8,732,706</u>
Mortgages receivable (Note 5)	1,523,446	1,112,717
Loans receivable (Note 6)	1,755,106	713,219
Capital assets (Note 8)	2,159,054	1,954,331
	<u>\$ 12,771,478</u>	<u>\$ 12,512,973</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 75,577	\$ 99,128
Deferred grant revenue (Note 9)	890,826	373,436
	<u>966,403</u>	<u>472,564</u>
Commitments and contingencies (Note 10)		
NET ASSETS		
Invested in capital assets	2,159,054	1,954,331
General	1,722,126	1,669,566
Urban Development Bank	7,923,895	8,416,512
	<u>11,805,075</u>	<u>12,040,409</u>
	<u>\$ 12,771,478</u>	<u>\$ 12,512,973</u>

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTRENTURE DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN NET ASSETS

For the years ended December 31

	Invested in Capital Assets	General	Urban Development Bank	Total 2007	Total 2006
Balance, beginning of year	\$ 1,954,331	\$ 1,669,566	\$ 8,416,512	\$ 12,040,409	\$ 12,231,174
Excess (deficiency) of revenue over expenditures for the year	(67,596)	224,879	(392,617)	(235,334)	(190,765)
Capital expenditures during the year	272,319	(172,319)	(100,000)	-	-
Balance, end of year	\$ 2,159,054	\$ 1,722,126	\$ 7,923,895	\$ 11,805,075	\$ 12,040,409

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements

CENTREVENTURE DEVELOPMENT CORPORATION

STATEMENT OF OPERATIONS

For the years ended December 31

	2007			2006
	General	Urban Development Bank	Total	Total
REVENUE				
Grants				
City of Winnipeg	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
Designated grants	-	122,693	122,693	92,500
Interest	478,761	-	478,761	449,717
Investments (adjustment to market value)	-	-	-	(31,900)
Rental	183,398	-	183,398	190,817
Sale of properties	-	20,000	20,000	251,500
	912,159	142,693	1,054,852	1,202,634
EXPENDITURES				
Administration	367,542	-	367,542	342,793
Amortization	67,596	-	67,596	61,722
Bank charges and interest	1,151	-	1,151	1,322
Cost of properties	-	192,575	192,575	388,728
Grants paid out				
Designated revenues	-	122,693	122,693	92,500
General	-	99,019	99,019	142,030
Insurance	9,040	-	9,040	10,050
Office	79,178	-	79,178	53,618
Professional fees				
Contract management	13,875	23,800	37,675	95,176
IT and other	20,797	-	20,797	4,204
Legal and accounting	31,652	29,604	61,256	93,094
Marketing	33,277	20,707	53,984	32,929
Project development	-	46,912	46,912	16,963
Property rental	15,900	-	15,900	19,394
Public destinations	114,868	-	114,868	38,876
	754,876	535,310	1,290,186	1,393,399
EXCESS (DEFICIENCY) OF OF REVENUE OVER EXPENDITURES FOR THE YEAR	\$ 157,283	\$ (392,617)	\$ (235,334)	\$ (190,765)

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

	2007	2006
<i>CASH FLOWS FROM OPERATING ACTIVITIES</i>		
Deficiency of revenue over expenditures for year	\$ (235,334)	\$ (190,765)
Adjustment for amortization of capital assets	67,596	61,722
	(167,738)	(129,043)
Changes in non-cash working capital balances		
Short-term investments	4,082,422	2,903,236
Accounts receivable	238,179	(120,878)
Prepaid expenses	651	(3,693)
Property held for resale	(676,409)	(424,934)
Accounts payable and accrued liabilities	(23,552)	5,339
Deferred grant revenue	517,390	(92,500)
	4,138,681	2,266,570
	3,970,943	2,137,527
<i>CASH FLOWS FROM INVESTING AND FINANCING ACTIVITIES</i>		
Purchase of capital assets	(272,319)	(764,774)
Advances of mortgages receivable	(1,508,562)	(1,197,610)
Advances of loans receivable	(962,919)	(372,440)
Receipts from mortgages receivable	55,722	216,051
Receipts from loans receivable	177,354	82,387
	(2,510,724)	(2,036,386)
Increase in cash and cash equivalents during the year	1,460,219	101,141
Cash and cash equivalents, beginning of year	1,333,943	1,232,802
Cash and cash equivalents, end of year	\$ 2,794,162	\$ 1,333,943

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

December 31, 2007

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

CentreVenture Development 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 and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

Sale proceeds on properties and the related cost of properties are recognized when the risks and rewards of ownership are transferred to the purchaser and collection is reasonably assured. Reasonable assurance is based upon the corporation's past experience with its claims and collections associated with clients and similar transactions.

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 CentreVenture Development 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.

CENTREVENTURE DEVELOPMENT CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

December 31, 2007

Special Projects - Restricted Funding Arrangements (continued)

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:

Gail Parvin Hammerquist

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.

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 utilizes various financial instruments. 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 corporation classifies its financial instruments into one of the following categories based on the purpose for which the asset was acquired. The corporation's accounting policy for each applicable category is as follows:

Held-for-trading

This category is comprised of cash. It is carried in the balance sheet at fair value with changes in fair value recognized in the income statement. Transaction costs related to instruments classified as held-for-trading are expensed as incurred.

CENTREVENTURE DEVELOPMENT CORPORATION

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

December 31, 2007

Financial Instruments (continued)

Loans and Receivables

This category is comprised of trade receivables, mortgage receivables and loan receivables. These assets are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand. They are initially recognized at fair value and subsequently carried at amortized cost, using the effective interest rate method, less any provision for impairment. Transaction costs related to loans and receivables are expensed as incurred.

Other Financial Liabilities

Other financial liabilities are comprised of trade payables. These liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest rate method. Transaction costs related to other financial liabilities are netted against the amount initially recognized.

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. Where capital is financed using prior year's equity, the cost will be charged to the related net asset balance. These expenditures are recorded as an addition to assets with a corresponding increase in Invested in Capital Assets.

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.

Income Tax

The corporation is exempt from income tax by virtue of p.149(1)(e) of the Income Tax Act. The corporation files annually an annual corporate tax return and a non-profit organization information return as required by the Canada Revenue Agency.

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. *Nature and Purpose of the Corporation*

CentreVenture Development Corporation is a non-profit organization incorporated without share capital under the laws 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. *Adoption of CICA Section 3855*

On January 1, 2007, the corporation retroactively adopted, without restatement of prior periods, CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement" and Section 3861 "Financial Instruments – Disclosure and Presentation" to establish standards for the recognition and measurement of financial assets and financial liabilities. Under these new standards, all financial instruments are included on the balance sheet and are measured either at fair market value or, in limited circumstances, at cost or amortized cost. CentreVenture Development Corporation determined the impact of the adoption of these new sections on the financial statements to be insignificant.

3. *Fair Value of Financial Instruments*

Cash Distributions

CICA Handbook Section 1540, Cash Flow Statements, has been amended to require additional disclosures where cash distributions are made in accordance with a contractual obligation for cash distributions. The revised requirements are effective for interim and annual financial statements for fiscal years ending on or after March 31, 2007. The corporation is currently evaluating the impact of the adoption of this change on the disclosure within its financial statements.

Capital Disclosures

CICA Handbook Section 1535, Capital Disclosures, requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently assessing the impact of the new standard.

Financial Instruments – Disclosures and Presentation

CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863 replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The corporation is currently evaluating the impact of the adoption of these changes on the disclosure and presentation within its financial statements.

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2007

3. Fair Value of Financial Instruments (continued)

Inventories

The CICA has issued Section 3031, Inventories, which provides guidance on determining cost as well as other recognition, measurement, disclosure and presentation issues related to inventories. The standard includes guidance on the treatment of excess capacities, inventory valuation and write-downs and additional elements to be considered in measuring inventory costs. The new standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The corporation is currently assessing the impact of the new standard on property held for sale.

General Standards on Financial Statement Presentation

CICA Handbook Section 1400, General Standards on Financial Statement Presentation, has been amended to include requirements to assess and disclose an entity's ability to continue as a going concern. The changes are effective for interim and annual financial statements beginning on or after January 1, 2008. The corporation does not expect the adoption of these changes to have a material impact on its financial statements.

International Financial Reporting Standards

The CICA plans to converge Canadian generally accepted accounting policies with International Financial Reporting Standards ("IFRS") over a transition period expected to end in 2011. The impact of the transition to IFRS on the corporation's financial statements has yet to be determined.

4. Property Held for Resale

Under the asset agreement between CentreVenture Development Corporation and the City of Winnipeg, CentreVenture Development 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. Property held for resale at year end consists of the following:

	<u>2007</u>	<u>2006</u>
Property for sale	\$ 1,916,570	\$ 1,474,003
Property development costs	<u>233,842</u>	<u>-</u>
	<u>\$ 2,150,412</u>	<u>\$ 1,474,003</u>

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2007

5. Mortgages Receivable

	<u>2007</u>	<u>2006</u>
Mortgages receivable	\$ 3,299,231	\$ 2,305,744
Accrued interest receivable	19,215	5,898
Allowance for doubtful loans	<u>(50,000)</u>	<u>(50,000)</u>
	3,268,446	2,261,642
Current portion of mortgages receivable	<u>1,745,000</u>	<u>1,148,925</u>
	<u>\$ 1,523,446</u>	<u>\$ 1,112,717</u>

Mortgages receivable on various properties in downtown Winnipeg with 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, personal and corporate guarantees, and other forms of security. Interest rates charged for CentreVenture Development Corporation mortgages range from 5.25% to 8.0% and are both fixed and variable in reference to the bank's prime rate of lending at the time of loan disbursement.

During the current year, mortgages receivable totaling \$446,036 were reclassified as loans receivable to reflect the completion of project construction and assignment of tax credits by the client to CentreVenture Development Corporation.

Loan principal receipts are expected as follows:

	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 1,148,925
2008	1,745,000	412,324
2009	754,017	13,863
Subsequent to 2009	-	730,632
2010	232,139	-
Subsequent to 2010	568,075	-
Accrued interest	<u>19,215</u>	<u>5,898</u>
	3,318,446	2,311,642
Allowance	<u>(50,000)</u>	<u>(50,000)</u>
	<u>\$ 3,268,446</u>	<u>\$ 2,261,642</u>

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2007

6. Loans Receivable

	<u>2007</u>	<u>2006</u>
Loans receivable	\$ 2,348,220	\$ 1,124,159
Accrued interest receivable	11,886	4,345
Allowance for doubtful loans	<u>(100,000)</u>	<u>(100,000)</u>
	2,260,106	1,028,504
Current portion of loans receivable	<u>505,000</u>	<u>315,285</u>
	\$ 1,755,106	\$ 713,219

Loans receivable from various borrowers have a 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. Interest rates charged, ranging from 4.75% to 8.0%, are both fixed and variable in reference to the bank's prime rate of lending at the time of loan disbursement.

Loan principal receipts are expected as follows:

	<u>2007</u>	<u>2006</u>
2007	\$ -	\$ 315,285
2008	505,000	315,285
2009	425,000	315,285
Subsequent to 2009	-	178,304
2010	425,000	-
Subsequent to 2010	993,220	-
Accrued interest	<u>11,886</u>	<u>4,345</u>
	2,360,106	1,128,504
Allowance	<u>(100,000)</u>	<u>(100,000)</u>
	\$ 2,260,106	\$ 1,028,504

7. Fair Value of Financial Instruments

The carrying amount of the corporation's financial assets and liabilities approximate their fair value. In the absence of readily ascertainable market values, management has estimated that fair value would not differ materially from carrying value. Factors considered in this determination include underlying collateral, market conditions, financial data and projections of the borrowers. Because of the inherent uncertainty of valuation, the estimate of fair value may differ significantly from the values that would have been used had a ready market for the assets existed.

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2007

8. Capital Assets

	2007		2006	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	\$ 864,774	\$ -	\$ 764,774	\$ -
Building	1,485,000	356,400	1,485,000	297,000
Computer equipment	60,211	52,789	49,077	48,348
Furniture and fixtures	25,352	11,647	8,720	7,892
Leasehold improvements	144,553	-	-	-
	<u>\$ 2,579,890</u>	<u>\$ 420,836</u>	<u>\$ 2,307,571</u>	<u>\$ 353,240</u>
Net book value	<u>\$ 2,159,054</u>		<u>\$ 1,954,331</u>	

Building with an original cost of \$2,999,327 was written down in 2003 to recognize a permanent impairment in value.

During 2007, CentreVenture Development Corporation changed its location to 492 Main Street and has incurred leasehold costs to the year end amounting to \$144,553, which have not been amortized in the current year.

9. Deferred Grant Revenue

Deferred grant revenue represents externally restricted funding received from various sources for the operation of the project to which the funding relates.

Deferred grant revenue for externally restricted projects during the year is as follows:

	2007	2006
Downtown Housing Strategy	\$ 30,767	\$ 49,990
Gail Parvin Hammerquist 2003	18,836	30,846
Gail Parvin Hammerquist 2004	198,540	290,000
Gail Parvin Hammerquist 2005	35,544	-
Gail Parvin Hammerquist 2006/2007	604,539	-
North Main Economic Development Program Grant	2,600	2,600
	<u>\$ 890,826</u>	<u>\$ 373,436</u>

CENTREVENTURE DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2007

10. Commitments and Contingencies

CentreVenture Development Corporation has made commitments for grants that had not been disbursed by the December 31, 2007 year end in the approximate amount of \$790,772 (2006 - \$603,313).

CentreVenture Development Corporation has made commitments for loans that had not been disbursed by the December 31, 2007 year end in the approximate amount of \$868,801 (2006 - \$1,403,810).

CentreVenture Development Corporation has made commitments for property development and property purchases with the maximum amount committed to be \$1,081,262 (2006 - \$419,435) pending the recipient's ability to meet the requirements of the agreement.

11. Related Party Transactions

The following table summarizes CentreVenture Development Corporation's related party transactions for the year:

	<u>2007</u>	<u>2006</u>
REVENUE		
City of Winnipeg (parent) - Operating grant	\$ 250,000	\$ 250,000
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		
City of Winnipeg (parent) - Property taxes	40,334	39,209
City of Winnipeg (parent) - Property purchases	1	14,517
OTHER		
City of Winnipeg (parent) - Assigned		
Heritage Tax Credits for loans repayment	155,714	99,016

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).

12. Comparative Figures

Certain of the comparative figures for the year ended December 31, 2006 have been reclassified to provide better comparison with the current year's presentation.



WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
BALANCE SHEET

As at December 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets:		
Cash	\$ 33,824	\$ 5,149
Term Deposits	1,700,000	1,212,000
Grant and Other Receivable	7,621	477,066
Goods and Services Tax Rebate	8,224	7,482
Accrued Interest	745	38,507
Prepaid Expenses	3,542	1,826
	<u>1,753,956</u>	<u>1,742,030</u>
Administrative Capital Assets, at cost		
Advance on New Space Construction (Note 3)	-	62,653
Leasehold Improvements (Note 3)	101,886	-
Furnishings and Equipment	25,611	-
Computer Hardware	20,516	19,428
Telephone Hardware	6,574	5,347
	<u>154,587</u>	<u>87,428</u>
Less: Accumulated Amortization (Note 4)	<u>(18,684)</u>	<u>(2,762)</u>
	<u>135,903</u>	<u>84,666</u>
	<u>\$ 1,889,859</u>	<u>\$ 1,826,696</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable and Accrued Expenses	\$ 15,226	\$ 48,995
Grant Holdbacks (Note 5)	357,456	572,989
Public Art Fund (Note 6)	1,129,593	889,635
	<u>1,502,275</u>	<u>1,511,619</u>
NET ASSETS		
Invested in Administrative Capital Assets	135,902	84,666
Internally Restricted for Cash Flow Assistance (Note 7)	100,000	100,000
Internally Restricted for Municipal Arts and Culture Development (Note 8)	60,615	42,821
Internally Restricted for Future Programs	72,667	47,590
Internally Restricted for Future Youth Arts Initiatives	18,400	-
Internally Restricted for Future Administrative Capital Asset Acquisitions	-	40,000
Unrestricted Net Assets	-	-
	<u>387,584</u>	<u>315,077</u>
	<u>\$ 1,889,859</u>	<u>\$ 1,826,696</u>

WINNIPEG ARTS COUNCIL INC.
(Incorporated under the Laws of Manitoba)
STATEMENT OF NET RESULT AND CHANGES IN NET ASSETS

For the year ended December 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
REVENUES:		
Grants from the City of Winnipeg	\$ 4,174,551	\$ 3,924,552
Interest Income	35,752	42,221
Other Income	4,927	2,110
	<u>4,215,230</u>	<u>3,968,883</u>
GRANTS AWARDED AND DIRECT EXPENSES THEREOF:		
Operating Grants	2,905,000	2,671,400
Individual Artists Grants (Note 5)	235,643	105,000
Project Grants (Note 5)	200,000	133,775
Downtown Festivals Grants (Note 5)	186,000	186,000
New Creations Grants (Note 5)	113,485	341,862
Professional Development Grants	85,000	62,343
Youth Arts Initiative Grants (Note 5)	52,000	64,939
Carol Shields Winnipeg Book Award	3,750	3,750
Jury Honoraria and Expenses	18,119	15,070
Translation Services	8,970	10,231
	<u>3,807,967</u>	<u>3,594,370</u>
ADMINISTRATIVE EXPENSES:		
Salaries and Benefits	199,024	128,475
Supplies and Other Office Expenses	28,956	16,304
Office Rent and Amortization of Leaseholds	26,240	9,758
Hospitality and Promotion	16,282	10,507
Professional and Consultants Fees	12,661	28,796
Professional Development, Memberships, and Conferences	10,088	11,498
Telecommunications	4,617	3,351
Board and Committee Meetings	4,680	3,190
Executive Search	-	31,180
	<u>302,548</u>	<u>243,059</u>
	<u>4,110,515</u>	<u>3,837,429</u>
EXCESS OF REVENUES OVER AWARDS AND EXPENSES FOR THE YEAR	104,715	131,454

WINNIPEG ARTS COUNCIL INC.

(Incorporated under the Laws of Manitoba)

STATEMENT OF NET RESULT AND CHANGES IN NET ASSETS (continued)

For the year ended December 31, 2007, with comparative figures for 2006

		<u>2007</u>	<u>2006</u>
NON-RECURRING GRANTS			
Supplemental Operating Grants		-	(130,100)
Supplemental Project Grants		-	(34,000)
Supplemental Individual Artists Grants		-	(20,000)
		<u>-</u>	<u>(184,100)</u>
NET RESULT AFTER SUPPLEMENTAL GRANTS		104,715	(52,646)
UNRESTRICTED NET ASSETS, BEGINNING OF YEAR		-	214,840
Excess (Deficiency) of Revenues over Expenses for the Year	\$ 104,715		(52,646)
Add Back: Amortization of Administrative Capital Assets	<u>15,922</u>	<u>120,637</u>	<u>2,762</u>
		120,637	164,956
Internally Restricted for Municipal Arts and Culture Development		(50,000)	-
Internally Restricted for Future Programs		(25,077)	(47,590)
Internally Restricted for Future Youth Arts Initiatives		(18,400)	-
Internally Restricted for Capital Assets		<u>-</u>	<u>(40,000)</u>
		27,160	77,366
Invested in Administrative Capital Assets:			
Leasehold Improvements	(101,886)		
Less: Construction Advance Applied	62,653		
Furnishings and equipment	(25,611)		
Computer Hardware	(1,089)		
Telephone Hardware	(1,227)		
Less: Reserve for Future Administrative Capital Assets Applied	<u>40,000</u>	<u>(27,160)</u>	<u>(77,366)</u>
UNRESTRICTED NET ASSETS, END OF YEAR		<u>\$ -</u>	<u>\$ -</u>

WINNIPEG ARTS COUNCIL INC.

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2007

1. *Purpose of the Organization:*

Winnipeg Arts Council Inc. funds, supports, and fosters development of the arts on behalf of the people of Winnipeg.

2. *Financial Dependency:*

Winnipeg Arts Council Inc. is financially dependent upon an annual allocation from the City of Winnipeg.

3. *Construction Advances and Leasehold Improvements:*

The Council entered into contracts to renovate office space in rental premises for the purpose of a new administrative centre. This project was completed in 2007 after a total expenditure of \$101,886. These improvements to the leased premises are being charged to administrative expenses over the life of the lease. In 2007 \$6,205 of this expense was included in administrative rental costs.

4. *Amortization of Fixed Assets:*

The Computer Hardware is being written off over three years from the month of the acquisition of each item. The Telephone Hardware is being written off over five years from the month of the acquisition of this system. The Furnishings and Office Equipment is being written off over ten years from the month of the acquisition of each item. In the current year \$9,716 (2006 - \$2,762) of these write-offs was included in administrative expenses.

5. *Grant Holdbacks:*

The Council has a policy of holding back a proportion of grants awarded in a year until certain completion criteria have been satisfied. Furthermore, some awards will be disbursed according to a cash-flow schedule developed with the agreement of the client organizations. Accordingly, this account represents those award balances which will be disbursed in the future according to those guidelines.

The composition of these holdbacks according to award category is as follows:

New Creations	\$	142,512
Project Grants		46,687
Downtown Festivals		15,450
Individual Artist Grants		100,807
Youth Arts Initiative		70,400
		<hr/>
	\$	<u>375,856</u>

6. *Public Art Fund:*

Winnipeg Arts Council Inc. maintains a separate fund for the financing of the design and execution of particular artworks to be created in public areas of the city. This fund is supported by a specified allocation from the City of Winnipeg. Financial support to individual artists is awarded on the recommendations of juries selected by the Council.

The commissioning and installation of public art projects is a multi-year process. At the year-end, the following unexpended balances remain from the original financial commitments made by the City of Winnipeg.

WINNIPEG ARTS COUNCIL INC.

NOTES TO FINANCIAL STATEMENTS (continued)

For the year ended December 31, 2007

6. *Public Art Fund (continued):*

	<u>Unexpended Commitment</u>
Artwork for a Major Street Transit Project	\$ 197,000
Community Arts Projects	157,224
Maison des Artists	104,164
Bishop Grandin Greenway	114,800
St. Boniface Museum	97,500
Public Archives	41,200
Assiniboine Park	20,281
Playground Project	46,926
Redwood Bridge	42,000
Public Education Program	122,237
Private/Public Collaboration	15,216
BIZ Collaboration	64,400
Public Art Projects in Process	9,252
Reserved for Public Art Development	<u>1,032,200</u>
	97,393
Total Fund Balance	<u>\$ 1,129,593</u>

The City of Winnipeg in 2007 allocated \$464,200 towards the support of both existing and new projects for public art.

7. *Cash Flow Assistance Reserve:*

This allocation was made in order to provide cash-flow assistance to client organizations until such time as operating grants for their use have been received by Winnipeg Arts Council Inc. from the City of Winnipeg.

8. *Municipal Arts and Culture Development Reserve:*

This allocation was made to finance future projects to engage the overall community in support of the arts in the City of Winnipeg. In 2007 \$33,661 was expended on a major promotional event and on cultural mapping.

9. *Lease Commitment:*

Winnipeg Arts Council Inc. has entered into a lease agreement at an annual cost of \$35,464 until March of the year 2012, after which this amount will be subject to an escalation until the year 2017, at which time the lease expires.

10. *Provision for Income Taxes:*

Winnipeg Arts Council Inc. was incorporated as a Not-for-Profit Organization and, as such, no provision has been made in these financial statements for income taxes.

11. *Directors' Remuneration:*

Winnipeg Arts Council Inc. is governed by a volunteer board of directors, who receive no remuneration for their services.

WINNIPEG ARTS COUNCIL INC.

SCHEDULE OF CONTINUITY OF THE PUBLIC ART FUND

For the year ended December 31, 2007, with comparative figures for 2006

	<u>2007</u>	<u>2006</u>
UNEXPENDED FUND BALANCE, BEGINNING of the YEAR	\$ 889,635	\$ 555,898
INCREASE IN FUND BALANCE:		
Grants from the City of Winnipeg	464,200	471,100
Interest Income	21,168	19,154
	<u>485,368</u>	<u>490,254</u>
DECREASE IN FUND BALANCE:		
Artists' Fees	140,583	67,600
Jury Honoraria and Expenses	10,832	3,863
Artists' Proposal Honoraria	10,162	-
Artist Legal Agreements	4,380	13,609
Public Art Promotion	3,599	2,364
Candidates' Interview Expenses	2,277	-
Public Art Workshop for Artists Administration	-	783
	<u>73,577</u>	<u>68,298</u>
	<u>245,410</u>	<u>156,517</u>
NET INCREASE for the YEAR	239,958	333,737
UNEXPENDED FUND BALANCE, END of the YEAR	\$ 1,129,593	\$ 889,635

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF FINANCIAL POSITION

As at December 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash (Note 3)	\$ 3,299	\$ 15,261
Guaranteed investment certificates (Note 4)	15,000	20,000
Prepaid expenses	396	1,042
	<u>\$ 18,695</u>	<u>\$ 36,303</u>
LIABILITIES		
Current		
Accounts payable		
Regular	\$ 390	\$ 505
Library Advisory Committees (Note 5)	534	1,199
	<u>924</u>	<u>1,704</u>
NET ASSETS	<u>17,771</u>	<u>34,599</u>
	<u>\$ 18,695</u>	<u>\$ 36,303</u>

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

STATEMENT OF OPERATIONS AND NET ASSETS

For the year ended December 31

	<u>2007</u>	<u>2006</u>
REVENUES		
City of Winnipeg operating grant	\$ 68,128	\$ 36,792
Interest	613	511
	<u>68,741</u>	<u>37,303</u>
EXPENSES		
Administrative	35,894	40,894
Development and research	23,888	10,089
Donation - Baby Grand Piano	1,500	-
Sponsorship	6,298	7,990
Promotion, advertising and community outreach	7,989	8,272
Foundation donation	10,000	5,000
	<u>85,569</u>	<u>72,245</u>
Excess (deficiency) of revenues over expenditures	(16,828)	(34,942)
Net assets, beginning of year	<u>34,599</u>	<u>69,541</u>
Net assets, end of year	<u>\$ 17,771</u>	<u>\$ 34,599</u>

The accompanying notes form an integral part of these financial statements

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

1. Purpose and organization

The Winnipeg Library Board (the Board) was organized to provide the City of Winnipeg with the guidance with respect to improving the City's library system.

The Board was created by a by-law of the City of Winnipeg. As a not-for-profit organization, the Winnipeg Public Library Board is a tax-exempt organization under the provisions of the Income Tax Act.

2. Summary of Significant Accounting Policies

Investments:

The company follows the cost method of accounting for its investments.

3. Cash

	<u>2007</u>	<u>2006</u>
Bank	\$ 3,139	\$ 15,089
Petty Cash		
Treasurer	17	17
Executive Assistant	143	155
	<u>\$ 3,299</u>	<u>\$ 15,261</u>

4. Investments

	<u>2007</u>	<u>2006</u>
RBC GIC #0006 variable interest rate paid semi-annually maturing October 31, 2008	\$ 10,000	\$ 15,000
RBC non redeemable GIC #0001, 2.150% rate of interest paid at maturity on December 31, 2007, reinvested by bank without consent of the board. Amount withdrawn from investment on January 10, 2008 and deposited into current account	5,000	5,000
	<u>\$ 15,000</u>	<u>\$ 20,000</u>

WINNIPEG PUBLIC LIBRARY BOARD

NOTES TO THE FINANCIAL STATEMENTS (continued)

December 31, 2007

5. *Library Advisory Committees*

	<u>2007</u>	<u>2006</u>
Trust Funds		
Assiniboia	\$ 119	\$ 319
City Centre	-	168
EK-Transcona	-	81
LS/WK	390	390
Riel	25	241
	<u>\$ 534</u>	<u>\$ 1,199</u>

6. *Statement of Cash Flows*

A statement of cash flows has not been prepared as the cash flows are evident from the statement of financial position and the statement of operations and net assets.



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 2007 audited financial statements of the Sinking Fund.

You will note in the financial statements that the Sinking Fund reported net income of \$1,387,000 for the year ended December 31, 2007.

The Trustees appropriated \$900,000 of the accumulated surplus towards levy commutations, leaving a balance of surplus in the amount of \$1,091,000 as at December 31, 2007.

The rates of interest earned by the Fund for the years 1998 to 2007 are shown below:

1998.....	7.07%	2003.....	6.02%
1999.....	7.10%	2004.....	6.27%
2000.....	7.43%	2005.....	5.55%
2001.....	6.91%	2006.....	5.41%
2002.....	6.61%	2007.....	5.46%

Changes in the sinking fund reserve during 2007 are summarized as follows. The total reserve for retirement of debenture debt increased to \$378,090,000 as at December 31, 2007 (2006 - \$356,369,000) 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 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

G. V. STESKI

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>2007</u>	<u>2006</u>
ASSETS		
Investment in bonds and debentures (Schedule 1 and Note 7)	\$ 347,082	\$ 334,318
Call loans - City of Winnipeg (Note 3)	31,552	22,036
Accrued interest receivable	4,191	4,067
Cash	<u>5</u>	<u>2</u>
	<u>\$ 382,830</u>	<u>\$ 360,423</u>
 LIABILITIES, RESERVE AND SURPLUS		
Accounts payable - City of Winnipeg	\$ 900	\$ 700
Accrued interest payable (Note 5)	2,734	2,736
Accrued liabilities	<u>15</u>	<u>14</u>
	3,649	3,450
Reserve for retirement of debenture debt (Note 6)	378,090	356,369
Surplus	<u>1,091</u>	<u>604</u>
	<u>\$ 382,830</u>	<u>\$ 360,423</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>2007</u>	<u>2006</u>
Interest income (Schedule 2)	\$ 22,573	\$ 21,344
Interest requirements - debenture debt reserves	(11,513)	(10,348)
Interest requirements - Manitoba Hydro bonds (Note 5)	<u>(9,558)</u>	<u>(9,726)</u>
Excess of interest earned over requirements	1,502	1,270
Administration expenses	<u>115</u>	<u>118</u>
Net income for the year	<u><u>\$ 1,387</u></u>	<u><u>\$ 1,152</u></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>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 604	\$ 152
Add:		
Net income for the year	<u>1,387</u>	<u>1,152</u>
	1,991	1,304
Deduct:		
Appropriations for City of Winnipeg - provision for levies	<u>900</u>	<u>700</u>
Balance, end of year	<u><u>\$ 1,091</u></u>	<u><u>\$ 604</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>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 356,369	\$ 334,568
Add:		
Installments - City of Winnipeg	12,958	12,958
Interest credited - debenture debt reserves	<u>11,513</u>	<u>10,348</u>
	380,840	357,874
Deduct:		
Applied to debt redemption (Note 6)	<u>2,750</u>	<u>1,505</u>
Balance, end of year	<u><u>\$ 378,090</u></u>	<u><u>\$ 356,369</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, 2007
(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 represent held-to-maturity investments and 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 represent held-to-maturity investments and 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.

d) **Use of estimates**

Financial statements prepared in accordance with Canadian generally accepted accounting principles require 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 these estimates.

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. Call loans are recorded at cost, which together with accrued interest income, approximates fair value.

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, 2007 was 5.46% (2006 - 5.41%).

The term to maturity and related book and par values of investments in bonds and debentures held by the fund at December 31, 2007 are as follows:

Term To Maturity	Par Value	Book Value
Two to five years	\$ 118,881	\$ 113,460
Greater than five years	234,098	233,622
	<u>\$ 352,979</u>	<u>\$ 347,082</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, 2007 the Fund's maximum credit risk exposure at fair market value was \$390,509.

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, 2007 amounted to \$131,500 (2006 - \$134,250).

- 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		
	<u>Hydro Portion</u>	<u>Other Purposes</u>	<u>Total</u>
Serial Debt:			
By-laws 7054/97	<u>\$ 2,750</u>	<u>\$ -</u>	<u>\$ 2,750</u>

As at December 31, 2007 the reserve for retirement of debenture debt is allocated as follows:

	<u>Hydro Portion</u>	<u>Other Purposes</u>	<u>Total</u>
Sinking Fund Debt	<u>\$ 131,500</u>	<u>\$ 246,590</u>	<u>\$ 378,090</u>

As at December 31, 2007, the reserve for retirement of debenture debt includes \$131,500 (2006 - \$131,500) representing full funding of all future Sinking Fund installments and interest on the Winnipeg Hydro portion of the City's Sinking Fund debt as provided for by the Manitoba Hydro Electric Board bonds held by the Sinking Fund.

7. Change in Accounting Policy

Effective January 1, 2007, the Fund adopted the Canadian Institute of Chartered Accountants Handbook Section 3855 Financial Instruments - Recognition and Measurement and Section 3861 Financial Instruments - Disclosure and Presentation and, as a result, now measures and presents its call loans at fair value. In accordance with the transitional provisions of Section 3855, recognition, derecognition and measurement policies followed in financial statements for periods prior to the effective date of this Section are not reversed. Therefore, the new accounting policy was applied at January 1, 2007 and the 2006 comparative financial statements were not restated. The implementation of the change in accounting policy did not affect the carrying value of the call loans at January 1, 2007.

Investments in bonds and debentures are classified as held-to-maturity investments as defined under Section 3855 and, as a result, continue to be measured and presented at amortized cost.

**THE SINKING FUND TRUSTEES
OF THE CITY OF WINNIPEG**

Schedule 1

SCHEDULE OF INVESTMENTS

As at December 31
(in thousands of dollars)

	2007				2006		
	Par Value	Market Value	%	Book Value	%	Book Value	%
<i>Investment in bonds and debentures</i>							
Government of Canada and Government of Canada guaranteed	\$ 28,000	\$ 28,735	8	\$ 27,896	8	\$ 27,819	8
Provincial and Provincial guaranteed (Notes 5 and 6)	211,514	214,013	60	211,360	61	201,343	61
Municipal	57,581	58,407	16	57,458	17	57,441	17
City of Winnipeg	6,013	6,695	2	5,844	2	5,786	2
Supranationals	7,000	7,061	2	7,076	2	7,085	2
	<u>\$ 310,108</u>	<u>314,911</u>	<u>88</u>	<u>309,634</u>	<u>90</u>	<u>299,474</u>	<u>90</u>
<i>Bond residues and coupons</i>							
Government of Canada		19,793	6	18,173	5	16,804	5
Provincial		20,062	6	19,275	5	18,040	5
		<u>\$ 354,766</u>	<u>100</u>	<u>\$ 347,082</u>	<u>100</u>	<u>\$ 334,318</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>2007</u>	<u>2006</u>
Interest on bonds and debentures	\$ 18,588	\$ 18,085
Income accrued - bond residues and coupons	2,604	2,422
Call fund interest	1,205	612
Net bond discount amortization	135	186
Securities lending income	41	39
	<u>\$ 22,573</u>	<u>\$ 21,344</u>

**THE CITY OF WINNIPEG
SINKING FUND**

STATEMENT OF FINANCIAL POSITION

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

	<u>2007</u>
ASSETS	
Investment in bonds and debentures (Schedule 1)	\$ 963
Call loans - General Revenue Fund	26
Accrued interest receivable	10
Due from General Revenue Fund (Note 3)	<u>4</u>
	<u>\$ 1,003</u>
RESERVE	
Reserve for retirement of debenture debt	<u>\$ 1,003</u>

See accompanying notes and schedules to the financial statements

**THE CITY OF WINNIPEG
SINKING FUND**

STATEMENT OF RESERVE FOR RETIREMENT OF DEBENTURE DEBT

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

	<u>2007</u>
Balance, beginning of year	\$ -
Add:	
Installments - Waterworks System	984
Interest income (Schedule 2)	<u>21</u>
	1,005
Deduct:	
Administration expenses	<u>2</u>
Balance, end of year	<u><u>\$ 1,003</u></u>

See accompanying notes and schedules to the financial statements

THE CITY OF WINNIPEG SINKING FUND

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

(in thousands of dollars)

1. *Status of The City of Winnipeg Sinking Fund*

The City of Winnipeg Act was repealed by the Province of Manitoba ("province") effective January 1, 2003 and replaced by The City of Winnipeg Charter, a statute of the province. Under the new charter the Public Service became responsible for managing the sinking funds of any sinking fund debenture issued after January 1, 2003.

2. *Significant Accounting Policies*

These financial statements have been prepared using the accrual basis of accounting and include the the following significant accounting policies:

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.

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, which is a function of the Bank of Canada rate. The December 31, 2007 effective interest rate was 4.2%.

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, 2007 was 4.5%.

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, 2007 are as follows:

Term To Maturity	Par Value	Book Value
Greater than five years	\$ 872	\$ 963

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, 2007 the Fund's maximum credit risk exposure at fair market value was \$1,046 thousand.

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 adopted by City Council.

**THE CITY OF WINNIPEG
SINKING FUND**

Schedule 1

SCHEDULE OF INVESTMENT

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

	2007				
	Par Value	Market Value	%	Book Value	%
<i>Investment in bonds and debentures</i>					
Provincial and Provincial guaranteed	\$ 872	\$ 1,010	100	\$ 963	100

**THE CITY OF WINNIPEG
SINKING FUND**

Schedule 2

SCHEDULE OF INTEREST INCOME

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

	<u>2007</u>
Interest on bonds and debentures	\$ 15
Call fund interest	<u>6</u>
	<u>\$ 21</u>

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

March 31, 2007

	<u>2007</u>	<u>2006</u>
ASSETS		
CURRENT		
Cash	\$ 371,628	\$ 557,178
Short term investments (Note 2) (Market value \$9,133,085; 2006 - \$1,395,500)	9,042,367	1,395,500
Accounts receivable	725,627	850,648
Inventory (Note 2)	5,445	8,927
Prepaid expenses	497,851	370,910
Current portion of loans receivable (Note 3)	10,438	9,783
	<u>10,653,356</u>	<u>3,192,946</u>
LOANS RECEIVABLE (Note 3)	199,635	191,358
CAPITAL ASSETS (Note 2, 4)	20,222,893	22,624,184
INVESTMENTS IN PROPERTIES AND INFRASTRUCTURE ENHANCEMENTS (Note 6)	59,361,270	66,323,131
DEFERRED CHARGES (Note 2)	312,500	362,500
	<u>\$ 90,749,654</u>	<u>\$ 92,694,119</u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 1,821,042	\$ 1,763,706
Accrual for unsettled land expropriation claims (Note 7)	1,500,000	1,500,000
Loan payable (Note 1)	1,711,636	1,711,636
Current portion of obligations under capital lease (Note 2, 10)	297,718	256,312
	<u>5,330,396</u>	<u>5,231,654</u>
PREPAID LAND RENTS (Note 2)	663,900	671,987
OBLIGATIONS UNDER CAPITAL LEASE (Note 2, 10)	793,027	1,100,876
DEFERRED CONTRIBUTIONS (Note 1, 2)	24,780,479	26,463,114
	<u>31,567,802</u>	<u>33,467,631</u>
NET ASSETS		
Share capital (Note 11)	3	3
Contributed surplus (Note 1)	39,310,266	39,310,266
Donated land equity (Note 2, 9)	8,000,000	8,000,000
Net assets	11,871,583	11,916,219
	<u>59,181,852</u>	<u>59,226,488</u>
	<u>\$ 90,749,654</u>	<u>\$ 92,694,119</u>
CONTINGENT LIABILITY (Note 14)		
COMMITMENTS (Note 15)		

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF REVENUE AND EXPENDITURES AND NET ASSETS

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
REVENUE FROM OPERATIONS		
Rental	\$ 383,208	\$ 487,070
Parking	3,917,150	3,771,144
Theatre	1,122,362	857,606
The Forks Market	1,711,306	1,716,494
Public amenities recoveries	171,294	178,606
Lease and land rents	1,448,052	1,657,506
Events	80,018	53,304
Sponsorship	308,172	204,717
Interest income	239,211	65,366
Miscellaneous	46,664	16,328
	<u>9,427,437</u>	<u>9,008,141</u>
EXPENSES		
Forks Market	1,591,432	1,614,021
General and administration	1,037,754	1,033,078
Marketing	520,760	481,495
Parking	1,731,093	1,722,789
Planning and development	412,803	297,381
Program and events	411,269	329,052
Public amenities	1,061,473	910,279
Rental	277,225	343,747
Sponsorship	113,584	96,897
Theatre	1,465,169	1,211,373
	<u>8,622,562</u>	<u>8,040,112</u>
	<u>804,875</u>	<u>968,029</u>
Depreciation and amortization (Note 12)	(1,626,166)	(1,476,563)
Gain on disposal of assets	776,655	-
	<u>(849,511)</u>	<u>(1,476,563)</u>
DEFICIENCY OF REVENUE OVER EXPENDITURES	(44,636)	(508,534)
NET ASSETS - BEGINNING OF YEAR	11,916,219	12,424,753
NET ASSETS - END OF YEAR	\$ 11,871,583	\$ 11,916,219

NORTH PORTAGE DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended March 31, 2007

	<u>2007</u>	<u>2006</u>
OPERATING ACTIVITIES		
Cash receipts from customers and sponsors	\$ 9,315,636	\$ 8,592,075
Cash paid to suppliers and employees	(8,578,754)	(8,155,426)
Interest received	239,211	65,366
Interest paid	(70,405)	(17,986)
	<u>905,688</u>	<u>484,029</u>
INVESTING ACTIVITIES		
Purchase of capital assets	(1,659,959)	(3,237,090)
Proceeds on disposal of capital assets	8,192,320	-
Loan receivable issued	(31,990)	-
Repayment of loan receivable	23,057	6,956
	<u>6,523,428</u>	<u>(3,230,134)</u>
FINANCING ACTIVITIES		
Repayment of obligations under capital lease	(266,443)	(13,777)
Receipt of deferred contributions	298,644	1,863,156
	<u>32,201</u>	<u>1,849,379</u>
INCREASE (DECREASE) IN CASH FLOW	7,461,317	(896,726)
CASH - BEGINNING OF YEAR	<u>1,952,678</u>	<u>2,849,404</u>
CASH - END OF YEAR	<u>\$ 9,413,995</u>	<u>\$ 1,952,678</u>
CASH CONSISTS OF:		
Cash	\$ 371,628	\$ 557,178
Short term investments	<u>9,042,367</u>	<u>1,395,500</u>
	<u>\$ 9,413,995</u>	<u>\$ 1,952,678</u>

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended March 31, 2007

1. Description of Business

The mission of North Portage Development Corporation (the "Corporation" or "NPDC") is to act as a catalyst, encouraging activities for people in the downtown through public and private partnerships and to work to ensure financial self-sufficiency. The Corporation is responsible for the continuing renewal and stewardship of two sites in Winnipeg's downtown: the North Portage area and The Forks.

The merger of the operations of The Forks Renewal Corporation ("FRC") and the North Portage Development Corporation in 1994, established one management structure to oversee development and operations at the two sites. Since the time of implementation of the Initial Concept and Financial Plans for the North Portage site (1984) and The Forks (1987), the Corporation has carried out its mandate through a mixed use approach to renewal activities, resulting in a diverse mix of developments and uses to bring people downtown.

North Portage Theatre Corporation, ("NPTC") a subsidiary of NPDC, owns and operates an Imax theatre within the Portage Place Retail Complex.

The company is exempt from income tax.

(a) North Portage Development Corporation

NPDC is owned equally by the following shareholders: the Government of Canada, the Province of Manitoba and the City of Winnipeg. Funding provided by the shareholders, as noted below, was utilized to acquire capital assets.

The funding has been allocated as follows:

The Government of Canada's Special Capital Recovery Projects Program	\$ 22,000,000
The Province of Manitoba	22,000,000
The City of Winnipeg	22,000,000
Winnipeg Core Area Initiative - Program 7	5,000,000
	<u>\$ 71,000,000</u>

The funding has been allocated as follows:

	<u>2007</u>	<u>2006</u>
Deferred contributions	\$ 14,014,927	\$ 14,831,478
Amortization of deferred contributions recognized in income	18,220,501	17,403,950
Contributed surplus	37,052,933	37,052,933
Applied to operations	1,711,639	1,711,639
	<u>\$ 71,000,000</u>	<u>\$ 71,000,000</u>

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

1. Description of Business (continued)

(b) The Forks Renewal Corporation

FRC has received its funding from the following sources:

	<u>2007</u> <u>(cumulative)</u>	<u>2006</u> <u>(cumulative)</u>
Nature Conservancy	\$ 226,005	\$ 226,005
Winnipeg Core Area Initiative - I		
Program 8.2	657,000	657,000
Winnipeg Core Area Initiative - II		
Program 3	20,000,000	20,000,000
Program 5.7	5,000,000	5,000,000
The Canada - Manitoba Tourism Development Agreement	1,250,000	1,250,000
The Western Diversification Program	2,914,816	2,914,816
Equivalency contribution - Canada	4,000,000	4,000,000
Equivalency contribution - Province of Manitoba	5,000,000	5,000,000
Equivalency contribution - The City of Winnipeg	6,736,946	6,736,946
Winnipeg Core Initiative - Public Amenity	931,000	931,000
Canada - Manitoba Infrastructure Works Program	2,020,011	2,020,011
Province of Manitoba WDA		
Program 12 Riverbank Development	363,268	363,268
The City of Winnipeg WDA		
Program 12 Riverbank Development	159,764	159,764
The Canada - Manitoba Economic Development		
Partnership Program	598,527	598,527
The Forks Foundation Inc.	1,427,143	1,336,854
CentreVenture Development Corporation	510,696	334,847
The Winnipeg Foundation	150,000	142,494
Energy Development Initiative	25,000	-
	<u>\$ 51,970,176</u>	<u>\$ 51,671,532</u>
The funding has been allocated as follows:		
Deferred contributions	\$ 10,765,552	\$ 11,631,636
Amortization of deferred contributions recognized in income	23,219,784	22,055,056
Contributed surplus	2,257,333	2,257,333
Applied to operations	15,727,507	15,727,507
	<u>\$ 51,970,176</u>	<u>\$ 51,671,532</u>

During 2007, FRC received funding of \$25,000 in support of various components of the Met Tower, \$266,138 in support of various components of the Skate Board Park and \$7,506 in support of various components of the Peace Meeting Site.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

1. Description of Business (continued)

(c) North Portage Theatre Corporation

NPTC includes the accounts of 3898211 Manitoba Ltd. Funding of NPTC was provided as follows:

	<u>2007</u>	<u>2006</u>
Repayable loan - Manitoba Development Corporation	\$ 1,800,000	\$ 1,800,000
Contributions from shareholders		
North Portage Development Corporation	1,800,000	1,800,000
North Portage Development Corporation Development Agreement	<u>3,900,000</u>	<u>3,900,000</u>
	<u>\$ 7,500,000</u>	<u>\$ 7,500,000</u>

The repayable loan is non-interest bearing until demand at which time it will bear interest at 10% per annum. The loan payable to the Manitoba Development Corporation is secured by a fixed and specific mortgage and charge on the theatre air rights and the equipment as well as a floating charge over the assets of NPTC. NPTC is required to make principal payments annually equal to 33 1/3% of net income of the Imax Theatre at Portage Place and film rental revenue. Cumulative repayments to date have been \$88,364. At March 31, 2007 no demand had been made.

2. Summary of Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful 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:

Short term investments

Short term investments are stated at cost, or at cost less amounts written off to reflect a decline in value which is other than temporary. The reported market value is based on year-end quoted market prices, which represent the fair value.

Inventory

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

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

2. Summary of Significant Accounting Policies (continued)

Capital assets

Capital assets are recorded at cost. Depreciation and is calculated at the following rates based on the estimated useful lives of the assets:

Office equipment	20% declining balance method
Computers	30% declining balance method
Parking equipment (NPDC)	30% declining balance method
Parking improvements and equipment (FNP)	5-10 years straight-line method
Rental buildings	10-20 years straight-line method
Plaza and pavilion furniture and equipment	20%-30% declining balance method
Leasehold improvements	10 years straight-line method
3D projector - capital lease	10 years straight-line method
Theatre equipment	5-10 years straight-line method

The Forks site:

Building	40 years straight-line method
Parking structure	40 years straight-line method
Roads and services	20 years straight-line method
Parks and plaza	20 years straight-line method
Tenant allowances and pre-opening costs	5 years straight-line method
Furniture and equipment	20%-30% declining balance method
Equipment under capital lease	5 years straight-line method

North Portage properties and infrastructure enhancements:

Site servicing costs and infrastructure enhancements	20-40 years straight-line method
Land carrying costs and development projects	10 years straight-line method

The Forks infrastructure enhancements:

Land carrying costs	10 years straight-line method
Development projects	10 years straight-line method
Site servicing	20 years straight-line method
Infrastructure enhancements	10-20 years straight-line method

Donated land

Donated land was recorded at fair market value as approved by the Board of Directors of FRC in 1989.

Deferred charges

Deferred charges relate to a prepayment of rent for a 10 year lease of a building for redevelopment purposes. The deferred charges are being amortized over 10 years.

Deferred contributions

Contributions utilized to acquire capital assets are deferred and amortized to income on the same basis as the related capital asset.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

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

Land rents

Land rents for land leases that are considered to be operating leases are recognized in income as earned. Land rents received in advance are recorded as prepaid land rents and are recognized in income over the term of the related leases of 75 to 99 years.

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership of the property to the NPDC Group of companies are accounted for as capital leases. Capital lease obligations reflect the present value of future lease payments, discounted at the appropriate interest rate. All other leases are accounted for as operating leases whereby rental payments are expensed as incurred.

Revenue recognition

Rental revenue and monthly parking is recognized in the period in which the rental agreement relates. Revenue from casual parking and theatre is recognized when the service is provided. Cost recoveries are recognized as revenue in the period the related costs are incurred. Event and sponsorship revenue are recognized in the period in which the event occurs.

3. *Loans Receivable*

	<u>2007</u>	<u>2006</u>
Loan receivable, bearing interest at 6.5% per annum, receivable in monthly installments of \$1,148 including interest, due July 2012, secured by specific equipment	\$ 121,924	\$ 125,381
Loan receivable, bearing interest at 6.5% per annum, receivable in quarterly installments of \$2,500 including interest, due July 2008, secured by specific equipment	56,160	75,760
Loan receivable, non-interest bearing, no specific terms of repayment, unsecured	<u>31,990</u>	<u>-</u>
	210,074	201,141
Amounts payable within one year	<u>(10,438)</u>	<u>(9,783)</u>
	<u>\$ 199,636</u>	<u>\$ 191,358</u>

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

4. Capital Assets

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
The Forks site (Note 5)	\$ 32,542,037	\$ 15,397,376	\$ 17,144,661	\$ 18,186,808
3D projector	1,375,781	171,972	1,203,809	1,341,387
Theatre equipment	128,365	11,885	116,480	73,639
Box office	26,162	20,289	5,873	7,405
Theatre facilities	3,207,007	3,200,797	6,210	-
Fixtures and signage	72,261	72,261	-	-
Rental buildings	1,528,624	524,127	1,004,497	2,245,811
Parking equipment	291,106	18,703	272,403	299,100
Office equipment	300,326	203,058	97,268	89,195
Plaza and pavilion furniture and equipment	602,222	411,400	190,822	188,418
Leasehold improvements	297,598	176,494	121,104	135,369
Computers	461,742	401,976	59,766	57,052
	<u>\$ 40,833,231</u>	<u>\$ 20,610,338</u>	<u>\$ 20,222,893</u>	<u>\$ 22,624,184</u>

5. The Forks Site

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	\$ 120,694	\$ -	\$ 120,694	\$ 120,694
Building	7,670,330	3,238,808	4,431,522	4,547,026
Roads and services	7,050,734	5,287,527	1,763,207	2,095,602
Parks and plaza	8,947,663	3,288,981	5,658,682	6,097,456
Parking structure	5,002,682	523,490	4,479,192	4,629,904
Box office computers	27,592	27,592	-	-
Furniture and equipment	745,005	529,680	215,325	153,630
Equipment under capital lease	283,275	28,327	254,948	283,275
Tenant allowances and pre-opening costs	2,694,062	2,472,971	221,091	259,221
	<u>\$ 32,542,037</u>	<u>\$ 15,397,376</u>	<u>\$ 17,144,661</u>	<u>\$ 18,186,808</u>

6. Investment in Properties and Infrastructure Enhancements

	2007	2006
North Portage Properties and infrastructure enhancements (Note 7)	\$ 45,056,251	\$ 52,017,859
The Forks infrastructure enhancements (Note 8)	6,610,373	6,374,490
The Forks donated land (Note 9)	7,694,646	7,930,782
	<u>\$ 59,361,270</u>	<u>\$ 66,323,131</u>

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

7. North Portage Properties and Infrastructure Enhancements

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land assembly and demolition	\$ 28,557,536	\$ -	\$ 28,557,536	\$ 34,401,388
Site servicing	6,306,438	4,028,350	2,278,088	276,542
Development projects	1,801,848	1,770,369	31,479	50,940
Infrastructure enhancements	31,993,622	17,804,474	14,189,148	17,288,989
	<u>\$ 68,659,444</u>	<u>\$ 23,603,193</u>	<u>\$ 45,056,251</u>	<u>\$ 52,017,859</u>

Certain properties within the boundary defined for redevelopment have been expropriated by the Province of Manitoba pursuant to the Corporation's Unanimous Shareholders' Agreement. The Province of Manitoba, as the expropriating authority, has made advances and final settlements with the owners and tenants of certain expropriated properties as compensation for the acquisition of land and has incurred various related costs to date amounting to \$34,401,388. During 2006, one of the claims was settled reducing the accrual from \$2,000,000 to \$1,500,000. These amounts are included in land assembly and demolition costs.

8. Infrastructure Enhancements

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Clearing and relocation	\$ 2,257,333	\$ -	\$ 2,257,333	\$ 2,257,333
Land carrying costs	1,771,316	1,769,440	1,876	2,109
Site servicing	5,389,619	3,885,791	1,503,828	1,711,798
Development projects	586,744	577,966	8,778	10,804
Infrastructure enhancements	6,117,573	3,279,015	2,838,558	2,392,446
	<u>\$ 16,122,585</u>	<u>\$ 9,512,212</u>	<u>\$ 6,610,373</u>	<u>\$ 6,374,490</u>

9. Donated Land

FRC acquired title and possession to 55.9 acres of land donated by the Government of Canada, the Province of Manitoba and the City of Winnipeg as follows:

From Canada	From Winnipeg	From Core Area Initiative	Total
49.6 acres	3.3 acres	3.0 acres	55.9 acres

These lands were acquired pursuant to the Land Exchange Agreement. Donated land was recorded at fair market value as approved by the Board of Directors on June 5, 1989.

During the 1992/93 fiscal year, 3.8 acres of Pioneer Blvd. and The Forks Market Road were dedicated as public rights-of-way to the City of Winnipeg. During 2003, 0.5 acres of donated land was transferred to the City of Winnipeg. During 2007, 1.65 acres of donated land was sold to the City of Winnipeg.

The remaining lands under the FRC's ownership total 49.95 acres.

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

10. Obligations Under Capital Lease

Under the terms of a capital lease signed by NPTC dated December 22, 2005, lease payments are payable to Imax Corporation for the use of the 3D projector. The obligation is denominated in US dollars and has an assumed interest rate of 5.75% per annum.

In fiscal 2006, FRC entered into a capital lease contract to purchase \$283,275 in equipment. The obligation has an assumed interest rate of 5.87% per annum.

Interest relating to capital lease obligations has been recorded in Forks Market expenses in the amount of \$13,535 (2006 - \$2,500) and in Theatre expenses in the amount of \$56,730 (2006 - \$15,486).

The payment terms are as follows:

	<u>3D Projector</u>	<u>Forks Market equipment</u>	<u>Total</u>
2008	\$ 288,266	\$ 65,195	\$ 353,461
2009	316,577	65,195	381,772
2010	61,771	65,195	126,966
2011	61,771	48,721	110,492
2012	61,771	-	61,771
Thereafter	231,639	-	231,639
	<u>1,021,795</u>	<u>244,306</u>	<u>1,266,101</u>
Less amounts representing interest	<u>(148,888)</u>	<u>(26,468)</u>	<u>(175,356)</u>
	872,907	217,838	1,090,745
Less current principal portion of obligation	<u>(243,947)</u>	<u>(53,771)</u>	<u>(297,718)</u>
	<u>\$ 628,960</u>	<u>\$ 164,067</u>	<u>\$ 793,027</u>

11. Share Capital

Authorized:

Unlimited Common shares

Issued:

3 Common shares

2007

2006

<u>\$ 3</u>	<u>\$ 3</u>
-------------	-------------

12. Depreciation and Amortization

Included in depreciation and amortization is the following:

	<u>2007</u>	<u>2006</u>
Depreciation of capital assets	\$ (3,597,608)	\$ (3,380,464)
Amortization of deferred contributions	<u>1,981,279</u>	<u>1,903,901</u>
	<u>\$ (1,616,329)</u>	<u>\$ (1,476,563)</u>

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

13. Financial Instruments

The company's financial instruments consist of cash, short term investments, accounts receivable, loans receivable, accounts payable and accrued liabilities and obligations under capital lease. 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.

14. Contingent Liability

A statement of claim for unspecified damages was filed against the Corporation for an alleged breach of contract. The Corporation has filed a statement of defence. No liability has been recorded as the outcome is undeterminable at this time.

15. Commitments

Facilities:

(i) NPDC has leased land to 2700760 Manitoba Limited ("2700760") for the development of an office and computer facility, which, in turn, has been leased to ISM Information Systems Management Corporation ("ISM").

NPDC has the option, within 105 days after the 15th anniversary of the opening date of March 1, 1993, to sell the land to 2700760 for a price of \$2.3 million.

2700760 has the option to purchase the land on the twelfth and fifteenth anniversaries of the opening date for a price which is the greater of \$2.3 million and the fair market value at those times. In addition, ISM has the option to purchase the land and improvements from 2700760.

(ii) FRC has leased parking, storage and an office site at The Forks to December 2011. The lease, containing renewal options, calls for base monthly payments of \$1,667 and provides for payment of utilities and property taxes. This lease has been assumed by FNP.

(iii) During the year, NPDC entered into a contract to purchase the "Downtown Motor Hotel" from 2819857 Manitoba Limited for the development of a downtown hostel. NPDC is committed to pay another \$1,450,000 before June 19, 2007 to complete this purchase transaction.

Equipment Maintenance:

(i) Under the terms of an equipment maintenance agreement signed by NPTC dated December 22, 2005 for the 3D projector, a maintenance fee is payable to Imax Corporation. The commitment is denominated in U.S. dollars. The payment terms are as follows:

2008	\$	62,800
2009		48,300
2010		48,300
2011		48,300
2012 and thereafter		241,500
		<hr/>
	\$	449,200
		<hr/> <hr/>

NORTH PORTAGE DEVELOPMENT CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

Year ended March 31, 2007

16. Subsequent Events

NPDC has entered into an agreement to monetize certain assets, by obtaining long-term financing supported by the cash flows from the North Portage land leases totalling \$15,250,000. It is secured by a general assignment of lease and rent on the following: Citiscape Residence Corporation, Portage Place Centre Inc. and Spruceland Mall Limited Partnership, The Kiwanis Club of Winnipeg Seniors Building Inc. and Fred Douglas Place. NPDC has paid the underwriting and commitment fee totalling \$419,000 on April 17, 2007.

17. Comparative Figures

Some of the comparative figures have been reclassified to conform to the current year's presentation.

The comparative figures were audited by another firm of chartered accountants.



**THE CITY OF WINNIPEG
COUNCIL PENSION PLAN**

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

As at December 31

	<u>2007</u>	<u>2006</u>
ASSETS		
Investments, at market		
Cash and short-term deposits	\$ 443,531	\$ 468,486
Bonds	964,445	1,124,617
Canadian equities	309,244	-
	<u>1,717,220</u>	<u>1,593,103</u>
Due from The City of Winnipeg	7,435	4,027
Accrued interest	2,623	2,960
	<u>1,727,278</u>	<u>1,600,090</u>
Total Assets		
	<u>1,727,278</u>	<u>1,600,090</u>
LIABILITIES		
Accounts payable and accrued liabilities	8,204	26,199
	<u>8,204</u>	<u>26,199</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u><u>\$ 1,719,074</u></u>	<u><u>\$ 1,573,891</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>2007</u>	<u>2006</u>
INCREASE IN ASSETS		
Contributions		
The City of Winnipeg	\$ 202,277	\$ 120,986
Plan members	<u>42,686</u>	<u>41,068</u>
	<u>244,963</u>	162,054
Investment income from		
Bonds	36,791	36,618
Gain on sale of bonds	28,564	-
Cash and short-term investments	20,516	11,941
Canadian equities	<u>1,494</u>	<u>-</u>
	<u>87,365</u>	48,559
Current period change in market value of investments	<u>(31,217)</u>	<u>(58,544)</u>
Total increase in assets	<u>301,111</u>	152,069
DECREASE IN ASSETS		
Administrative expenses		
Actuarial fees	19,219	9,935
Investment management and audit fees	<u>13,315</u>	<u>12,716</u>
	<u>32,534</u>	22,651
Refunds, transfers and pension payments		
Transfer to other plans	67,660	-
Pension payments	36,297	16,764
Refund of contributions	<u>19,437</u>	<u>-</u>
	<u>123,394</u>	16,764
Total decrease in assets	<u>155,928</u>	39,415
Increase in net assets	145,183	112,654
Net assets available for benefits at beginning of year	<u>1,573,891</u>	<u>1,461,237</u>
Net assets available for benefits at end of year	<u>\$ 1,719,074</u>	<u>\$ 1,573,891</u>

See accompanying notes to the financial statements

THE CITY OF WINNIPEG COUNCIL PENSION PLAN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2007

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 (the "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 71 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 the Council, only one of whom may be a Councillor, and the Chief Financial Officer of the City or his or her designate.

2. *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. Equity investments are valued using published closing market prices. 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.

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 4.5% (2006 - 3.2%).

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, 2006, by Mercer, a firm of consulting actuaries. The results of this valuation were extrapolated to December 31, 2007.

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 value during the year, were as follows:

	<u>2007</u>	<u>2006</u>
Actuarial present value of accrued pension benefits at beginning of year	\$ 2,234,501	\$ 1,432,668
Interest accrued on benefits	95,979	78,386
Benefits accrued (service costs)	183,119	143,443
Benefits paid	(36,297)	(16,764)
Actuarial (gain) loss	<u>(802,284)</u>	<u>596,768</u>
Actuarial present value of accrued pension benefits at the end of year	<u>\$ 1,675,018</u>	<u>\$ 2,234,501</u>

The significant long-term assumptions used in the valuation of accrued pension benefits provided for a discount rate on liabilities of 5.3% (2006 - 4.0%) per annum, a rate of return on assets of 5.3% (2006 - 4.0%) per annum and a general rate of salary increase of 2.7% (2006 - 2.9%) 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>2007</u>	<u>2006</u>
Actuarial value of net assets available for benefits	<u>\$ 1,719,074</u>	<u>\$ 1,573,891</u>

The next full actuarial valuation of the Plan will be effective December 31, 2009 and will be completed in 2010.

5. *Interest Rate, Credit and Market Risks*

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 interest bearing 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 56% (2006 - 70%) of its assets invested in fixed income securities as at December 31, 2007. The effective interest rate on the securities is 3% (2006 - 3%). 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, 2007 have a term to maturity in excess of five years.

5. *Interest Rate, Credit and Market Risks (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, 2007, the Plan's maximum credit risk exposure relates to bonds, accrued interest and short-term deposits totalling \$1,410,599. The Plan's concentration of credit risk as at December 31, 2007 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>\$ 964,445</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.

c) 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 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>2007</u>	<u>2006</u>
ASSETS		
Current		
Cash	\$ 628	\$ 322
Accounts receivable (Note 3)	608	671
Prepaid claims (Note 4)	<u>100</u>	<u>100</u>
	<u>\$ 1,336</u>	<u>\$ 1,093</u>
 LIABILITIES		
Current		
Accounts payable (Note 5)	<u>\$ 740</u>	<u>\$ 504</u>
 EQUITY		
Dental Services Plan	441	435
Vision Care Plan	<u>155</u>	<u>154</u>
	<u>596</u>	<u>589</u>
	<u>\$ 1,336</u>	<u>\$ 1,093</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>2007</u>	<u>2006</u>
DENTAL SERVICES PLAN		
Opening balance	\$ 435	\$ 431
Add:		
Contributions - The City of Winnipeg	7,333	7,306
Interest earned	19	13
	<u>7,787</u>	<u>7,750</u>
Deduct:		
Dental claims	7,012	6,981
Administration fees	334	334
	<u>7,346</u>	<u>7,315</u>
Ending balance	<u>\$ 441</u>	<u>\$ 435</u>
VISION CARE PLAN		
Opening balance	\$ 154	\$ 154
Add:		
Contributions - The City of Winnipeg	986	1,026
Interest earned	3	1
	<u>1,143</u>	<u>1,181</u>
Deduct:		
Vision claims	929	965
Administration fees	59	62
	<u>988</u>	<u>1,027</u>
Ending balance	<u>\$ 155</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

December 31, 2007

(in thousands of dollars, except as noted)

1. *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:

	<u>2007</u>	<u>2006</u>
Dental Services Plan	\$ 535	\$ 592
Vision Care Plan	73	79
	<u>\$ 608</u>	<u>\$ 671</u>

4. Prepaid Claims

The prepaid claims represents the amount held by Manitoba Blue Cross for incurred but unreported claims.

5. Accounts Payable

The accounts payable include amounts due to the servicing organization for claims and administration, along with amounts due to The City of Winnipeg as follows:

	<u>2007</u>	<u>2006</u>
Dental Services Plan - Claims	\$ 511	\$ 280
Prepaid claims - Due to City of Winnipeg	100	100
Vision Care Plan - Claims	68	74
Due to City of Winnipeg	33	18
Dental Care Plan - administration	24	27
Vision Care Plan - administration	4	5
	<u>\$ 740</u>	<u>\$ 504</u>

THE CITY OF WINNIPEG

TABLE OF FINANCIAL STATISTICS AND SELECTED RATIOS

FIVE-YEAR REVIEW

As at December 31

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

	2007	2006	2005	2004	2003
Population (Statistics Canada)	653,400	649,300	647,400	646,700	642,700
Consolidated debt (1)	\$ 646,148	670,330	613,667	702,675	707,302
Net tax-supported debt (2)	\$ 237,624	287,338	322,617	332,936	347,518
Debt per capita:					
Consolidated (dollars)	\$ 989	1,032	948	1,087	1,101
Net tax-supported (dollars)	\$ 364	443	498	515	541
Non-portioned taxable assessments (millions) (3)	\$ 31,475	30,923	25,772	25,512	25,274
Debt as a % of non-portioned taxable assessments					
Consolidated	2.1%	2.2%	2.4%	2.8%	2.8%
Net tax-supported	0.8%	0.9%	1.3%	1.3%	1.4%
Consolidated revenues (4)	\$ 1,220,814	1,105,533	1,039,124	968,883	961,429
Consolidated debt as a % of consolidated revenues	52.9%	60.6%	59.1%	72.5%	73.6%

Notes:

- (1) Consolidated debt is gross debt outstanding for all municipal purposes - tax-supported, City-owned utilities, special operating agencies, and Winnipeg Enterprises Corporation.
- (2) Net tax-supported debt is gross debt less accumulated sinking funds, less City-owned utilities (except Transit System) net of sinking funds, less special operating agencies and Winnipeg Enterprises 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, investment in government businesses and special operating agencies, but excludes revenues collected on behalf of school authorities. The 2003 - 2004 figures have not been restated to reflect the change in accounting policies concerning tangible capital assets, revenue from contributed assets and government transfers related to tangible capital assets acquisitions, and to record the City's investment in government businesses.

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

STATEMENT OF OUTSTANDING CAPITAL BORROWING AUTHORIZATIONS

As at December 31, 2007

By-Law Number	Minister of Finance/Council Approval	General Municipal Purposes			City-owned Utilities			Special Operating Agencies		Total
		General	Transit System	Waterworks System	Sewage Disposal System	Fleet Management				
6520/94	December 2/94	\$ 7,000,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000	
6774/96	April 16/96	14,801,000	1,144,000	-	-	-	-	-	15,945,000	
6973/97	March 17/97	27,254,138	463,325	-	-	-	-	-	27,717,463	
6976/97	March 17/97	18,213,000	650,000	-	-	-	-	-	18,863,000	
7125/98	January 22/98	-	1,062,000	-	-	-	-	-	1,062,000	
7751/01	March 9/01	14,699,820	770,000	-	-	-	-	-	15,469,820	
183/2004	January 13/05	-	-	-	16,084,000	-	-	-	16,084,000	
72/2006	March 22/06	5,452,000	6,808,000	55,300,000	-	-	-	-	67,560,000	
	March 21/07	-	-	-	-	-	-	14,100,000	14,100,000	
	November 21/07	-	-	-	-	-	-	20,500,000	20,500,000	
32/2007	February 21/07	1,696,000	3,417,000	61,500,000	7,638,000	-	-	-	74,251,000	
		<u>\$ 89,115,958</u>	<u>\$ 14,314,325</u>	<u>\$ 116,800,000</u>	<u>\$ 23,722,000</u>	<u>\$ 34,600,000</u>	<u>\$ 278,552,283</u>			

City 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.

Outstanding Capital Borrowing Authorization at December 31, 2006	\$ 201,333,976
Add:	
By-law 32/2007	
Fleet Management Agency Authorization March 21, 2007	74,251,000
Fleet Management Agency Authorization November 21, 2007	21,500,000
Deduct:	
Debtore By-laws rescinded	(25,532,693)
Royal Bank Loan Facility	(13,500,000)
Outstanding Capital Borrowing Authorization at December 31, 2007	<u>\$ 278,552,283</u>

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

DEBENTURE DEBT ISSUES

As at December 31, 2007

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	\$ 85,500,000
1993-2013	Feb. 11	9.375	6090/93	Royal Bank	Any branch in Canada	90,000,000
1994-2014	Jan. 20	8.000	6300/94	Royal Bank	Any branch in Canada	85,000,000
1995-2015	May 12	9.125	6620/95	Bank of Montreal	Any branch in Canada	88,000,000
1997-2017	Nov. 17	6.250	7000/97	Bank of Montreal	Any branch in Canada	30,000,000
2006-2036	July 17	5.200	183/2004 and 72/2006	Royal Bank	Any branch in Canada	60,000,000
Serial Debt						<u>488,500,000</u>
2003-2013	Jan. 17	4.899	8138/02	Royal Bank	Any branch in Canada	64,143,000
2004-2014	Mar. 24	3.940	86/2003	Royal Bank	Any branch in Canada	34,396,000
Total Debt						<u>\$ 587,039,000</u>

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

SUMMARY OF DEBENTURE DEBT AND SINKING FUND BY PURPOSE

As at December 31, 2007

Description	Debenture Debt		
	Gross	Sinking Fund	Net
Tax-Supported			
General	\$ 335,952,057	\$ 144,746,596	\$ 191,205,461
Unallocated Sinking Fund Surplus	-	1,090,542	(1,090,542)
Total Tax-Supported	335,952,057	145,837,138	190,114,919
Other Funds			
Civic Accommodations	22,887,525	9,062,150	13,825,375
Transit System	25,464,240	12,776,724	12,687,516
Total Tax-Supported and Other Funds	384,303,822	167,676,012	216,627,810
City-Owned Utilities			
Solid Waste Disposal	2,935,000	2,146,864	788,136
Waterworks System	104,500,000	25,089,649	79,410,351
Sewage Disposal System	95,300,178	53,773,215	41,526,963
Total City-Owned Utilities	202,735,178	81,009,728	121,725,450
	<u>\$ 587,039,000</u>	<u>\$ 248,685,740</u>	<u>\$ 338,353,260</u>

Description	2008 Fixed Annual Charges		
	Interest	Principal	Total
Tax-Supported			
	\$ 24,583,199	\$ 18,931,805	\$ 43,515,004
Other Funds			
Civic Accommodations	1,530,452	1,195,206	2,725,658
Transit System	2,092,052	1,199,976	3,292,028
Total Tax-Supported and Other Funds	28,205,703	21,326,987	49,532,690
City-Owned Utilities			
Solid Waste Disposal	284,750	88,762	373,512
Waterworks System	7,060,000	2,329,795	9,389,795
Sewage Disposal System	8,040,020	3,903,327	11,943,347
Total City-Owned Utilities	15,384,770	6,321,884	21,706,654
	<u>\$ 43,590,473</u>	<u>\$ 27,648,871</u>	<u>\$ 71,239,344</u>

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

DEBENTURE DEBT CHANGES DURING 2007

Gross Debt as at January 1, 2007 \$ 619,355,000

Debt Retired During 2007

Tax-Supported Debt:

Streets and Bridge System	\$ 14,883,016		
Land Drainage	4,351,239		
Culture and Recreation	1,060,948		
Parks and Recreation	1,325,172		
Libraries	244,263		
Protection	540,328		
Fire	29,931		
Police	665,823		
Health and Social Development	335,134		
Special Projects	923,938		
Convention Centre	21,394		
Overhead Walkways	15,637		
Core Area Programs	1,358,903		
Land Acquisition	14,573		
North Portage Development	132,690		
Infrastructure - Streets and Bridge	1,362,900		
Infrastructure - Land Drainage	968,715		
Infrastructure - Parks and Recreation	212,685	\$ 28,447,289	

Utilities Debt:

Transit	1,349,197		
Sewage Disposal System	1,241,064		
Civic Accommodations	1,278,450	3,868,711	(32,316,000)

Gross Debt as at December 31, 2007 \$ 587,039,000

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

DEBENTURE DEBT - MATURITY BY YEARS

As at December 31, 2007

<u>Maturity Year</u>	<u>Sinking Fund Debt</u>	<u>Serial and Installment Debt</u>	<u>Total</u>	<u>%</u>
2008	\$ -	\$ 13,706,000	\$ 13,706,000	2.4
2009	135,500,000 (1)	14,378,000	149,878,000	25.5
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	2.8
2013	90,000,000	17,415,000	107,415,000	18.3
2014	85,000,000	5,533,000	90,533,000	15.4
2015	88,000,000	-	88,000,000	15.0
2017	30,000,000	-	30,000,000	5.1
2036	60,000,000	-	60,000,000	10.2
Gross Debt	<u>\$ 488,500,000</u>	<u>\$ 98,539,000</u>	587,039,000	<u>100.0</u>
Less: Sinking Fund Reserve			<u>248,685,740</u>	
Net Debt			<u>\$ 338,353,260</u>	

(1) 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, 2007

Maturity Year	General Tax-Supported	Transit System	Waterworks System	Sewage Disposal System	Solid Waste Disposal	Civic Accommodations	Total
2008	\$ 11,206,214	\$ 549,759	\$ -	\$ 1,302,465	\$ -	\$ 647,562	\$ 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
2036	-	-	60,000,000	-	-	-	60,000,000
	\$ 335,952,057	\$ 25,464,240	\$ 104,500,000	\$ 95,300,178	\$ 2,935,000	\$ 22,887,525	\$ 587,039,000

**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			Utilities (Includes Transit System)			Total
	Principal	Interest	Sub-total	Principal	Interest	Sub-total	
2008	\$ 18,931,805	\$ 24,583,199	\$ 43,515,004	\$ 8,717,066	\$ 19,007,274	\$ 27,724,340	\$ 71,239,344
2009	19,481,960	24,076,245	43,558,205	8,838,910	18,895,219	27,734,129	71,292,334
2010	16,734,894	14,546,960	31,281,854	8,193,107	16,514,296	24,707,403	55,989,257
2011	17,341,594	13,927,065	31,268,659	8,327,407	16,377,167	24,704,574	55,973,233
2012	17,977,000	13,253,665	31,230,665	8,468,000	16,228,167	24,696,167	55,926,832
2013	18,644,389	12,532,951	31,177,340	8,615,611	16,068,582	24,684,193	55,861,533
2014	7,686,219	8,725,314	16,411,533	4,969,949	11,157,563	16,127,512	32,539,045
2015	2,565,990	6,880,014	9,446,004	1,986,558	6,144,986	8,131,544	17,577,548
2016	907,200	1,875,000	2,782,200	984,000	3,120,000	4,104,000	6,886,200
2017	907,200	1,875,000	2,782,200	984,000	3,120,000	4,104,000	6,886,200
2018	-	-	-	984,000	3,120,000	4,104,000	4,104,000
2019-2036	-	-	-	17,712,000	56,160,000	73,872,000	73,872,000
	<u>\$ 121,178,251</u>	<u>\$ 122,275,413</u>	<u>\$ 243,453,664</u>	<u>\$ 78,780,608</u>	<u>\$ 185,913,254</u>	<u>\$ 264,693,862</u>	<u>\$ 508,147,526</u>

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
STREETS AND BRIDGE SYSTEM								
(street improvements, street lighting, bridges and underpasses)								
7368/99	\$ 25,364,600	Feb. 2, 1999-2009	CAN	5.000	5.350	\$ 1,357,006	\$ 767,091	\$ 7,658,175
5286/89	28,210,000	Dec. 14, 1989-2009	CAN	5.000	10.000	2,821,000	853,143	24,056,851
8138/02	24,230,973	Jan. 17, 2003-2013	CAN	Serial	5.350	1,062,010	3,540,035	-
6090/93	14,067,475	Feb. 11, 1993-2013	CAN	5.000	9.375	1,318,826	425,437	8,706,907
6300/94	11,509,146	Jan. 20, 1994-2014	CAN	5.000	8.000	920,732	348,066	6,456,667
86/2003	15,319,503	Mar. 24, 2004-2014	CAN	Serial	4.600	575,293	1,930,749	-
6620/95	22,633,969	May 12, 1995-2015	CAN	5.000	9.125	2,065,350	684,510	11,243,187
7000/97	20,700,000	Nov. 17, 1997-2017	CAN	5.000	6.250	1,293,750	625,968	7,920,814
	<u>162,035,666</u>					<u>11,413,967</u>	<u>9,174,999</u>	<u>66,042,601</u>

LAND DRAINAGE

(storm water relief sewers, drainage sewers and flood control)

7368/99	1,535,000	Feb. 2, 1999-2009	CAN	5.000	5.350	82,123	46,422	463,453
5286/89	7,950,000	Dec. 14, 1989-2009	CAN	5.000	10.000	795,000	240,429	6,779,580
8138/02	6,558,942	Jan. 17, 2003-2013	CAN	Serial	5.350	287,469	958,231	-
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	804,621
6300/94	2,625,312	Jan. 20, 1994-2014	CAN	5.000	8.000	210,025	79,396	1,472,808
86/2003	3,890,506	Mar. 24, 2004-2014	CAN	Serial	4.600	146,100	490,330	-
6620/95	2,251,500	May 12, 1995-2015	CAN	5.000	9.125	205,449	68,091	1,118,409
7000/97	4,900,000	Nov. 17, 1997-2017	CAN	5.000	6.250	306,250	148,176	1,874,975
	<u>31,011,260</u>					<u>2,154,291</u>	<u>2,070,390</u>	<u>12,513,846</u>

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
CULTURE AND RECREATION								
(parks, swimming pools, arenas, golf courses, zoo, libraries, etc.)								
5286/89	10,967,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,096,700	331,670	9,352,410
8138/02	6,741,263	Jan. 17, 2003-2013	CAN	Serial	5.350	295,460	984,868	-
86/2003	1,034,367	Mar. 24, 2004-2014	CAN	Serial	4.600	38,844	130,364	-
	18,742,630					1,431,004	1,446,902	9,352,410
PARKS AND RECREATION								
7368/99	2,739,900	Feb. 2, 1999-2009	CAN	5.000	5.350	146,585	82,862	827,241
6090/93	5,360,525	Feb. 11, 1993-2013	CAN	5.000	9.375	502,549	162,116	3,317,837
6300/94	5,648,659	Jan. 20, 1994-2014	CAN	5.000	8.000	451,893	170,830	3,168,915
86/2003	497,274	Mar. 24, 2004-2014	CAN	Serial	4.600	18,673	62,673	-
6620/95	850,000	May 12, 1995-2015	CAN	5.000	9.125	77,563	25,706	422,229
	15,096,358					1,197,263	504,187	7,736,222
LIBRARIES								
7368/99	376,500	Feb. 2, 1999-2009	CAN	5.000	5.350	20,143	11,386	113,674
6090/93	100,000	Feb. 11, 1993-2013	CAN	5.000	9.375	9,375	3,024	61,894
6300/94	73,040	Jan. 20, 1994-2014	CAN	5.000	8.000	5,843	2,209	40,976
86/2003	200,514	Mar. 24, 2004-2014	CAN	Serial	4.600	7,529	25,272	-
6620/95	10,000	May 12, 1995-2015	CAN	5.000	9.125	913	302	4,967
	760,054					43,803	42,193	221,511

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
PROTECTION (firehalls, police garage and public safety building)								
5286/89	940,000	Dec. 14, 1989-2009	CAN	5.000	10.000	94,000	28,428	801,611
8138/02	3,091,450	Jan. 17, 2003-2013	CAN	Serial	5.350	135,494	451,647	-
86/2003	918,901	Mar. 24, 2004-2014	CAN	Serial	4.600	34,508	115,811	-
	<u>4,950,351</u>					<u>264,002</u>	<u>595,886</u>	<u>801,611</u>
FIRE								
7368/99	403,500	Feb. 2, 1999-2009	CAN	5.000	5.350	21,587	12,203	121,826
6090/93	1,300,000	Feb. 11, 1993-2013	CAN	5.000	9.375	121,875	39,315	804,621
6300/94	13,791	Jan. 20, 1994-2014	CAN	5.000	8.000	1,103	417	7,737
86/2003	247,354	Mar. 24, 2004-2014	CAN	Serial	4.600	9,289	31,175	-
6620/95	2,000	May 12, 1995-2015	CAN	5.000	9.125	183	60	993
7000/97	1,800,000	Nov. 17, 1997-2017	CAN	5.000	6.250	112,500	54,432	688,766
	<u>3,766,645</u>					<u>266,537</u>	<u>137,602</u>	<u>1,623,943</u>
POLICE								
7368/99	2,066,000	Feb. 2, 1999-2009	CAN	5.000	5.350	110,531	62,481	623,774
6090/93	1,600,000	Feb. 11, 1993-2013	CAN	5.000	9.375	150,000	48,388	990,302
6300/94	335,678	Jan. 20, 1994-2014	CAN	5.000	8.000	26,854	10,152	188,316
86/2003	48,124	Mar. 24, 2004-2014	CAN	Serial	4.600	1,806	6,065	-
6620/95	100,000	May 12, 1995-2015	CAN	5.000	9.125	9,125	3,024	49,674
	<u>4,149,802</u>					<u>298,316</u>	<u>130,110</u>	<u>1,852,066</u>

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
HEALTH AND SOCIAL DEVELOPMENT (urban renewal, community health centres and hospital capital grants)								
5286/89	1,030,000	Dec. 14, 1989-2009	CAN	5.000	10.000	103,000	31,150	878,360
8138/02	1,639,865	Jan. 17, 2003-2013	CAN	Serial	5.350	71,873	239,577	-
6090/93	150,000	Feb. 11, 1993-2013	CAN	5.000	9.375	14,063	4,536	92,841
6300/94	12,723	Jan. 20, 1994-2014	CAN	5.000	8.000	1,018	385	7,138
86/2003	888,382	Mar. 24, 2004-2014	CAN	Serial	4.600	33,361	111,965	-
	<u>3,720,970</u>					<u>223,315</u>	<u>387,613</u>	<u>978,339</u>
SPECIAL PROJECTS								
5286/89	4,800,000	Dec. 14, 1989-2009	CAN	5.000	10.000	480,000	145,164	4,093,332
8138/02	2,585,937	Jan. 17, 2003-2013	CAN	Serial	5.350	113,338	377,794	-
6090/93	14,098,000	Feb. 11, 1993-2013	CAN	5.000	9.375	1,321,688	426,360	8,725,800
6300/94	2,267,324	Jan. 20, 1994-2014	CAN	5.000	8.000	181,386	68,570	1,271,976
86/2003	1,032,806	Mar. 24, 2004-2014	CAN	Serial	4.600	38,784	130,167	-
6620/95	667,000	May 12, 1995-2015	CAN	5.000	9.125	60,864	20,172	331,325
	<u>25,451,067</u>					<u>2,196,060</u>	<u>1,168,227</u>	<u>14,422,433</u>
CONVENTION CENTRE								
5286/89	500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	50,000	15,121	426,389
8138/02	154,119	Jan. 17, 2003-2013	CAN	Serial	5.350	6,755	22,516	-
6090/93	225,000	Feb. 11, 1993-2013	CAN	5.000	9.375	21,094	6,805	139,261
6620/95	3,100,000	May 12, 1995-2015	CAN	5.000	9.125	282,875	93,752	1,539,892
	<u>3,979,119</u>					<u>360,724</u>	<u>138,194</u>	<u>2,105,542</u>

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
OVERHEAD WALKWAYS								
86/2003	129,230	Mar. 24, 2004-2014	CAN	Serial	4.600	4,853	16,287	-
CORE AREA PROGRAM								
5286/89	12,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,200,000	362,911	10,233,329
8138/02	6,934,372	Jan. 17, 2003-2013	CAN	Serial	5.350	303,924	1,013,080	-
86/2003	3,275,215	Mar. 24, 2004-2014	CAN	Serial	4.600	122,994	412,782	-
6620/95	235,000	May 12, 1995-2015	CAN	5.000	9.125	21,444	7,107	116,734
7000/97	1,000,000	Nov. 17, 1997-2017	CAN	5.000	6.250	62,500	30,240	382,648
	23,444,587					1,710,862	1,826,120	10,732,711
NORTH PORTAGE DEVELOPMENT								
8138/02	955,880	Jan. 17, 2003-2013	CAN	Serial	5.350	41,895	139,650	-
LAND ACQUISITION								
86/2003	120,438	Mar. 24, 2004-2014	CAN	Serial	4.600	4,523	15,179	-
INFRASTRUCTURE								
7368/99	2,100,000	Feb. 2, 1999-2009	CAN	5.000	5.350	112,350	63,509	634,040
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	12,418,488
	27,100,000					2,393,600	819,574	13,052,528

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
INFRASTRUCTURE - STREETS AND BRIDGE								
7000/97	1,600,000	Nov. 17, 1997-2017	CAN	5.000	6.250	100,000	48,384	612,237
COMMUNITY IMPROVEMENT PROGRAM								
7368/99	1,250,000	Feb. 2, 1999-2009	CAN	5.000	5.350	66,875	37,803	377,405
WINNIPEG DEVELOPMENT AGREEMENT								
7368/99	2,000,000	Feb. 2, 1999-2009	CAN	5.000	5.350	107,000	60,485	603,848
SPECIAL PROJECTS - PARKS AND RECREATION								
7368/99	1,215,000	Feb. 2, 1999-2009	CAN	5.000	5.350	65,003	36,745	366,837
SPECIAL PROJECTS - COMMUNITY SERVICES								
7368/99	428,500	Feb. 2, 1999-2009	CAN	5.000	5.350	22,925	12,959	129,375
SPECIAL PROJECTS - LAND AND DEVELOPMENT								
7368/99	2,367,000	Feb. 2, 1999-2009	CAN	5.000	5.350	126,635	71,584	714,654
SPECIAL PROJECTS - ASSESSMENT								
7368/99	1,582,500	Feb. 2, 1999-2009	CAN	5.000	5.350	84,664	47,859	477,794

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

TAX-SUPPORTED DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
<i>SPECIAL PROJECTS - CORPORATE FINANCE</i>								
7368/99	90,000	Feb. 2, 1999-2009	CAN	5.000	5.350	4,815	2,722	27,173
<i>SPECIAL PROJECTS - BUSINESS LIAISON</i>								
7368/99	5,000	Feb. 2, 1999-2009	CAN	5.000	5.350	267	151	1,510
Tax-Supported Total	335,952,057					24,583,199	18,931,805	144,746,596

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
TRANSIT SYSTEM								
5286/89	3,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	300,000	90,728	2,558,332
8138/02	2,499,032	Jan. 17, 2003-2013	CAN	Serial	5.350	109,529	365,097	-
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	3,094,695
6300/94	6,500,000	Jan. 20, 1994-2014	CAN	5.000	8.000	520,000	196,577	3,646,520
86/2003	1,465,208	Mar. 24, 2004-2014	CAN	Serial	4.600	55,023	184,663	-
6620/95	7,000,000	May 12, 1995-2015	CAN	5.000	9.125	638,750	211,698	3,477,177
	<u>25,464,240</u>					<u>2,092,052</u>	<u>1,199,976</u>	<u>12,776,724</u>
WATERWORKS SYSTEM								
5286/89	1,500,000	Dec. 14, 1989-2009	CAN	5.000	10.000	150,000	45,364	1,279,166
6090/93	5,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	468,750	151,213	3,094,695
6300/94	13,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	1,040,000	393,153	7,293,040
6620/95	25,000,000	May 12, 1995-2015	CAN	5.000	9.125	2,281,250	756,065	12,418,488
183/2004, 72/2006	60,000,000	July 17, 2006-2036	CAN	5.000	5.200	3,120,000	984,000	1,004,260
	<u>104,500,000</u>					<u>7,060,000</u>	<u>2,329,795</u>	<u>25,089,649</u>

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
SEWAGE DISPOSAL SYSTEM								
5286/89	11,000,000	Dec. 14, 1989-2009	CAN	5.000	10.000	1,100,000	332,668	9,380,551
8138/02	6,496,588	Jan. 17, 2003-2013	CAN	Serial	5.350	284,736	949,122	-
6090/93	40,000,000	Feb. 11, 1993-2013	CAN	5.000	9.375	3,750,000	1,209,703	24,757,555
6300/94	35,000,000	Jan. 20, 1994-2014	CAN	5.000	8.000	2,800,000	1,058,491	19,635,109
86/2003	2,803,590	Mar. 24, 2004-2014	CAN	Serial	4.600	105,284	353,343	-
	<u>95,300,178</u>					<u>8,040,020</u>	<u>3,903,327</u>	<u>53,773,215</u>
SOLID WASTE DISPOSAL								
5286/89	1,935,000	Dec. 14, 1989-2009	CAN	5.000	10.000	193,500	58,519	1,650,124
6620/95	1,000,000	May 12, 1995-2015	CAN	5.000	9.125	91,250	30,243	496,740
	<u>2,935,000</u>					<u>284,750</u>	<u>88,762</u>	<u>2,146,864</u>

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

CITY-OWNED UTILITIES DEBENTURE DEBT BY PURPOSE (continued)

As at December 31, 2007

By-law Number	Amount of Debt	Term of Debt	Payable	Interest Rates %		Annual Charges 2008		Sinking Fund Reserve at Dec. 31, 2007
				Sinking Fund	Debt	Interest	Principal	
CIVIC ACCOMMODATIONS								
7368/99	6,476,500	Feb. 2, 1999-2009	CAN	5.000	5.350	346,493	195,866	1,955,409
5286/89	1,668,000	Dec. 14, 1989-2009	CAN	5.000	10.000	166,800	50,445	1,422,433
8138/02	2,254,579	Jan. 17, 2003-2013	CAN	Serial	5.350	98,815	329,384	-
6090/93	1,799,000	Feb. 11, 1993-2013	CAN	5.000	9.375	168,656	54,406	1,113,471
6300/94	8,014,327	Jan. 20, 1994-2014	CAN	5.000	8.000	641,146	242,374	4,496,062
86/2003	2,524,588	Mar. 24, 2004-2014	CAN	Serial	4.600	94,806	318,179	-
6620/95	150,531	May 12, 1995-2015	CAN	5.000	9.125	13,736	4,552	74,775
	22,887,525					1,530,452	1,195,206	9,062,150
Utility Total	251,086,943					19,007,274	8,717,066	102,848,602
Unallocated Sinking Fund Surplus								1,090,542
Grand Total	\$ 587,039,000					\$ 43,590,473	\$ 27,648,871	\$ 248,685,740

Note: With passing of the City of Winnipeg Charter in 2003, the City is no longer required to pass a by-law when it issues debentures.



